

UNIVERSITY OF STRATHCLYDE

DEPARTMENT OF MANAGEMENT SCIENCE

**TOWARDS A CONTEXT-APPROPRIATE PERFORMANCE EVALUATION:
THE CASE OF EFQM-AFFILIATED ORGANISATIONS**

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Abstract

A remarkable number of research are coming to suggest that the approach driving the current human resource (HR) performance evaluation in the organisations with a quality orientation is fundamentally in sharp conflict with total quality management (TQM) requirements. This inconsistency, in turn, impedes the transition to a stable total quality (TQ) environment, or actively encourages regression to the traditional ways. Are human resource management (HRM) departments meeting TQM requirements with a good foundation for measuring HR performance? Are the criteria that organisations traditionally have used in measuring HR performance sufficiently robust that they can still be applied to the TQM-driven organisations? This research project argues that, although some of the characteristics of the current HR performance evaluation continue to be applicable to the quality organisational environments, many are not. The research sketches out a way to think about the differences between TQM and HRM approaches to performance management for organisations with a TQM orientation. To this end, the initial research is built on the findings of the literature available in both areas of quality management and HR performance evaluation in order to establish the context for the following empirical work. Then, the study employed a mixed methodology design consisted of two separate but linked methods: a questionnaire survey and a semi-structured interview survey.

While over half of the organisations surveyed were awarded different quality prizes, and some of them have become popular and feature among the most successful companies in the UK, however, their HR performance evaluation systems continue to focus on the non-TQM measures for assessment of employees' performance rather than the ongoing task of renewing and revisiting these criteria compatible to the organisational context. Such focus may be insufficient as TQM-driven HR performance management expands beyond the traditional approach to HR performance evaluation. Also, as frequently cited in the literature, Deming (1986) established that 95% of variance in the performance is due to system factors. Very few organisations, however, have included such factors as their approach to identifying the variance in the performance. Instead, the survey results found 'management of individual performance' as the most agreed criterion of the performance evaluation systems in place; however, this is entirely opposed to the TQM philosophy. Further, the findings suggest that improvement of employees' performance, customer

care, active involvement of employees, and approaching performance evaluation as a quality management effort are the most generally agreed components of a TQM-driven HR performance evaluation.

Overall, the reality in respect of quality-focused HR performance evaluation is that, for the majority of the organisations surveyed, the experience of HR performance evaluation practices over the last two decades, is more like the performance appraisal that it was many years ago i.e. traditional HR performance evaluation. The findings indicate what Deming has said many years ago that performance evaluation practices – as the third of his seven deadly diseases - are a root cause of quality management problems. Attempts to redesign and administer the current performance evaluation systems in such a ways to resolve this problem have, so far, been unsuccessful. The conclusion, unpalatable though it may be, is that HR performance evaluation in the majority of surveyed TQM-based organisations is locked into a vicious circle of individual performance, control approach, HR dissatisfaction, and a low degree of success for TQM programmes.

These findings suggest resurgence in the value attached to the HR performance evaluation, reflecting the heightened pressures faced by all types of organisations, particularly TQM organisations, in designing an HR performance evaluation congruent with the organisational context in the interest of both the TQM organisation and the employees. A TQM approach to HR performance evaluation, inspired in detail by TQM researchers, slightly appears to be shifting towards a more balanced outlook where all people in any organisational position will be responsible for quality, but that there is still a long way to go.

KEY WORDS: TQM; PERFORMANCE MANAGEMENT (EVALUATION); EMPIRICAL STUDY.

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CHAPTER 1

INTRODUCTION

1. 1 Introduction

This study provides evidence of human resource (HR) performance evaluation practices - as the most surveyed function of human resource management (HRM) - in the context of total quality management (TQM) by documenting those criteria of HR performance evaluation that are most congruent and consistent with quality precepts and assumptions. The consistency between HR performance evaluation criteria and TQM precepts is used as a proxy for employees' positive attitudes towards effective TQM implementation. In a TQM context, Murphy and Cleveland (1991:25-72) argue, the system that is used to appraise performance needs to be congruent with the culture and principles that guide the conduct of the organisation. Unless congruence is retained, anything that is developed is liable to be rejected (see also, Ghorpade *et al.*, 1995:35). Therefore, the current study aims to explain the main difficulties with the topic of HR performance evaluation through the frame of the quality perspective, and to identify those criteria for improving quality-driven HR performance evaluation systems which are congruent with the demands and requirements of a total quality environment as well as customers' (internal and external) needs and expectations.

Two main issues motivate this study. The first is the controversy between the popularity of TQM and the criticisms about TQM's ability in understanding and realising employee's needs and wants, which in turn may be a key factor in high rates of failure that are observed in practice (IPM, 1993). To put it in another way, when the people-based aspects of quality management are misunderstood and their implications misapplied, then TQM can be seen as dysfunctional in that it can detract from people and their job satisfaction. The last two decades have witnessed a remarkable growth in the managerial awareness and applications of TQM. Hendricks and Singhal (1996), for example, provide a thorough synthesis of TQM issues and argue that many organisations are becoming proactive in supporting TQM by giving quality awards to firms that have done an outstanding job in its implementation. But, despite the widespread popularity of TQM, there is considerable scepticism about its value-creation potential. *The TQM Magazine* (Sinclair & Zairi, 1995; Thiagarajan & Zairi, 1997), the *International Journal*

of Quality and Reliability Management (Dale *et al.*, 1997; Eskildson *et al.*, 2001; Sila and Ebrahimpour, 2002; Cox & Dale, 2002), *Total Quality Management* (Wilkinson *et al.*, 1992), *Training for Quality* (Dale *et al.*, 1993), the *International Journal of Production and Inventory Management* (Lewis, 1992), the *Productivity* (Singh, 1985), the *Wall Street Journal* (Fuchsberg, 1993), *Benchmarking for Quality Management and Technology* (Zairi & Youssef, 1995), *International Journal of Operations & Production Management* (Adebanjo & Kehoe, 1999), among others, have featured articles on the most important issues influencing the favourable outcome of the process of TQM implementation. In particular, the case study evidence by Smith *et al.* (1994) shows that “only 20 percent of 100 British companies surveyed believed their quality programmes had achieved tangible results.” Indications from various studies on TQM, however, reveal that high failure rates are by no means universal. In any case, the evidence suggests that lack of success - rather than being due to any inherent flaw in the TQM concept itself - arises partly from the lack of congruence between TQM requirements and other management subsystems (see, for example, Dowerty, 1996). Precisely this issue has also been addressed by Robert E. Cole (1999), a long-term student of the Japanese and American quality movements, in an insightful book titled: ‘*Managing Quality Fads: How American business learned to play the quality game*’ about the various factors supporting and inhibiting organisational learning. Although the lack of consistency between TQM practices and other management subsystems is reported in the academic literature, researchers rarely provide a thorough theoretical guidelines or objective empirical evidence on to support their claims. In particular, any evidence that is provided gives little or no consideration to how much the degree of such (in) consistency affects the successful implementation of TQM programmes. Therefore, if an organisation uses a TQM-based quality management system, this should be reflected in its various management systems. In short, it is not the purpose of this research project to review the topic of the implementation of TQM or the degree of its success or failure in detail, but when deciding exactly how the TQM system should be implemented, consideration must be given to the other organisational systems (e.g., HRM practices) and the way they are intended to change to fit the context of TQM.

This study is thus primarily motivated by the need to set realistic criteria for measuring employee performance (i.e. performance appraisal) to be congruent with quality

management precepts. In this regard, existing empirical research on both quality and HR performance evaluation issues support this view. TQM researchers identified and claimed that success of various TQM practices is positively related to HRM functions (e.g., IPM survey, 1993; Wagner, 1998; Sinclair & Zairi, 1995). As a result, many of recent empirical studies in the HRM literature into the interaction between personnel management issues and quality management have focused on practices, which improve quality performance through other HRM functions. HRM encompasses a variety of functions designed to manage, support, and develop employee working in organisations. HRM is seen, as Randell (1994: 223) points out, “as a holistic process, integrating all the functions of the personnel management into business strategy and planning”. In relation to the link between TQM and HRM, Waldman (1994a) presents a substantial literature review and argues that quality practices in the area of HRM include a systematic and careful approach to recruitment, the use of team-work and group problem solving, egalitarian work structures, commitment to training, performance and reward systems. Perhaps one of the most useful account of current British views and practice on the link between HRM and TQM is the research titled ‘Quality: people management matters’, carried out by Institute of Personnel Management (IPM, 1993) in conjunction with Marchington, Wilkinson, and Dale all based at UMIST Business School. The three sections in the final research report range from a detailed analysis of the quality management literature to what practices and skills are required by HR in order to enhance its role in the development of successful quality initiatives. As Marchington and others demonstrated, “HR participation in TQM programmes is not optional, but it is an essential component if quality management is to reach its full potential” (p.66). Also, some commentators have warned that quality management faces its biggest problem in ‘soft’ areas such as workforce management (see, for example, Wilkinson, 1994). Later Wilkinson (1992) and Wilkinson and others (1998:3) further recognised the importance of HR commitment by saying: “less consideration has been given to the issue of winning employee commitment to the TQM philosophy of continuous improvement”. To a large extent, as they pointed out, this reflects a preoccupation with the so-called ‘hard’ production-oriented aspects of TQM and a relative neglect of human resource considerations which are often referred to as the ‘soft’ factors. These include issues relating to the supervisory styles, compensation / payment systems, employee

involvement and teamworking, employee responses, and the interactions between different managerial functions and organisational culture. In addition, Wilkinson *et al.* (1998) went on to stress the need for a more critical appraisal of TQM, considering much more explicitly the way in which employees perceive it in practice, and taking in questions of 'who gains what' from TQM.

A new report from the authoritative Institute for Employment Studies (IES) claims that many performance evaluation systems are failing both employees and organisations, and having limited impact on business performance (cited in Cummings, 2001). Such outcomes and results have also been observed and discussed by Long (1986), Segall (1989), and Seddon (2001). Consequently, many of recent empirical studies in the HRM literature into the interaction between personnel management issues and quality management have focused on practices which improve quality performance through other HRM functions. Again, it is not the purpose of this research to review the all HRM functions, but when deciding how HR performance evaluation system should be in a TQM-based context, the consideration must also be given to other HRM practices and the way they are going to fit in the new context. Further, to add to the importance of HRM practices in successful implementation of quality management programmes, Fynes (1999) believes that the absence of HRM practices in TQM environment can significantly undermine a quality involvement programme. Accordingly, HR contributions to TQM have been put forward by Marchington *et al.* (IPM, 1993:66) in the following three ways: shaping the strategy of the quality initiative and in developing a quality infrastructure which takes sufficient account of people management issues, supplying operational and technical skills to TQM, and finally, demonstrating commitment to quality and enhance their individual and collective credibility by applying quality principles to their own activities.

Evidence on the compatibility of HR performance appraisal systems with those of TQM criteria in a quality-driven context can shed light on the value of human factor in successful implementation of quality practices. Examining the works of the researchers of the quality movement (e.g., Ishikawa, 1985; Juran, 1989; Deming, 1986), clearly indicate that all of them recognize the importance of employee performance evaluation in a quality-driven context. However, existing empirical evidence linking TQM to performance evaluation is limited. Few studies have attempted to link TQM to

performance evaluation. Ghorpade *et al.* (1995) in a theoretical article based on both TQM and performance appraisal literature suggested several prescriptions for achieving a quality-driven performance appraisal system. Waldman (1994a:31) examines the literature on quality and performance management systems in an attempt to design a performance management system for total quality implementation and summarised this importance this way: “performance management must be compatible with continuous improvement efforts and customer-based TQM strategies”. These studies, however, rarely provide objective data and statistical evidence to support their claims. Nor did they display a thorough awareness of just how difficult it was to bridge the gap between theory and practice in HR performance evaluation in different organisational environments.

No doubt many attempts to integrate TQM requirements into HR performance evaluation were widespread in work organizations in the last two decades and probably reached a pinnacle by Deming (1986). However, as will be discussed later, the legacy of seeking a TQM-driven HR performance evaluation in measuring work performance remained. That is, there is still little thorough theoretical and empirical research conducted in quality management aimed at shedding light on the frequently cited question throughout the literature on HR performance evaluation in quality organizational environments i.e. ‘Have TQM organizations adjusted their HR performance evaluation systems to integrate TQM requirements?’

The current study differs from the aforementioned studies in a number of ways. First, the results of the study will be based on a sample of nearly all TQM organisations registered with Quality Scotland Foundation (QSF). Second, the previous research projects in the field of TQM and employee performance evaluation were basically theoretical with less empirical evidence. No prior study has assembled the data necessary to provide a direct test of the quality-driven HR performance appraisal criteria. In contrast, the current study attempts to identify the most important criteria in a quality-driven context from the perspective of TQM firms that have made significant investment in TQM and are seeking to validate the value of their investments, and of firms that are contemplating the main reasons for TQM failures but are unsure about the way to tackle such problems.

1. 2 Statement of the Problem

Most writers on TQM (e.g., Crosby, 1979; Ishikawa, 1985) agree that its success is dependent on a people orientation, illustrated through initiatives such as teamworking, training and development, employee involvement (EI) and participation. Apart from assumptions that these are essential to the success of TQM, there is little discussion on how the people side of TQM should be developed. Wilkinson *et al.* (1998:4) summarised the gap this way, “both academic and business-led research asserts the importance of human resource issues, they do not go beyond general references to a need for more training, enhanced motivation and changed cultures”. Put it differently, many of these writers, although formally recognising the importance of utilising human resources, largely ignore it in practice. The remaining conclusion of Wilkinson and others is that “TQM has often failed to fulfil its promise, and reports suggest this might be due to a lack of attention to such HRM issues” (p. 4).

In the context of quality management, examining the works of the researchers of the quality movement (see for example, Ishikawa, 1985; Deming, 1986; Juran, 1989), clearly indicate that all of them recognize the importance of HR performance evaluation in a quality-driven context. Employee performance evaluation is clearly one of the most important HRM functions which shows the quality of employees acquired and retained which, in turn, has a direct impact upon productivity and quality. Appraisal systems are, however, variously criticized for failing to achieve both TQM demands and employees’ expectations. In this regard, most advocates of total quality believe that TQM and performance appraisal are incompatible. For them, company managers can choose to promote either of these approaches but not both. They argue that since fundamental TQM requirements contradict the basic elements of performance appraisal, it would be impossible to combine them for the interest of all stakeholders in the organisation. Deming (1986) who has given specific and extensive attention to this issue, for example, holds performance appraisal practices of American industry to be a root cause of its quality problems. Meanwhile, he lists ‘evaluation of performance, merit rating and annual review’ as the third of his ‘seven deadly diseases’. Similarly, Sinclair and Zairi (1995) were trying to give support to an inappropriate performance measurement to be a major cause of failure in the implementation of TQM. Central to Sinclair and Zairi’s (1995) study, sponsored by the European Centre for TQM, is the view that even in

companies assumed to be leaders in both performance measurement and TQM, a significant gap exists between the aspects of performance, which managers perceive as being important to measure, and the actual performance measures used.

However, there are two main reasons that an effective performance evaluation system can boost successful implementation of TQM. First, formal appraisals are required to justify a wide range of human decisions such as pay raises, promotions, demotions, terminations, and selection validation. They are also key to evaluating recruitment results and determining training needs. Second, formal appraisals are required to maintain a competitive edge. In line with these potentially pivotal roles, a recent study of high-performance organisations leads the researchers to identify ‘the practice of employing a value-added performance appraisal process as one of the top ten vehicles for creative competitive advantage’. Further, the organisations in this study clearly stated that an effective HR performance evaluation and review process created focus, a platform for measurement, a vehicle for employee improvement, and a means of linking key outcomes to performance (cited in Longenecker & Fink, 1999:18).

A thorough analysis of the literature on both TQM and performance evaluation indicates that developing an performance evaluation system that accurately reflects employee performance and contribution in quality practices is a difficult task. Needless to say, it is the view of the majority of organisational researchers that no single HR performance evaluation is ideal for all jobs and for all purposes in all organisations. HR performance evaluation systems are not generic or easily passed from one company to another; in Henderson’s (1984: 54) words: “ their design and administration must be tailor-made to match TQM criteria and as a result employee satisfaction” (see also, Boice & Kleiner, 1997).

Thus, in more elaborate language, one of the key questions in a quality-driven context is whether the HR performance evaluation criteria are appropriate for the job in question? Put it in another way, appraising criteria that have little relevance to the quality activities are clearly of no value. Moreover, there is a lack of studies that concentrate on the effectiveness of the employee performance evaluation system in quality-driven context. Neither is there any clear empirical evidence on the main criteria of a TQM-based HR performance evaluation. Although opinions vary on how best to correct the problem, this

study focuses on identifying the key generic criteria of a quality-driven HR performance evaluation. Therefore, improving quality-driven performance appraisal system will, primarily, require identification of the most important criteria of a quality-focused employee performance evaluation, and then altering the very foundations of the evaluation system in the interest of all stakeholders.

Finally, the research findings will provide a new insight into how managers not only cope with apparent mismatches between TQM practices and employee performance evaluation criteria, but also utilise the system to both organisation and employees' advantages.

1.3 Research Questions

The present study examines the effectiveness of performance evaluation systems in the context of quality management. More specifically, the following research questions, which emerged from the literature, guide this study:

1. How can it be justified that HR performance evaluation, which forms the basis for a wide range of decisions in the organisation, appears in important parts of the TQM literature on the list of things-not-to-do?
2. What, if any, should be the key criteria of a quality-driven HR performance evaluation system?
3. What are the generic criteria of the HR performance evaluation systems that are currently used in organisational environments with a quality orientation?
4. What is the degree of consistency between the systems in current use and the key criteria of a quality-driven system? That is, to what extent, are the currently applied HR performance evaluation criteria in line with TQM demands and expectations?

1.4 Research Objectives

There are five objectives for the current study. The objectives are as follows:

1. Exploring the main reasons for rejecting HR performance evaluation in the context of quality management.
2. Identify the generic criteria of the current HR performance evaluation systems.

3. Identify the key criteria of a quality-driven HR performance evaluation to keep it responsive to the needs and demands of both TQM organisations and employees.
4. Assessing the (in)consistency of the current performance evaluation systems in organisational environments with a quality orientation.
5. Providing recommendations for improving HR performance evaluation systems in quality organisational environments.

1.5 Methodology

The empirical research in this study contains two distinct phases but linked, one quantitative (mail questionnaire survey) and one qualitative (semi-structured interview survey) in nature. The first consideration in determining which research methodology to engage was the nature of the research questions, which were formulated and refined after a comprehensive review of relevant literature pertinent to TQM and performance management.

Previous studies on the link between TQM innovations and HRM practices i.e. HR performance evaluation, have failed to reflect the subject from an empirical point of view. Furthermore, the results of such studies on HR performance evaluation systems in the context of TQM have been inconsistent in relation to the importance of HRM functions in acceptance and successful implementation of TQM programmes (see, Wilkinson *et al.*, 1998; Ghorpade *et al.*, 1995; Scholtes, 1993; IPM, 1993). Therefore, the qualitative phase of this research is motivated, in part, by these inconsistencies in the past research. In other words, it is useful in developing the structure and content of the quantitative study. Thus, the qualitative phase (semi-structured interview) is designed to support for the study questions as well as providing a guideline for designing a TQM-focused employee performance evaluation system. Accordingly, the quantitative study is intended to test TQM and performance evaluation measures identified in the literature as having a potential effect on acceptance and successful implementation of quality programmes.

Methodologically speaking, the trade off between the strengths and weaknesses of each approach - questionnaire survey and interview survey - was considered carefully and a conscious decision taken to employ methodological triangulation. A combination of extensive, generalist quantitative methods with those that were intensive, particular, and

qualitative, as McCracken and Wallace (2000) pointed out, was considered to be taking the best from both worlds.

With regard to the research domain, the membership organisations of Quality Scotland Foundation (QSF) as one of the National Partner Organisations (NPOs) of European Foundation for Quality Management (EFQM) in the UK were taken for subjects. It should be noted that the EFQM Business Excellence Model is by far the most widely used model for self-assessment in Europe (Eskildsen & Nussler, 2000).

1. 6 Research Output

The main findings of this research are:

1. The main problems with HR performance evaluation systems through the frame of quality management and other organisational contexts.
2. The generic criteria of the current HR performance evaluation in TQM-driven organisations.
3. The key criteria of a quality-driven HR performance evaluation in organisational environments with a quality orientation.
4. A guideline for improving the HR performance evaluation in the context of quality management.

1. 7 The Significance of the Study

As mentioned earlier, TQM researchers (see for example, Deming, 1986; Scholtes, 1993) argue that since fundamental TQM requirements contradict the basic elements of performance evaluation, it would be impossible to combine them. However, in a recent study of high performance organisations the practice of employing a value-added performance evaluation process was cited as one of top ten vehicles for creative competitive advantage (cited in Longenecker & Fink, 1999). In a similar study, Shadur *et al.* (1994) found that most large organisations surveyed have some forms of HR performance evaluation and they provided evidence supporting the positive effects of performance evaluation on productivity and quality. Furthermore, Baird and Meshoulam (1988) argued that a firm's HRM activities must fit with each other and support other management programmes if peak organisational performance is to be achieved. Supporting the HR practices and internal fit viewpoints, Arthur (1994) concluded that HR practices focused on enhancing employee commitment, were related to higher

performance. Thus, in this study it is argued that a well-designed HR performance evaluation system that is compatible with TQM context may result in acceptance and successful implementation of quality programmes. In other words, an underlying theme in this research is that firms should create a high degree of internal consistency, or fit, among employee performance evaluation criteria and TQM precepts for acceptance and successful implementation of quality activities.

Results of the research can be of significance to researchers and practitioners in the two fields of TQM and HRM to bridge the gap between practice and research in the area of TQM regarding human factor, carry out similar studies on the TQM and HRM interfaces, to attain acceptance and successful implementation of quality practices, efficient and cost-effective operation and finally, to increase customer satisfaction. In addition, data generated from such studies can have two important beneficial effects. By authorising a research into the effectiveness and acceptance of a performance evaluation scheme in the context of quality management, an organisation can signal how seriously it is taking its application and effects. Second, by combining different research methods i.e. questionnaire survey complemented by interview survey, a manager can be reminded of the main practices, principles, and purposes of both TQM and performance evaluation, and hopefully be encouraged in their proper future application.

1.8 Definition of Terms

The terms used in this study are defined as follows:

Total Quality Management (TQM): total quality is the application of the quality management principles to all aspects of the business.

Quality Programme: this term is intended to refer to any management initiative designed to improve the quality of production, service or management within the organisation.

HR Performance Evaluation System (Performance Appraisal System): These terms are interchangeable and are often used as such throughout this study. Generally, HR performance evaluation or performance appraisal is the process by which an employee's contribution to the organisation during a specified period of time is assessed.

Quality-Driven HR Performance Evaluation: an employee performance evaluation system, which has been adjusted to integrate quality requirements.

1. 9 Limitations of the Study

The study is limited by the following conditions:

- The data were collected through the distribution and collection of a survey and, thus, was limited to responses provided by the respondents i.e. Quality department and or HR department.
- This study was limited to the extent that respondents understood what information was being requested and responses were truthful and factual.
- The study was limited to the extent that meaningful analysis could be made from a response rate which was less than 100%.
- This study was limited to the quality department and HR department of the organizations registered with Quality Scotland Foundation (QSF) as one of the National Partner Organisations (NPOs) of European Foundation For Quality Management (EFQM) in the UK.

1. 10 Organisation of the Remainder of the Study

Chapter 2 provides a review of literature and research related to TQM including different definitions of TQM, evolution and origins of quality management in Japan, the USA, and Europe, quality management gurus, TQM key concepts and practices, quality awards criteria, 'hard' and 'soft' aspects of quality management, TQM implementation, and some fundamental causes of TQM failures. It concludes that lack of sufficient attention to HR functions could be a major reason for the failure of quality management initiatives.

Chapter 3 outlines the HRM functions, some of the distinctive features of HRM, the link between TQM and HRM, and the important role of HR practices to the success of TQM programmes. It explains that HR managers are responsible for recruiting high-quality employees, the continual training and development of those employees, and the creation and maintenance of reward systems. Furthermore, it reports that HR participation is not optional, but it is an essential component if quality management is to reach its full potential.

Chapter 4 presents a review of literature on HR performance evaluation as an integral part to what has been identified as HRM including origins, approaches, definitions, purposes of performance evaluation, difficulties with the traditional performance

evaluation systems, and critical steps for developing an effective performance evaluation system. The chapter also displays a continuing dissatisfaction about the HR performance evaluation issues ranging from subjective measures to ignoring system / situational constraints. What this chapter has shown is the muddle and confusion that still surrounds the theory and practice of HR performance evaluation.

Chapter 5 discusses HR performance evaluation in organizational environments with a quality orientation. It reveals the main difficulties with the topic of HR-related performance evaluation through the frame of the quality perspective, and examines characteristics of performance evaluation system that could maximize the effectiveness of appraisal systems in quality organizational environments. It concludes that HR performance evaluation must match the need and requirements of the organisation and the expectations of employees.

Chapter 6 provides an explanation of the methodology and procedures utilized in conducting this study. In particular, participants and samples, types of questions, and subjects of the research are discussed in detail. Further, the chapter describes how the trade off between the strengths and weaknesses of different research approaches is considered to be taking the best from both research methodologies i.e. quantitative and qualitative.

Chapter 7 & 8 reveal the findings of the data gathered through questionnaire survey as the first stage of the research project. In particular, the results of the questionnaire survey identify the generic criteria of the current HR performance evaluation, and the main criteria of an HR performance evaluation that appear best suited for a quality management context.

Chapter 9 addresses the second stage of the empirical research, semi-structured interview survey, as complementary to the first stage, which allows the issues emerged from the questionnaire survey to be followed, clarified, and developed. In particular, this chapter aims to explore some of the issues surrounding TQM, performance evaluation, and HR performance evaluation in the context of quality management, which because of space and time constraints were not included in the questionnaire.

In the closing chapter (Chapter 10), the researcher tries to summaries the insights and prescriptions from all the survey i.e. literature, questionnaire, and interview. In doing so,

the researcher sketches a picture of the features likely to be found in a state-of-the-art quality-driven HR performance evaluation.

For the purpose of the clarity, Figure 1.1 illustrates the overview of the dissertation.

**TOWARDS THE UNIQUE APPRAISAL CONTEXT
OF TQM-DRIVEN ORGANISATIONS: CASE OF
EFQM-AFFILIATED MEMBERSHIP**

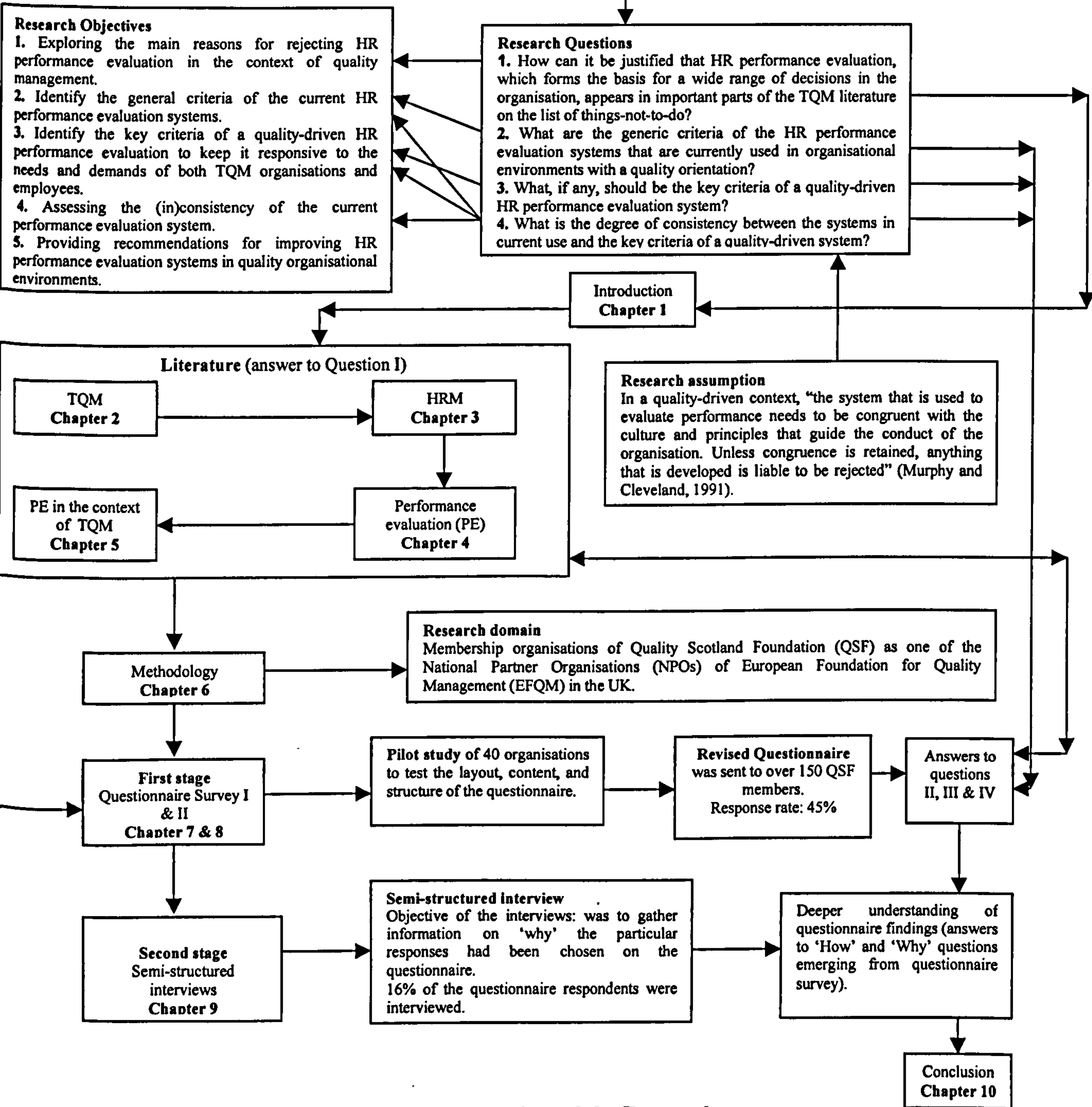


Figure 1.1 Overview of the Research

CHAPTER 2

LITERATURE SURVEY: TOTAL QUALITY MANAGEMENT (TQM)

2.1 INTRODUCTION

This chapter explores different definitions of TQM and outlines the evolution and origins of quality management in Japan, the USA, and Europe. The ideas of the leading 'gurus' of Quality management such as Deming, Crosby, Juran, Taguchi, Feigenbaum, Ishikawa, and Conway are presented. Further, in an attempt to identify and interpret the critical factors and performance measures of quality management, in addition to examining popular perspectives on TQM such as Deming's 14 points, the Juran Trilogy, Crosby's 14 quality steps, Oakland's quality steps, Conway's 6 tools for quality improvement, quality awards criteria such as Deming Application Prize Checklist, European Quality award (EQA), the Malcolm Baldrige National Quality Award (MBNQA), and the Australian Quality Award (AQA) are also discussed. Finally, in an effort to appreciate the essentials of effective TQM implementation and attainment of quality goals of the organisation, different issues of TQM implementation such as factors affecting the implementation stage of TQM, failures and the reason why, and considering TQM from the viewpoint of 'hard' and 'soft' aspects are highlighted.

2.2 Definition of Quality Management / TQM

While many people emphasise the importance of TQM, few can articulate precisely what it is, and what the critical factors and performance measures of TQM are. In fact, quality has proved to be a difficult concept to pin down. What is more surprising is that despite the volume of writing on quality management, there has been only limited attention paid to defining exactly what is meant by the term 'quality'. A crucial point which echoes Reeves and Bednar's (1994) comments about establishing a clear and generally accepted definition of quality management, not least because the lack of a clear definition makes it difficult to evaluate the effects of quality management on business outcomes. Wilkinson and others (1998:7) summarised the reason for such ambiguity this way: "the neglect of defining quality stems from the difficulty in doing so". Further, to appreciate the problem with a

universal definition of quality management, Wilkinson *et al.* (1998:7) borrowed a quote from Garvin (1988:xi): “quality is an unusually slippery concept, easy to visualise and yet exasperatingly difficult to define”.

Therefore, one of the most problematic issues confronting the researcher in quality management is the search for an appropriate definition. From Oakland’s (1998) point of view, although ‘total quality’ is the goal of many organisations, however, it is difficult to find a universally accepted definition of what this actually means. What is obvious is that different authors have given various definitions of TQM. For some researchers TQM means Statistical Process Control (SPC) or quality systems, for others teamwork and involvement of the workforce. Clearly, there are many different views on what constitutes the ‘total quality organisation’ and, even with an understanding of the framework of the TQM, there is still the difficulty of calibrating the performance or progress of any organisation towards it.

Garvin (1984), is one of the first classifications to appear in the literature, captures this ambiguity by differentiating between definitions of quality which are:

- Transcendental: excellence of the highest standard
- Product-based: dependent on the attributes
- User-based: satisfying or exceeding the wants of customers
- Manufacturing-based: conformance to requirements
- Value-based: value for money

In a similar way, Reeves and Bednar suggest a four-way classification of quality definitions that incorporate excellence, value, conformance to specifications and meeting and / or exceeding customer requirements. The diversity inherent in these definitions, as they pointed out, implies that “the quality construct space is so broad and includes so many components that there would be little utility in any model that tried to encompass them all” (1994:441). In search for explanations, they also conclude that “the complexity and multiple perspectives historically associated with the concept have made theoretical and research advances difficult” and ultimately the “search for a universal definition of quality and a statement of a law-like relationships has not been successful” (p.441). There has also been much debate about the search for this high level of ambiguity, as Wilkinson and others (1998:9) display in their work based on theory and practice of TQM. Among these are: ‘difficulty in defining quality’, and ‘the wide variety of activities and practices under

TQM umbrella' as the main issues cause considerable ambiguity in the TQM definition. In this regard, Flynes (1999) in a literature review on quality management practices analyses the strengths and weaknesses of each approach from a research perspective and came to the conclusion that "an essential building block for theory development is an understanding of existing definitions and their appropriateness to a given situation". As Flynes points out, if the meaning of a variable such as quality is subject to a variety of interpretations, it is particularly difficult to formulate propositions describing the relationship with potential explanatory variables. In addressing this problem, Flynn *et al.* (1994) contend that a key issue in theory development is the "articulation of the distinction between quality management practices (input) and quality performance (output), which to date has been blurred under the broad heading of quality" (p.340).

A review of literature on quality management reveals that quality management encompasses a vast spectrum of topics and approaches. Furthermore, a wide variety of approaches to defining quality are evident. Quality has been defined, for example, as being about value (Feigenbaum, 1983), conformance to standards, specifications or requirements (Crosby, 1979), fitness for use (Juran, 1989), as excellence (Peters & Waterman, 1982), meeting or exceeding customer expectations (Parasuraman *et al.*, 1985), and more prosaically as 'delighting the customer' (Peters, 1989), a predictable degree of uniformity and dependability, at low cost and suited to the market (Deming, 1986). In terms of TQM from the viewpoints of quality management gurus, Wilkinson and others (1998:8) argue, "the quality gurus' conception of quality is meeting reliable and consistent standards in line with customer requirements". Others (see, for example, Kanji, 1995) focuses on the employees' involvement and commitment as a prerequisite for achieving quality. In doing so, Kanji (1995), for example, proposes people-based management, including 'teamwork' and 'people make quality', as one of the four principles of TQM (see, for more detail, Kanji & Asher, 1993). In line with the above definitions of quality, Berry (1991) defines the TQM process as a total corporate focus on meeting and exceeding customers' expectations and significantly reducing costs resulting from poor quality by adopting a new management system and corporate culture.

Taking all these approaches to quality into account, Wilkinson *et al.* (1998) argue that each of the approaches has strengths in terms of ‘generalisability’, ‘ease of measurement’ and ‘utility’. Accordingly, Reeves and Bednar (1994) point out that each approach also has its weaknesses. Put it in another way, as the diversity and history of TQM practices and activities reveal getting the definition universal and right is fraught with difficulty and requires great care to include and cover all principles and precepts at the heart of quality management and the commitment and knowledge of the managers and managed who are going to use it. With this in mind, the remainder attempts to provide a working definition of the quality management concept.

Wilkinson and Witcher (1991: 44-45) note that TQM is often seen as a general business management philosophy, which is about the attainment of continuously improving customer satisfaction by quality-led company-wide management. Taking a holistic approach to TQM, the British Quality Association (BQA) presented three but closely linked definitions of TQM. The first definition stresses the ‘soft’ qualitative characteristics involving such themes as:

1. Customer orientation
2. Culture of excellence
3. Removal of performance barriers
4. Teamwork
5. Training
6. Employee participation

From this perspective, as Wilkinson *et al.* (1998) commented, TQM is seen as consistent with open management styles, delegated responsibility and increased autonomy to staff.

The second BQA definition defines TQM in terms of ‘hard’ aspects of quality management practices, as Wilkinson and others (1998) put it: “hard’ production / operations management type of view” (p.14-15). Examples of such issues are: systematic measurement and control of work, setting standards of performance and using statistical procedures to assess quality. Finally, the third definition covers both ‘hard’ and ‘soft’ practices, comprising three features (Wilkinson *et al.*, 1992):

- An obsession with quality
- The need for a scientific approach

- The review that all employees are to be involved in this process

Lakhe and Mohanty (1994:9) explain quality management in a soft mode and view TQM as “a continuous quest for excellence by creating the right skills and attitudes in people to make prevention of defects possible and satisfy customer/users totally at all times”. Oakland (1998) takes a mixture of both hard and soft approaches and depicts TQM as a pyramid representing five distinct components including:

1. Management commitment (apex of the model)
2. Customer-supplier chain
3. Quality systems
4. Statistical process control (SPC) tools
5. Teamwork

As mentioned above, Oakland (1998:2-3) is more influenced by a mixture of both soft and hard aspects of TQM practices and advocates a definition of this mode as follows:

“TQM is an approach to improving the effectiveness and flexibility of business as a whole, meeting customer requirements both external and internal to the organisation. It is essentially a way of organising and involving the whole organisation, every department, every single person at every level”.

Oakland’s definition was described and explained precisely in Wilkinson and others’ book (1998:12) as they pointed out, “the concept of quality chain is central to Oakland’s view of TQM”. Oakland’s concern is that the chain can be broken at any point by one person or piece of equipment not meeting the requirements on the way to the interface with external customers. To tackle this problem, the TQM organisations should focus on internal customer expectations all along the supply chain to the final customer in the market place, as Wilkinson *et al.* (1998:12) call it: “market-in rather than product-out”.

In a similar vein, Lakhe and Mohanty (1994:10) point out that TQM is an integration of various processes characterising the behavioural dynamics of an organisation. For this, an organisation is referred to as a total system (socio-technical), where all the activities carried out are geared towards meeting the requirements of customer with efficiency and effectiveness. Zaire and Simintiras (1991) have propounded this viewpoint by stating: “Total Quality Management is the combination of the socio-technical process towards doing the right things (externally), everything right

(internally) first time and all the time, with economic viability considered at each stage of each process” (quoted by Lakhe & Mohanty, 1994:10).

No doubt many attempts at quality management were devoted to the definition of quality management. As a result, various definitions and approaches have been espoused. However, there is still a crucial debate about the exact nature of TQM. To summarise this account, Wilkinson and others (1998:2-3) were trying to give support and guidelines for an approach to the definition of quality that would help to be defined properly through recognition of a number of common themes as follows:

1. Quality can be defined as ‘fitness for use’, including both quality of design (how a customer’s requirements are translated into a set of specifications) and conformance to the design (how an operation conforms to the specification of the design standard).
2. Quality management emphasises not only the external customer but also the internal customer (i.e. emphasis on the concept of quality chain as central to TQM).
3. Management is charged with ultimate responsibility for quality because 85 percent of failures are reckoned to be the fault of inadequate management systems.

In fact, a review of the literature on quality management practices indicates that the evidence abounds with typical definitions of both hard and soft approaches of quality management. As mentioned earlier, when for any reason there is ambiguity in the definition of TQM, this ambiguity makes the TQM to be misunderstood and as a result its applications will be misapplied then TQM might be seen as dysfunctional in that it can then detract from favourable outcomes for both organisation and employee.

2.3 TQM: Evolution

TQM has evolved from its engineering origins and its primary association with tools and techniques. In the 1980’s it was taken up as a general management philosophy concerned with the attainment of continuous improvement in all processes by all staff. For the most part, however, the principal contributions to the analysis of TQM have come from people in the Production and Operation Management area. As the literature showed, the leading gurus sought to develop seemingly objective means of gaining ‘hard’ information about processes of production and service delivery (Wood, 1994). Given these backgrounds and due to such emphasis on producing a

reliable product, Wilkinson *et al.* (1998:18) comment that quality control has its origins in the mass production of components and in the need to ensure the interchangeability of products made in batches. In particular, the techniques and philosophy of modern quality control are usually seen as deriving from the work of W. A. Shewart, and his colleagues W. Edwards Deming and Joseph Juran. For Zaire (1991), the evolution of quality concepts have evolved from two extremes:

- From control driven to culturally driven
- From controlling-in to managing-in quality

Hansen (1990) has identified two notable milestones in the evolution:

- The transition from one-off manufacture to mass production or the differential piece-rate system
- The transition to the communication-oriented industrial society (electronic data processing)

Similarly, the evolution of TQM is the outcome of four major eras of development, as outlined by Garvin (1988). Garvin illustrates the evolutionary process where quality has moved from an initial stage of inspecting, sorting and correcting standards to an era of developing quality manuals and controlling process performance. The third stage was to develop systems for third-party certification, more comprehensive manuals including areas of organisational other than production, and to use standard techniques such as SPC. The present and fourth era of TQM is primary strategic in nature and is based on continuous improvement as the driving force.

Sink's (1991) review of the TQM literature identifies the primary factors behind the need for TQM as:

- The global economy
- Complex and dynamic technology
- Complex and dynamic resources
- Customer orientation and expectations
- Complex and dynamic task environment
- A shrinking feasible solution space for many critical problems, issues and opportunities

Sink further recognised that TQM has evolved out of the following checkpoints:

1. Selection and management of upstream systems

2. Incoming quality assurance
3. Process quality management and assurance
4. Outgoing quality assurance
5. The proactive assurance that the organisational system is meeting or exceeding customers' needs, specifications, requirements, worths, desires and expectations

To manage quality totally, Sink suggests that organisational systems should successfully manage each of these five checkpoints.

Nessa L'Abbe (1991) emphasises integrity, methodology and humanity as the essential evolutionary features of TQM. Nessa L'Abbe found that integrity relates to a management philosophy that focuses on quality with emphasis on both vertical and horizontal integrity. Moreover, Nessa L'Abbe argues, methodology requires the universal application of scientific methods for the processing of data; and humanity implies that all people are made creative participants through teamwork and quality control circles.

2.4 TQM: Origins

Historically, *TQM's origins* can be traced to 1949, when the Union of Japanese Scientists and Engineers (UJSE) formed a committee of scholars, beginners, and government officials devoted to improving Japanese productivity, and enhancing their post-war quality of their life. Dr W.E. Deming from the United States was invited in 1950 to deliver a lecture on statistical quality control (SQC). Such contribution from UJSE to the application of quality management in Japan was also stressed by Wilkinson *et al.* (1998:22) stating: "the major Japanese innovations in quality control were facilitated by UJSE's role". The years 1946 to 1950 were declared to be the SQC period in Japan. Although this resulted in establishing statistical control techniques and quality control education programmes, top management remained aloof from quality control activities. All this changed in 1954, after Dr. J. M. Juran's lecture on 'Planning and Practice in Quality Control'. The period between 1955 and 1960 was designated the 'years of TQC'. During that period, quality control activities were backed by top management and programmes of company-wide quality control were launched (Lakhe & Mohanty, 1994). Influenced by Deming and Juran, the committee developed a course on statistical quality control for Japanese engineers, followed by extensive statistical training and widespread

dissemination of the Deming philosophy among Japanese manufacturers (Walton, 1986). Wilkinson and others (1998:20) illustrate the particular interest of Japanese industries to quality management for the following three reasons:

1. The long-established Japanese tradition of fine craftsmanship and attention to detail through miniaturisation etc.
2. The emphasis on quantifying variation in quality due to strongly statistical flavour of the early work of Deming and others.
3. Viewing quality as a national 'survival' strategy.

In Japan, according to Powell (1995), TQM produced such managerial innovations as quality circles, equity circles, supplier partnerships, cellular manufacturing, and just-in-time production. Therefore, as quality control programmes became more widely implemented and sophisticated, it became clear that some aspects of the TQM philosophy could also be applied to non-manufacturing functions such as product development, purchasing, and billing, with potential applications in service organisations and nonprofits.

In *the USA*, American firms began to take serious notice of TQM around 1980, when some U.S. policy observers argued that Japanese manufacturing quality had equated or exceeded U.S. standards, and warned that Japanese productivity would soon surpass that of American firms (see, Powell, 1995). More importantly, Grayson and O'Dell (1988) further recognised the place of productivity trends supported these assertions, which in turn led some opinion leaders to predict that Japan and other Asian countries would soon dominate world trade and manufacturing, relegating the U.S. to second-tier economic status. The realisation that quality management and quality control were vital elements in Japan's economic success finally led American industries to focus on quality management and the statistical techniques proposed by quality gurus such as Deming, Feigenbaum, Crosby, and Juran.

In *Europe*, the UK, Germany, France and Italy are some of the countries that have taken a significant interest in adopting TQM. Lascelles and Dale (1988) in the study of UK automotive industries, however, observed that the surveyed companies have a traditional attitude towards quality management. Overall, a review of the literature had developed the point about the European market being a major impetus to TQM implementation across Europe. The focus seems to be changing to quality improvement processes, quality-related training and consideration of the relationship

of the firm to the outside world in pursuing quality. Later, Lakhe and Mohanty (1994) further recognised the adoption of BS 5750 and ISO 9000 as new impetus to the quality movement in those countries, reflected by top management commitment through better investment, rewards and treating everyone in the same way.

Having analysed the literature on TQM Wilkinson *et al.* (1998:17) give a very useful account of the origins of TQM by saying: “there is a danger of assuming that the concern for quality is of recent origin” what they believe is that quality is an “age-old concern”. Having compared the works of different quality gurus and researchers they further recognised that “it was not the West but the Japanese who put the ideas into practice”.

2.5 TQM: Theorists, Key Concepts and Practices

TQM principles and techniques are now a well-accepted part of almost every, as Dow and others (1999:1) describe it “manager’s tool kit”. Powell (1995) follows a very similar line concentrating on adoption of TQM in some form by the majority of large firms and argues that official quality awards are a badge of honour whether a company is operating in Japan, the USA, Europe, or Australia. More explicitly, proponents of TQM maintain that there is a universal set of practices that, if implemented, will lead to high performance (e.g., Deming, 1986; Juran, 1989; Crosby, 1979). Further, these quality gurus whether American or Japanese, have been advising industries throughout the world on how it should manage quality, and it may be useful to consider their approaches, their similarities and differences. The major theorists and gurus in quality management area are: W. A. Shewart, W. Edward Deming, Philip B. Crosby, A. V. Feigenbaum, G. Taguchi, K. Ishikawa, Joseph M. Juran and William E. Conway. Although each theory is unique in the kind of processes and procedures advocated, but as IPM survey (1993) reports, the common thread is the concept of continuous improvement - central to TQM as a never ending process - through commitment and enthusiasm from the workforce at all levels.

There is, however, a great deal of confusion about what TQM actually comprises, and each writer’s version reflects their management background. As Motwani (2001) argues, frameworks for attaining competitive advantages through quality management have been developed via Crosby’s 14 steps, Deming’s 14 prescriptive

points, and Juran's trilogy. The confusion and difficulty with a set of generally accepted TQM precepts and principles has got a very long history going back to 1940s, reported as "an age-old concern" by Wilkinson and others (1998: 17). Although each of these gurus identifies a 'set of key variables' that they claim are essential to achieving superior quality outcomes, Table 2.1 lists the major TQM features prompted by some of the leading theorists of quality management.

Table 2.1 Popular Perspectives on TQM

Deming's 14 Points	The Juran TRILOGY	Crosby's 14 Quality Steps
1.Consistency of purpose	I. Quality Planning	1.Management commitment
2.Adopt the philosophy	-Set goals	2.Quality improvement teams
3.Do not rely on mass inspection	-Identify customers and their needs	3.Quality measurement
4.Do not award business on price	-Develop products and processes	4.Cost of quality evaluation
5.Constant improvement	II. Quality control	5.Quality awareness
6.Training	-Evaluate performance	6.Corrective action
7.Leadership	-Compare to goals and adapt	7. Zero-defects committee
8.Drive out fear	III. Quality improvement	8. Supervisor training
9.Break down barriers	-Establish infrastructure	9. Zero-defects day
10.Eliminate slogans and exhortations	-Identify projects and teams	10.Goal-setting
11.Eliminate quotas	-Provide resources and training	11.Error cause removal
12.Pride of workmanship	-Establish controls	12.Recognition
13.Education and retraining		13.Quality councils
14.Plan of action		14. Do it over again
Oakland's 13 Quality Steps	Conway's 6 Tools for Quality Improvement	
1.Understanding of quality	1. Human relation skills	
2.Commitment to quality	2. Statistical surveys	
3.Policy on quality	3. Simple statistical techniques	
4.Organisation for quality	4. Statistical Process Control	
5.Measurement cost of quality	5. Imagineering	
6.Planning for quality	6. Industrial engineering	
7.Design for quality		
8.System for quality		
9.Control of quality		
10.Teamwork for quality		
11.Capability for quality		
12.Training for quality		
13.Implementation of quality		

Source: Deming (1986); Juran (1989); Crosby (1979); Oakland (1989).

From Garvin's (1986) review of TQM literature, TQM may also be viewed functionally as an integration of two basic functions, i.e. total quality control and quality management. Lakhe and Mohanty (1994) further recognised total quality control as a long-term success strategy for organisations. Lakhe and Mohanty went on to identify the main components of total quality control in great details. As they have concluded, customer satisfaction, employee satisfaction, product quality assurance in all its stages, and continuous improvement and innovation are the main ingredients of total quality control. Moreover, quality management, they argue, is a way of planning, organising, and directing that will facilitate and integrate the capabilities of all employees for continuous improvement of anything and everything in an organisation to attain excellence. The powerful implication of this argument is

that: TQM in an organisation brings all the people together to ensure and improve product-process quality, the work environment and working culture. A typical definition of this mode is that of the third definition of TQM by BQA (see also, Wilkinson *et al.*, 1998).

The aforementioned arguments have been taken up by Zaire (1991) who places his account of TQM approaches in terms of three important aspects of:

1. Continuous improvement
2. Value-added management, and
3. Employee involvement

Similar to the taxonomy used to structure the themes, issues, practices, and trends of quality management by Oakland, Price and Gaskill (1990) have identified three dimensions of TQM including:

1. The product and service dimension
2. The people dimension, and
3. The process dimension

Flynes' (1999) review of empirical studies of quality management practices highlights seven key quality practices including: top management support, process management, product design, workforce management, quality information, supplier involvement and customer involvement. Lakhe and Mohanty (1994), after a detailed study of the literature on TQM, talk in terms of the new management compared with the traditional one. Finally they argue that the TQM approach shifts from traditional to the modern management in the following ways:

1. TQM focuses on customer absolutely, i.e. the firm customer focus brings competitive edge to the organisation.
2. 'Products conquer markets' is the basic edifice of TQM.
3. TQM takes the view that profits follow quality, not the other way around.
4. TQM views total quality as having multi-dimensional attributes.
5. TQM creates goal-directed connections between customers, managers and workers. Everyone is motivated to contribute towards quality. TQM empowers each and every employee, regardless of level, to find better ways to work. Traditional management, in contrast, is monolithic: workers work and managers manage the workers.
6. TQM is process-oriented, as against the traditional result-oriented approach.

7. TQM favours a long span of control, with authority pushed down almost to the lowest level, as against short spans of control and many layers of authority in traditional management cultures. Moreover, accountability for quality is embedded at every level.
8. TQM requires a multiskilled workforce with job rotation, in contrast to the division of labour.

Having agreed with the previous works of others in the field, Lakhe and Mohanty came to the conclusion that “TQM is collectively owned by all people in the organisation and it is everybody’s concern to improve perpetually” (1994:13).

Taken together, the various literature seem to suggest the following elements to be key to the TQM concept:

- Upper management commitment to place quality as a top priority
- Striving continually to improve employee capabilities and work processes
- Involvement of all organisational members in co-operative, team-based effort to achieve quality improvement efforts
- A focus on quality throughout all phases of the design, production and delivery of product/service, i.e. not just the end product
- Attempts to involve external suppliers and customers involved in TQM efforts
- Frequent use of scientific and problem solving techniques, including statistical process control
- The institution of leadership practices oriented towards TQM values and vision
- The development of quality culture

These elements are also congruent with Oakland’s TQM model (1989), and the following definition of TQM taken from Sashkin and Kiser (1991:25): “TQM means that the organisation’s culture is defined by and supports the constant attainment of customer satisfaction through an integrated system of tools, techniques, and training. This involves the continuous improvement of organisational processes, resulting in high quality products and services”.

Similarly, from examination of a range of source material (e.g., books, papers, postgraduate theses, and articles) Zain and others (2001) use the three quality dimensions of: systems, tools and techniques, and people to analyse the contribution of UK writers to the development of the body of knowledge known as total quality

management. Their examination of TQM literature in regard to quality dimensions can be classified into three broad categories:

1. 'People aspect' which includes: leadership, employee involvement, teamwork, training and education, customer (internal and external) focus, ownership and self-management, and recognition and reward.
2. 'Tools and techniques aspect' which includes: cost of quality, tools and techniques, measurement and calibration, statistics, reliability, management by fact, and design by quality.
3. 'Systems aspect' which includes: quality systems, supplier relations, quality for profit, marketing, and system of prevention.

Their study also reveals that papers written by the academic fraternity tend to focus on the systems, and tools and techniques dimensions, whilst the more journalistic papers show a preference for people-related issues. Furthermore, they conclude that the contribution of UK writers presents a rich and broad picture of TQM, however, a truly integrated view is not provided.

Hill and Wilkinson (1995) allow different approaches to quality management to merge and call the output 'TQM' which has been regarded as the "most celebrated form of quality management, in part because it is based on a common set of principles" (Wilkinson *et al.*, 1998:12). As they demonstrated, due to various definitions and approaches of TQM, clear definition of TQM has proved elusive. Finally, Hill and Wilkinson (1995) follow a very similar line, concentrating on the work of quality gurus and researchers and identified the following precepts as the core idea of TQM:

- Customer orientation (i.e. quality means meeting customer requirements, and the orientation of quality management is to satisfy customers)
- Process orientation (i.e. the activities performed within an organisation can be broken down into basic tasks or processes: transformation of inputs into outputs) and
- Continuous improvement (i.e. the most effective means of improvement is to use the people who do the job to identify and implement appropriate changes, and continuous improvement of products and processes)

Admittedly, the literature survey, found little or no disagreement on TQM precepts and assumptions. Further, the most current studies suggest that some new aspects of quality management should be given high priority on TQM agenda. Agreement on

the vital role of soft aspects or people-based issues, for example, has emerged from the most current studies on TQM precepts, however, for major rate of TQM failure and the derive for improved performance either. In Wilkinson's (1994) words, "most work asserts the importance of human factor issues, but does not go beyond general references to a need for training, enhanced motivation and changed cultures (quoted by Wilkinson *et al.*, 1998:4).

2.6 Quality Awards Criteria

There have been many recent developments and there will continue to many more, in the search for a TQM standard or framework against which organisations may be assessed or measure themselves, and carry out the so-called gap analysis (Oakland, 1998). As with all the research demonstrating the importance of benchmarking techniques, to many organisations, Oakland pointed out, the ability to judge their TQM progress against an accepted set of criteria would be most valuable. Given that benchmarking and self-assessment tools are key to quality management approaches, Camp (1989) comments that benchmarking is a continuous process of comparing an organisation's products, services, and processes against those of its toughest competitors or those of organisational renowned as world class or industry leaders. A number of studies have examined the application of benchmarking in different organisations. A 1992 survey of the Fortune 1,000 companies by Thomas, for example, revealed that 65 percent of the respondents used the benchmarking techniques. In a survey of quality organisational context, as Whiting (1991) demonstrated, benchmarking was a key component of the TQM process.

Also, several studies have been conducted to find out the reasons for tendency towards benchmarking techniques and self-assessment tools. Accordingly, a number of factors have been identified to encourage many countries to introduce local, national, or transnational quality awards. Among these, as noted by Ghobadian and Woo (1996), were:

- The importance of 'quality' as a significant contributor to competitive superiority
- The essential contribution of benchmarking and self-assessment techniques to improving performance
- The success of the Deming prize as a catalyst for spreading quality methods in Japan

Additionally, Ghobadian and Woo in addressing the broad aims of these awards identified the following six aims:

1. Increase awareness of the importance of the 'quality of offerings' and interest in 'quality management' because of their important contribution to superior competitiveness
2. Encourage systematic self-assessment against established criteria and market awareness simultaneously
3. Prompt co-operation between organisations on a wide range of non-commercially sensitive issues
4. Stimulate sharing and dissemination of information on successfully deployed quality strategies and on benefits derived from implementing these strategies
5. Promote understanding of the requirements for the attainment of 'quality excellence' and successful deployment of 'quality management'
6. Stimulate organisations to introduce 'quality management' improvement process

The remainder of this section describes briefly the salient features of the major quality awards and attempts to highlight their distinct attributes.

2.6.1 Deming Prize

The Deming Prize was established by the Board of Directors of the Japanese Union of Scientists and Engineers (JUSE) in 1951. Its primary purpose was to spread the quality gospel by recognising performance improvements flowing from the successful implementation of company-wide or total quality control (CWQC or TQC) based on statistical quality control techniques. The Deming Prize is open to both individuals and groups and is presented annually (Ghobadian and Woo, 1996). The core idea of Deming Prize, Oakland (1989) explains, is that the prize is given on the basis of the degree of dissemination, state of application, and future promise in statistical methods of quality control. There are three award categories (UJSE, 1992):

1. The Deming Prize for the individual – this is awarded to individuals who have contributed to the understanding and application of CWQC/TQC
2. The Deming Application Prize
3. The Quality Control Award for Factories

The latter two prizes are awarded for the attainment of distinctive performance improvement through the application of CWQC/TQC and statistical methods. The Deming Application Prize is open to corporations or their subsidiaries. The Quality

Control Award for Factories is only open to manufacturing sites. The Deming Application Prize has a checklist containing ten primary factors. The factors are further divided variously into a minimum of four and a maximum of 11 secondary. Table 2.2 shows the primary factors of Deming Application Prize checklist.

Table 2.2 Deming Application Prize Checklist (Primary Factors)

1. Policies	6. Standardisation
2. Organisation and its operations	7. Control / Management
3. Education and dissemination	8. Quality assurance
4. Information gathering, communication and its utilisation	9. Effects
5. Analysis	10. Future Plans

Source: UJSE (1992).

2.6.2 The Malcolm Baldrige National Quality Award (MBNQA)

The MBNQA (US Department of Commerce and Technology, 1993) has a seven dimensional scheme that examiners use in assessing a company's quality programme. Each of the seven categories is further divided into a number of items. Surveying the literature on TQM and MBNQA, Motwani (2001) concludes that these seven criteria are made up of results-oriented requirements and focus on business results. Therefore, the emphasis in MBNQA is more on achieving customer satisfaction through continuous quality improvement and setting of a standard for business excellence, rather than providing a holistic quality management framework. MBNQA has four basic elements: Driver, system, measures of progress, and goal. Ghobadian and Woo (1996) review evidence on MBNQA and highlight two key assumptions which underpin the model:

1. Top management leadership is the primary driver of the business. Thus, like the European Quality Award (EQA) and Australian Quality Award (AQA), Baldrige recognises the crucial role of the top management in creating the goals, values and systems that guide the pursuit of continuous performance improvement and external orientation.
2. The basic goal of the quality process is the delivery of ever-improving quality and value to customers. The model implicitly assumes that maximising customer satisfaction is one of the most important corporate objectives and that enhanced customer satisfaction translates itself into improved market share and profitability.

The Baldrige model, like the EQA model is strongly prescriptive in terms of underlying philosophies and values. As Ghobadian and Woo (1996) indicated, the model, however, does not prescribe any particular procedures, programmes, methods

or techniques. In the words of Ghobadian and Woo: “It is an audit framework which enables organisations to perform internal self-assessment and identify the areas that need improvements and the values they need to enact in order to attain a culture and operating system capable of attaining continuous improvement and customer satisfaction” (1996:23). Table 2.3 presents the 1992 Malcolm Baldrige National Quality Award Criteria.

Table 2.3 The 1992 Baldrige Award Criteria (1000 points total)

1.0 Leadership (90 points)
1.1 Senior executive
1.2 Management for quality
1.3 Public responsibility
2.0 Information and analysis (80 points)
2.1 Scope and management of quality and performance data
2.2 Competitive comparisons and benchmarks
3.0 Strategic quality planning (60 points)
3.1 Strategic quality and planning process
3.2 Quality and performance plans
4.0 Human resource development and management (150 points)
4.1 Human resource management
4.2 Employee involvement
4.3 employee education and training
4.4 Employee performance and recognition
4.5 Employee well-being and morale
5.0 Management of process quality (140 points)
5.1 Design and introduction of products and services
5.2 Process management-production and delivery
5.3 Process management-business and support
5.4 Supplier quality
5.5 Quality assessment
6.0 Quality and operational results (180 points)
6.1 Product and service quality
6.2 Company operations
6.3 Business process and support services
6.4 Supplier quality
7.0 Customer focus and satisfaction (300 points)
7.1 Customer relationships
7.2 Commitment to customers
7.3 Customer satisfaction determination
7.4 Customer satisfaction results
7.5 Customer satisfaction comparisons
7.6 Future requirements and expectations

Source: US Department of Commerce and Technology (1993).

2.6.3 The European Foundation for Quality Management (EFQM)

The EFQM / Business Excellence Model is a practical tool to help organisations to establish an appropriate management system by measuring where they are on the path to excellence, helping them understand the gaps, and then simulating solutions.

In particular, the objective of the EFQM is to enhance the position of European industry and commerce by strengthening the strategic role of quality in corporations. The EFQM Excellence Model is a non-prescriptive framework based on nine criteria. Five of these are 'Enablers' and four are 'Results'. The 'Enablers' criteria that are: Leadership, Policy and Strategy, People, Partnership and Resources, and Processes, cover what an organisation does. The 'Results' criteria, in turn, consist of: Customer Results, People Results, Society Results, and Key Performance Results, which cover what an organisation achieves. Thus, 'Results' are caused by 'Enablers'. The model's 9 criteria represent the criteria against which to assess an organisation's progress towards excellence (see Table 2.4). In particular, the model consists of 32 sub-criteria. Sub-criteria pose a number of questions that should be considered in the course of an assessment. Finally, each sub-criterion is supplemented by some guidance points. At the heart of the model lies the logic known as RADAR. RADAR consists of four elements: (1) Results, (2) Approach, (3) Deployment, and (4) Assessment and Review.

The EFQM awards two different prizes. The European quality Prize is awarded to applicants which demonstrate excellence in the management of quality and the use of TQM as the basic process for realising continuous improvement. Prize winners must demonstrate that in the past few years their total quality programmes have made a significant contribution to enabling them to meet expectations and satisfy customers, employees and others with an interest in the company. The European Quality Award (EQA), on the other hand, is presented to the most successful exponent of total quality management in Western Europe. The winner of the EQA would have excelled in the European marketplace (see, for further details, EFQM, 1999).

Table 2.4 EFQM/Business Excellence Model

1. Leadership	6. People satisfaction
2. People Management	7. Customer satisfaction
3. Policy and Strategy	8. Impact on society
4. Resources	9. Business results
5. Processes	

Source: EFQM (European Foundation for Quality Management, 1999).

2.6.4 The Australian Quality Award (AQA)

The AQA was established by Enterprise Australia in 1988 to encourage the indigenous companies to improve the quality of their offerings, raise their performance to world-class level, and provide a benchmark for their achievements.

The strategies they chose for the attainment of these objectives is similar to that of the Baldrige Award and Deming prize. The underlying assumption of AQA is that improved quality position will enable the Australian companies to compete more effectively in an ever more competitive and global marketplace. The AQA's evaluation framework has six examination or evaluation categories. Management leadership and customer focus are considered to be the main stimulus in the design of the quality-oriented processes and procedures. Quality is seen as managing the total organisation using quality principles.

The AQA model is based on the premise that quality improvement requires an enlightened and influential leadership which drives the programme forward and nurtures an innovative and creative workforce capable of meeting customers' expectations. An underlying argument is that "to satisfy the external customers the organisations need to ensure that internal customers are satisfied and the workforce is happy and well motivated". Furthermore, the model implies that 'customer focus' in every activity is a necessary condition for achieving improved quality. The AQA's core concepts and framework are similar to that of Baldrige. Like Baldrige, Ghobadian and Woo (1996) points out, business results are not included in the evaluation process (see, for further details, AQA, 1994).

Table 2.5 depicts the six examination categories used to evaluate the Australian Quality award's evaluation framework.

Table 2.5 The Australian Quality Award's Evaluation Framework (AQA)

1. Leadership
 2. Policy and planning
 3. Information and analysis
 4. People
 5. Customer focus
 6. Quality of process / product and service (value to customer and improved organisation and business performance)
-

Source: AQA (Australian Quality Award, 1994).

Some other additional advancement in TQM conceptual development and research was achieved by TQM researchers over last decades. These studies have published empirically validated scales for integrated TQM (Saraph *et al.*, 1989; Flynn *et al.*, 1994; Powell, 1995; Ahire *et al.*, 1996; Black & Porter, 1996; Zeitz *et al.*, 1997). From an extensive examination of the voluminous literature on critical factors and performance measures of TQM (e.g., Saraph *et al.*, 1989; Flynn *et al.*, 1994; Powell,

1995; Ahire *et al.*, 1996; Black & Porter, 1996; Zeitz *et al.*, 1997), Motwani (2001) comes to the conclusion that these studies are more comprehensive in nature and seem to incorporate most of the TQM implementation constructs. The series of studies conducted by the above-mentioned researchers have provided valuable contributions in terms of operationalising quality practices and the development and testing of associated measurement scales. Each of these studies precisely analysed by Motwani, and briefly presented in Table 2.6.

Table 2.6 Comparative List of Critical Factors of TQM Identified in the Six Empirical Studies

Saraph <i>et al.</i> (1989)	Flynn <i>et al.</i> (1994)	Ahire <i>et al.</i> (1996)	Zeitz <i>et al.</i> (1997)	Black and Porter (1996)	Powell (1995)
Top management leadership	Top management support	Top management commitment	Management support	Strategic quality management and corporate quality culture	Executive commitment and adopting philosophy
Quality data and reporting	Quality information	Internal quality information usage	Use of data	Quality improvement measurement system and communication of improvement information	Measurement and zero defects mentality
Process management	Process management			Operational quality planning	Process improvement and flexible manufacturing
Product/service design	Product design	Design quality management		External interface management	
Training	Workforce management	Employee training			Training
Supplier quality management	Supplier involvement	Supplier quality management and supplier performance	Supplier relationships	Supplier partnerships	Closer to suppliers
Role of the quality department	Employee involvement	Employee suggestion			
Employee relations		Employee empowerment	Employee improvements	People and customer management	Employee empowerment
	Customer involvement	Customer focus	Customers	Customer satisfaction orientation	Closer to customer
		SPC usage			
		Benchmarking			Benchmarking
			Supervision		

Source: Motwani (2001); Saraph *et al.* (1989); Flynn *et al.* (1994); Ahire *et al.* (1996); Zeitz *et al.* (1997); Black & Porter (1996); Powell (1995).

Based on the thorough examination of these empirical studies, Motwani (2001) strongly felt that a blending of the six instruments was the best approach to take for the identification of critical factors of TQM. As a result, through a judgmental process of grouping similar requirements and based on extensive survey and synthesis of TQM literature, Motwani offers a set of critical factors / dimensions and more than 45 supporting performance measures of TQM, and concludes that an integrated TQM can be viewed as a composite of the following seven constructs:

1. Top management commitment
2. Quality measurement and benchmarking
3. Process management
4. Product design
5. Employee training and development
6. Supplier quality management
7. Customer involvement and satisfaction

All the above-mentioned factors and constructs span the entire range of activities deemed critical by TQM authors. In sum, one thing that they all have in common is they recognise that there are no short-cuts to quality, no quick fixes, and that improvement requires full commitment and support from the top, extensive training and participation of all employees.

2.7 Perspectives on Quality Practices: 'Hard' and 'Soft' Quality Factors

The quality management literature abounds with different analyses and conclusions that arise from how the quality management is viewed and how it is seen to fit in with all generally accepted precepts and assumptions raised throughout the literature by academia and practitioners. Honeycutt (1993:3), for instance, views TQM "as an umbrella for several fundamental business concepts", but more fundamentally there are two quite different perspectives on TQM (Torrington & Hall, 1998:300):

1. The 'hard' statistical approach, which emphasises measurements of production, proportion of products that does not conform to specification, reasons for this, and resultant changes that are required to prevent future similar problems. This perspective depends heavily on two techniques. The first is statistical quality control (SQC) and the second is statistical process control (SPC).
2. The 'soft' people-based approaches, which emphasise worker empowerment, teamwork, devolved responsibility, open communication, involvement, participation,

skill development and generating commitment to the quality objectives of the organisation.

A typical perspective on TQM practices in this mode is that of Wilkinson and others (1998) who view TQM in two aspects: the so-called 'hard' and 'soft' aspects. The former, Wilkinson *et al.* (1998) argue, reflects the production orientation of the quality 'gurus', whilst the soft side emphasises on the management of human resources in the organisation and lays particular focus on the need to change culture. Reflecting on the model of TQM proposed by Oakland (1998), the review of the literature suggests that the key components that impact on TQM implementation are synergic blend of 'hard' and 'soft' quality factors. Such factors have been thoroughly analysed by Thiagarajan and Zairi (1997) in the article 'a review of total quality management in practice: understanding the fundamentals through examples of best practice applications.' According to Thiagarajan and Zairi, systems and tools and techniques such as those that impact on internal efficiency (e.g. quality management systems, cost of quality and statistical process control), and external effectiveness (e.g. benchmarking and customer satisfaction surveys) are examples of hard quality factors. Soft quality factors are intangible and difficult-to-measure issues and are primarily related to leadership and employee involvement. They also argue that 'soft' quality factors may best be seen as issues discussed under leadership, internal stakeholders, and management policy. In other words, these are issues that impact on maximising organisation-wide support and involvement in attaining the quality goals of an organisation.

Soft aspects of TQM was further analysed by Wilkinson and Witcher's (1992) study illustrating soft quality factors as 'internal marketing' including the following issues:

- Senior executives commitment and involvement, actively demonstrated
- Comprehensive policy development and effective development of goals
- Entire workforce commitment to quality goals of the organisation
- Supervisors, unit heads, and divisional managers assume active new roles
- Empowerment
- Effective communication
- Internal customer supplier concept
- Teamwork
- System for recognition and appreciation of quality efforts

- Training and education

Thiagarajan and Zairi had developed the point about 'soft' elements as being long-term issues, in a 1997 article, something that cannot be, in their words, "switched on and off, and therefore, must be emphasised and addressed accordingly in an organisation's TQM implementation plan" (p.416). While the effective manipulation of the 'soft' factors is essential to the attainment of the quality goals of the organisation, they also emphasise that these factors must be supported by the 'hard' factors to manage, track and improve the journey towards achieving the goals. 'Hard' factors, as they identified, include:

- Benchmarking
- Performance measurement
- Management by fact
- Management by processes
- Self-assessment
- Quality-control tools and techniques
- Cost of quality process and documented quality management system
- Supplier management
- Customer management

Moreover, Pegels (1993) describes 'hard' factors as tactics rather than strategies, and Black (1993) comments that these factors extend the power of TQM in an organisation. Wilkinson and others (1998) devote a chapter of their book titled: *Managing with total quality management: theory and practice* to 'the nature of quality and TQM' and give a detailed account of the quality management practices and principles including 'hard' and 'soft' issues. 'Hard' factors as Wilkinson *et al.*'s (1998:14-15) study report, involves a range of production techniques, including statistical process control, changes in the layout, design processes and procedures of the organisation, and use of the seven basic TQM tools used to interpret data (process flowcharting, tally charts, Pareto analysis, scatter diagrams, histograms, control charts and cause and effect analysis). The design process can also be improved by the new seven tools: the affinity diagram, relationship diagram, tree diagram, matrix chart, matrix data analysis, process decision program chart and arrow diagram (referred to as quality function deployment: QFD). Other techniques include failure

mode, effect and criticality analysis (FMECA), which studies potential failures to determine their effects and is often used at the design stage.

On the other hand, the soft side focuses on the management of human resources in the organisation and lays particular emphasis on the need to change culture. However, they conclude that there is little discussion on how the people side of TQM should be developed, and more precisely, in the words of Wilkinson and others, “largely ignore it in practice” (1998:4). Wilkinson *et al.*’s (1998) review gives the impression of a widening rift in the publications on TQM between the academic and business-led research, with little awareness of the vital role of people-based issues, and the academics who endlessly dissect the minutiae of the soft factors but who display little interest of the practical issues and desired TQM outcomes. To magnify this gap, they (1998:15) borrowed a quote from Hill (1991: 559): “While solutions to the technical issues of designing appropriate systems and procedures are fully specified, there are lacunae in the treatment of the social factors”. Finally, they attempt to integrate both as an integral part of the same model and are very succinct on identifying the determinants of both hard and soft approaches. In short, Wilkinson and others’ argument is thorough and is closely associated with quality management gurus’ notions (see, for example, Juran, 1989).

Obviously, when TQM is seen from a hard perspective, the concentration is on technical quality of the product and the process. Therefore, it is not reasonable to expect a high level of personnel involvement in strategy development. This especially applies in those organisations where TQM has just been applied to the technical manufacturing function. Thus, a critical area, but one that is emphasised is the matching of human resource strategies to TQM. For TQM to be effective it is essential that personnel strategies reinforce the quality message rather than pulling in another direction (Torrington & Hall, 1998). The revised European Foundation for Quality Management (see, EFQM, 1999), and indeed the latest revision of UK Investors in People (see, IiP, 1998, 2002) standard, both placed increased emphasis on the consideration of culture and employee motivation in terms of delivering organisational outcomes. In particular, the EFQM Excellence Model Criteria for ‘people satisfaction’ was enhanced in April 1999 to recognise more comprehensively that ‘people results’ need to address for more than merely an annual measurement of

satisfaction. The importance of employee is precisely reflected in the EFQM/ Business Excellence Model, since two out of nine criteria deal with employee-related issue (i.e. 'people' and 'people results'). Applying quality criteria within the personnel function is not only an essential part of TQM, but also enables the function to act as a role model for the rest of the organisation and understand first hand problems and issues. Further, it gives the function the credibility to carry out implementation activities.

In general, these are pure forms and most organisations will implement some combination of these approaches. Historically, the statistical approach came first and there is a large degree of movement towards the people-based approaches. However, many of the reported problems with TQM have been identified as people problems and indicate a neglect of the people issues (see, Wilkinson *et al.*, 1993). A 1993 IPM survey in the UK, for example, identified that four out of five organisations experiencing people problems centred in implementing quality initiatives. Thus, it is important that all personnel system support quality achievements (Wilkinson *et al.*, 1998). Oakland (1998) was trying to give support to the collective responsibility for TQM commenting: the requirement that quality should be inherent in the system, rather than simply a procedure for checking for faults and defects, shifts the emphasis of control from outside the individual to within, with everyone accountable for their own performance. To sum up, as Wilkinson (1994) demonstrated, whilst all the theorists recognise people as an element in quality management and make at least some reference to human resource issues, however, each takes a different approach to the contribution people make, and places a quite different emphasis on the people management aspects of the system. Deming, Feigenbaum and Ishikawa, for example, all see people as a vital element of successful quality management, whereas Crosby, Juran and Taguchi downplay their role (IPM, 1993).

2.8 TQM Implementation

Surveys consistently show that TQM should be tailored to an organisation's needs, because implementing TQM is a major task, as Wilkinson and others (1998) put it: "TQM is difficult to implement, with many attempts failing in early stages..." (p. 60). In a similar vein, Reavill (1999) provided some verification of this importance by arguing that implementation process must be consistent with the existing culture

for success to be achieved. Among the many quality practitioners who have stated that TQM needs to be tailored to the organisation is Atkinson (1990). Organisations, Atkinson argues, employ different technology and differ in terms of histories, backgrounds, markets, products, and human capital. Consequently, the drive towards continuous improvement has to be handled differently.

Silvestro (2001) further recognised and verified the need to reflect on the danger, which comes in the wake of adopting any generic model of TQM implementation, as he puts it: “The tendency to develop a static and fixed view of TQM principles and management practices which all organisation should strive to implement regardless of their operational context” (p.286). Silvestro’s study to explore the implementation of TQM in different types of service, produced results consistent with the literature and recommends that future models of TQM will consist of not so much in a fixed set of precepts, but in series of strategic and operational choices which service managers can consider in planning their implementation of TQM. Table 2.7 briefly compares the main characteristics of TQM in the past and future.

Table 2.7 The Main Characteristics of TQM: Past and Future

Twentieth century TQM	TQM into the new millennium
TQM as the “holy grail”: a state of excellence to strive towards	TQM as a journey: a process of continuous improvement
Universalist approach to implementation	Contingency sensitive approach to implementation
Prescriptive, evangelical promotion of tools and techniques	Revisionist approach: recognition of the evolutionary nature of best practice
Fixed, static model of TQM	TQM conceptualised as a series of strategic and operational choices
Focus on management control systems to support TQM	Development of the ‘softer’ aspects of implementation, particularly in professional services

Source: Silvestro (2001:286).

Further, Mann and Kehoe (1995) have recognised the link between profile of the organisations and implementation of TQM. In more accurate language, they note that the characteristics of an organisation can even affect the implementation of TQM at different sites within a company. In investigating which characteristics of an organisation affect the implementation of TQM, Mann and Kehoe identified that there were variations in the use of quality activities dependent on the characteristics of organisations. The findings, for example, indicated that companies with a large number of employees were more likely to have implemented TQM. In a similar vein, Rayner and Porter (1991) further identified customer pressure, anticipation of

certification request, additional requirements from potential customers, and the ambition to capture a larger market share as the driving forces towards certification. Moreover, in a review of the current works on TQM implementation, Rayner and Porter summarised most of studies on ISO 9000 implementation in small businesses and have come to the conclusion that the impetus to attain certification comes not from a desire to improve, but from pressure by companies. In a study by Mann and Kehoe (1995) on the factors affecting the implementation stage of TQM, they provide some useful insights into the issue of TQM implementation and have come up with 24 secondary quality critical organisational characteristics (QCOCs) as affecting the implementation of TQM. These were then categorised into seven primary QCOCs for clarity in Table 2.8.

Table 2.8 The QCOCs Affecting the Implementation Stage of TQM

Primary QCOCs	Secondary QCOCs
1. Process factors	Method of manufacturing
2. Type of employees	Skill level
	Level of education
	Length of employment
	Age distribution of employees
	Employees' level of product contact
3. Shared values	Employee's attitude to change
	Business performance
	Organisation's age
	Methods used
	Understanding of quality improvement need
	Salary
	Working conditions
4. Management style	Management board's attitude towards change
	Middle management's attitude towards change
	Junior management's attitude toward change
	Leadership style
	Management planning
	Departmental interaction
5. Organisational structure	Organisational structure description (number of sites)
	Stability of organisational structure
	Geographically integrated
6. Number of employees	Number of employees
7. Industrial relations	Industrial relations

Source: Mann and Kehoe (1995).

Having viewed TQM as a major socio-technical system and an organisation-wide intervention, Lakhe and Mohanty (1994) came to the conclusion that TQM must be approached in a systematic, pragmatic, well-thought-through. In this regard, Sink (1991) has suggested the following approach to design, development and implementation of TQM in the form of nine stages (including stage 0):

Stage 0: Understanding of the organisational system

Stage 1: Developing a strategic plan for the TQM effort

Stage 2: Planning assumption

Stage 3: Specifying strategic objectives

Stage 4: Specifying tactical objectives

Stage 5: Implementation planning

Stage 6: Project planning

Stage 7: Measurement and evaluation

Stage 8: Evaluation, accountability, follow through, ensuring effective implementation

A thorough analysis of what is required by organisations to successfully implement TQM practices has been set out in an article by Gudim and Meer (1995). Their analysis identified four stages involved in implementing TQM as follows:

1. Diagnosis
2. Management focus on and commitment to quality
3. Cascading of quality process throughout the organisation
4. Evaluation of the new process and relaunch where appropriate

Moreover, each of the above steps, Gudim and Meer emphasise, should be supported by proper tools and techniques. Some of the more important considerations in implementing successful company-wide quality control programmes in Japanese companies, as outlined by Ishikawa (1985), are: top management involvement, emphasis on training and education, a formal organisation of quality, the use of informal quality control circles, giving awards and, above all, lots of patience. Oakland (1989) emphasises that in planning the implementation of TQM the first decision is where to begin and this can be so difficult that many organisations never get started. This has been called TPQ (total quality paralysis). The 13 steps to TQM by Oakland help senior management bring total quality into existence. Despite of the importance of preliminary steps which form the foundation of the whole TQM structure, he believes that too many organisations skip these phases and as a result they will soon lead to insurmountable difficulties and collapse of the edifice. As mentioned earlier, the last step introduced by Oakland to TQM, is implementation of TQM. Other studies (see, for example, Wilkinson *et al.*, 1993, 1994, 1995) emphasised on the following two key issues in the implementation of quality management: First, the allocation of responsibility for quality, and second, quality measurement. With regard to the former, Wilkinson and others (1998) argue that

quality management should be the responsibility of all employees at any level of the organisation rather than a quality-related department. Wilkinson *et al.* (1998:75) also elaborate on the second point by stating “whilst quality management techniques seem to offer benefits to organisations, however, introducing an initiative will not of itself guarantee benefits” (see, for further details, Wilkinson *et al.*, 1998: 71-75).

A brief review of the above-mentioned arguments on TQM literature indicates that the TQM literature has been criticised for being heavily prescriptive in tone, providing implementation guidelines which are universal and insensitive to business culture. As a consequence, some researchers (e.g., McManus, 1994; Silvestro, 2001) have responded to the call for a more contingency sensitive approach to the conceptual development of the TQM literature by suggesting that its implementation does and should vary between different types of service, differentiated on the basis of their volume and variety characteristics. Silvestro (2001), for instance, discusses the differences in implementation of TQM in different types of service process, using a typology, which distinguishes between services positioned along the continual of volume and variety. To do this, Silvestro conducted a case-study-based analysis of the implementation of six core TQM precepts (i.e. customer orientation, leadership, empowerment, continuous improvement, elimination of waste, and quality measurement) to explore differences in implementation between professional (low volume, customised) services, mass (high volume, standardised) services and service shops (positioned midway on the continua). The study revealed some significant differences in the maturity of TQM implementation in the different types of service. The results suggest that mass services are conducive to the implementation of quality management, SPC and preventative approaches to quality improvement. Professional services, however, are more conducive to the cultural managerial changes associated with TQM. Interestingly, whilst it was hypothesised that TQM practices would be most readily transferable to mass services, the results suggested that service shop was the most conducive environment for TQM implementation. Also, McManus (1994) in a comparative analysis of Japanese quality perspective and the UK quality approach has come up with two critical points - consistent with the aforementioned findings - for successful implementation of TQM:

1. Careful assessment of the factors supporting and hindering TQM in the organisation, and the adaptation of the approach to meet the strengths and needs of the organisation
2. Firm, long-term commitment by top management to quality

Overall, the literature on TQM implementation, then, suggests the following generally agreed criteria for successful implementation of TQM (see, Honeycutt, 1993, Fickler, 1989):

- Top-down managerial commitment, implementation and support of TQM
- Training and support of every member of the organisation to a commitment to 'get the job done right the first time'.
- A management perception of their corporate processes as a holistically interacting system
- A structured and rational method of measuring quality and the process variables associated with quality

The discussion of the outcomes further support for the conclusions emerging from the analysis of the TQM implementations. Significant changes have taken place in quality management initiatives. However, the problem of TQM implementation remained. Thus, without taking into account a list of context-dependent factors similar to those conditions above, TQM merely becomes another panacea, doomed to failure. Otherwise, the bottom line is clear: without a strategy to implement TQM through system, capability and control, the expended effort will lead to frustration.

2.9 TQM Failures: Some Fundamental Causes of Unsatisfactory Results

Many programmes have been undertaken during the past decade to introduce TQM to a wide spectrum of organisations. To find out the logic behind such high enthusiasm towards adoption of quality management approaches, Reavill (1999) has reviewed the related literature on TQM and concluded that the success of early examples in manufacturing industry encouraged its adoption by the service industries, and more recently in the public sector as an outcome of a government policy of introducing private industry concepts. Overall, some programmes are believed by the organisations concerned to have been successful, whilst others have been designated as 'failures'. Although, the general perception was that the vast majority of such implementations of TQM were successful, however, as Reavill

points out, this perception is strengthened by the views of the many consultants who give advice on the subject. Put it in another way, consultants are unlikely to criticise a product they are selling, or publish articles, which throw an unfavourable light on their product. In a similar vein, taking a survey approach among some UK-based organisations - in association with *The TQM Magazine* - Kearney (1992) concluded that only 20 percent of 100 British companies surveyed believed their quality programmes had achieved tangible results. They further recognised that many of TQM programmes were considered 'unsuccessful' by the managements who had instituted them (see also, Smith *et al.*, 1994:75; Wilkinson *et al.*, 1998:65). As discussed earlier, a review of the current academic literature on TQM implementation (see, for example, Lakhe & Mohanty, 1994; Gudim & Meer, 1995) indicates that implementation of TQM is not as easy task as it requires a total change in organisation culture, shifting of responsibility to management, and continuous participation of all in the quality improvement process. The survey data from Lakhe and Mohanty (1994) and Gudim and Meer (1995) identified the roadblocks and major challenges regarding implementation of TQM as:

- Lack of participation of managers
- Overlapping of responsibilities of leadership
- Limited resources
- Fear of change
- Work overloads
- Lack of comprehensive quality improvement education
- Lack of customer orientation
- Lack of clarity in measurement systems
- Lack of a generally accepted and precise definition of TQM components

Similarly, Macdonald (1995) recognises ten principal reasons for disappointment and the major challenges to TQM implementation efforts in organisations as:

- Lack of management commitment
- Lack of vision and planning
- Satisfaction with the quick fix
- Tool-bounded process
- Quality too constraining
- Satisfaction with customer satisfaction
- Culture change versus project approach
- Institutionalised quality management
- Lack of real people involvement
- Lack of real business measurable

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Although TQM is receiving global acceptance and every organisation tries to follow and implement TQM, similar empirical research, however, does indeed reveal a considerable degree of TQM failure due to a variety of factors. Oakland (1989), for instance, asserts that during the introduction of TQM, or several years into its implementation, different types of problems may arise. In this regard, Dale and Lightburn (1992) also report that not all companies are willing to embrace the fundamentals of TQM. Gudim and Meer's (1995) study of Scottish companies revealed that lack of involvement of lower-level employees, inadequacy of before and after explanations given to employees, lack of measurement of TQM benefits, and monitoring of the TQM implementation process were the most important issues influencing the favourable outcome of the process of TQM implementation. In a similar survey by Singh (1985) to assess the status of TQM in India showed that only 39 companies out of 1,000 surveyed are practising TQM to some extent. Singh has strongly reported that these organisations are not able to distinguish between TQM and quality control. Also, Lewis (1992) compared the attitudes of Spanish and American quality assurance managers and concluded that many of the responses of both groups were incompatible with TQM principles. Lewis further recommended managers from both countries to be properly educated in TQM principles.

A far-ranging and thorough study on the evaluation of TQM is by Wilkinson *et al.* (1998:61-87) who place their analysis into both the importance of quality in business strategies and evaluation of TQM. Having compared the findings of the six major European studies on the effectiveness of TQM (i.e. Kearney, 1992; London Business School, 1992; Durham University Business School, 1992; Economist Intelligence Unit, 1992; Bradford, 1992; Institute of Management, 1992/3) with US-based studies (i.e. Conference Board Studies, 1989; General Accounting Office: GAO Study, 1990; Centre for Effective Organisational Surveys, 1993; North-eastern US study, 1995; International quality Study, 1992), the results suggest that quality management has become more widespread in both the UK and the USA. Although the research had demonstrated some evidence of successful implementation with a significant impact on organisational performance, the results were, however, in the words of authors, "disappointing for the proponents of TQM in a large number of cases" (p. 86).

Despite of the above challenges to TQM, Macdonald (1995) notes that all these disappointments can be avoided. The key to lasting success lies right at the start of the journey to continuous improvement. In other words, the effectiveness of the original assessment and the comprehensiveness of the plan to manage the change are the real basis for a successful journey. The key issues from Wilkinson *et al.*'s (1998: 87) viewpoint are, as they put it succinctly: "it much depends on the particular organisation, the approach that management adopts, and the commitment that is shown to its development".

2.10 Quality Management: Universal Orientation versus Contingent Approach

Like other recent management philosophies, quality management provides a set of mutually reinforcing principles, each of which is supported by a set of practices and techniques (Dean & Bowen, 1994), being advocated as universally applicable to organisations and organisational activities (Crosby, 1979; Deming, 1986; Juran, 1986) with virtually no attention to the nature of the uncertainty faced by the organisation. It is, Saylor (1992) argues, a people oriented, management-driven, customer-focused management philosophy using structured, disciplined, operating methodology. Wolford (1991:51) similarly notes that "the concepts and tools of quality management initiates the ability of fundamentally change and improve the processes and quality in one's own organisation". Consequently, many companies - in particular, within the last decade - have now embedded quality management practices to their normal operations, and more and more, these practices are being stripped of their faddish connotations to the point that nowadays it is generally accepted that quality management is here to stay (Sousa & Voss, 2002:91). The concept of competing through the adoption of best (world class) practice in a wide range of areas - consistent with the core features of TQM as universally applicable to organisations and organisational activities - was developed by Hayes and Wheelwright (1984) and widely disseminated by such works as Schonberger's (1986). In search for such tendency towards universalism in the conceptualisation and diffusion of TQM, Voss (1995) argues that the following three main stimuli have brought best practice to greater prominence:

1. The outstanding performance of the Japanese manufacturing industry has led to a continuous focus in the West on identifying, and adopting Japanese manufacturing practices.
2. The growth of business process-based approaches and benchmarking: this has led companies to identify their core practices and processes and to seek out best in class practice; and
3. The emergence of awards such as the MBNQA and the EQA.

TQM advocated as universally applicable to organisations, however, “is in danger of being ‘oversold’, inappropriately implemented, and ineffective” (Sitkin *et al.*, 1994:538). Indeed, Sitkin *et al.* note, this may explain some of the failures of TQM that have received attention in the popular press (e.g., Kearney, 1992; Smith *et al.*, 1994; Wilkinson *et al.*, 1998). Wilkinson *et al.* (1992) succinctly captured this issue based on three case studies and provided four reasons in response to: Why organisations find it difficult to sustain commitment to quality management, as follows:

1. The approach to TQM adopted by these firms departed from the prescriptions of TQM advocates by being ‘bolted on’ to existing activities. There was also a ‘quick fix’ approach rather than a long-term commitment.
2. TQM can lead to conflict between different interest groups within management. Managers are ‘political actors’ not the mere technical resource assumed by the prescriptive literature.
3. The industrial relations implications are often neglected.
4. There is potential contradiction between employee involvement and managerial needs for control.

The universal orientation of quality management, however, has been pointed out as contrasting with the contingent approach of management theory in general (Dean & Bowen, 1994). That is, Sitkin *et al.* (1994:2) point out, when systems are poorly attuned to contextual requirements, a number of problems may ensue. According to contingency perspective, TQM principles and associated practices should be matched appropriately to situational requirements. If not, the potential contributions of TQM could be lost. Furthermore, Sousa and Voss (2001:384) argue, more recent rigorous academic studies have raised doubts as to the universal validity of the whole set of

quality management practices. The existing literature, although sparse, clearly raises the possibility of quality management practices being context dependent. Four studies stand out as the main rigorous and explicit efforts in this area: Benson *et al.* (1991), Sitkin *et al.* (1994), Reed *et al.* (1996), and Sousa and Voss (2001). Sousa and Voss's (2001:400) study, for instance, strongly suggests that process quality management practices are contingent on a plant's manufacturing strategy, and identifies mechanisms between individual process practices, forming an internally coherent quality management practice configuration matching a plant's manufacturing strategy configuration (see also, Maani, 1989; Powell, 1995; Dow *et al.*, 1999; Ahire, 1996). In sum, all these studies have directly or tangentially addressed the influence of context on quality management practice thus lending support for a contingency approach to TQM. As a consequence, this raises the question of whether the disappointment and dissatisfaction with TQM results are due to conceptual flaws in the TQM approach or implementation deficiencies. Most authors (e.g., Atkinson, 1990; Hackman & Wageman, 1995; Wilkinson *et al.*, 1998; Reavill, 1999; Samson & Terziovski, 1999; Silvestro, 2001) recognise the virtues of the broad quality management model and attribute failures to implementation problems (see, for further details, Sousa & Voss, 2001). In short, the overall patterns that emerge from the above review of the literature suggest that (Sitkin *et al.*, 1994:538):

“TQM is not a panacea that can be unthinkingly used, but that it must be implemented with a clear sense of the degree to which the context is characterised by uncertainty, nonroutineness, and / or instability”; or in Wilkinson *et al.*'s (1998:183) view:

“The success or failure of quality management initiatives may have more to do with organisation-specific factors, particularly the extent to which initiatives are implemented in a strategic manner with continuing management commitment, than with sectoral factors”.

2.11 Summary

The purpose of this chapter has been to provide a synoptic picture of TQM including its origins, evolution as well as its key concepts and practices. TQM is seen as an approach to improving the effectiveness and flexibility of business as a whole.

Further, proponents of TQM maintain that there is a universal set of practices that, if implemented, will lead to high performance. To discuss these critical factors and performance measures of TQM in more detail, the ideas and approaches of a small group of American and Japanese quality gurus have been highlighted. It has been concluded that an integrated TQM can be viewed as a composite of following factors: top management commitment, quality measurement and benchmarking, process management, product design, employee training and development, supplier quality management, and customer involvement and satisfaction. Next, in a search for a TQM standard or framework against which organisations may be assessed or measure themselves and carry out the so-called 'gap analysis', the major quality awards criteria have been discussed and compared. Then, since, it is believed that TQM should be tailored to an organisation's needs, a thorough analysis of what is required by organisations to successfully implement TQM practices has also been set out. To this end, 'hard', and 'soft' quality factors have been highlighted. However, having reviewed the literature on TQM implementation, it can be concluded that many quality programmes by the organisations concerned to have been designated as 'failure'. More detailed analysis of the works of TQM gurus such as Crosby (1979) and Ishikawa (1985) by Wilkinson *et al.* (1998) reveals that the success of TQM is dependent on a people orientation. It has become a widely held premise that, Pfeffer (1994) argues, people provide organizations with an important source of sustainable competitive advantage (see also, Mak, 2000); and that the effective management of human capital, not physical capital, may be the ultimate determinant of organizational performance (Reich, 1991). Regrettably, as Wilkinson (1994) demonstrated, quality management faces its biggest problem in 'soft' areas such as workforce management, and there is little discussion on how the people side of the TQM should be developed (see, for further details, Wilkinson *et al.*, 1998; Flynes, 1999).

As a result, an underlying theme in this research is that firms should create a high degree of internal consistency, or fit, between their HR activities and TQM requirements. As Baird and Meshoulam stressed, a firm's HR activities "must fit with and support each other" (1988: 122) if peak organizational performance is to be achieved. A quick review of such HR activities indicates that management decision

on these issues will be made on the outcomes of performance evaluation practices, as Storey (1995) call it, the most surveyed HRM function. However, as mentioned earlier (see, chapter 1), a review of the related literature on the practice of HR performance evaluation indicates that it is variously criticised for failing to meet both TQM requirements and employee expectations. In order to be able to discuss the issue of HR performance evaluation in the context of quality management, first, the next chapter attempts to explore the extent to which TQM and HRM can be integrated in order to attain acceptance and successful implementation of TQM practices, efficient and cost-effective operation and, finally, to increase customer (internal and external) satisfaction. Then, in the following chapters, attention will be paid specifically to the issue of HR performance in the organisational environments with a quality orientation.

CHAPTER 3

LITERATURE SURVEY: HUMAN RESOURCE MANAGEMENT (HRM) IN THE CONTEXT OF TQM

3.1 INTRODUCTION

The focus in this chapter is on HRM which encompasses a variety of functions designed to manage, support and develop employee working in organisations. It begins by outlining some of the distinctive features of personnel management relevant to what has been happening in recent years followed by several definitions of HRM. It then moves on to consider the link that exist between HRM and TQM, and the role of human factor in quality programmes. In order to explain this link, HRM practices grouped into four functional areas including: work organisation, staffing and planning, training and development, and performance evaluation and remuneration. Finally, this chapter summarises the vital role of HRM practices to the success of TQM programmes through integration of HRM and TQM, and as a result presenting a total quality HR paradigm.

3.2 HRM: Origins, Perspectives, and Practices

HRM appears to have its origins in the United States in the 1950s although it did not gain wide recognition until the beginning of the 1980s, and in the UK until the mid to late 1980s (see, for further details, Marchington & Wilkinson, 2002). Beardwell and Holden (1997) in a comprehensive review of the literature identified a number of reasons for its emergence over the last decade, among the most important of which are the major pressures experienced in product markets during the recession of 1980-82, combined with a growing recognition in the US that trade union in collective employment was reaching fewer employees. By the 1980s the US economy was being challenged by overseas competitors, most particularly Japan. As a result, discussion tended to focus on two issues:

1. The productivity of the American workers' compared to the Japanese workers
2. The declining rate of innovation in American industries

From this Fombrun *et al.* (1984) have commented that a work situation free from conflict in which both managers and subordinates worked in unity towards the same goal i.e. the success of the organisation, has created.

In the UK in the 1980s the business climate was partly akin to the US economy. Additionally, Beardwell and Holden's (1997) review of the related literature demonstrated two further important themes in the development of HRM in the UK, generally absent from the US as: (a) the desire of government to reform and reshape the conventional model of industrial relations, which provided a rationale for the development of more employer-oriented policies on the part of management, and (b) poor performance of British management. In their review of the literature on HRM, Beardwell and Holden also set out four broad perspectives for the nature of the HRM phenomenon as follows:

1. HRM as a restatement of existing personnel practice
2. HRM as a new managerial discipline
3. HRM as an individually focused developmental model
4. HRM as a strategic and international function

In more elaborate language, the paradigm seems capable both of describing and explaining the changes in practice and of providing the rationale for elevating HRM in different organisations. There is a suggested key features in a single model, mainly extracted from the works of Jones (1991), Kinsley Lord (1992), and Storey (1992), labelled the 'HRM organisation'. That is precisely expressed by Sisson (1994: 8) in form of four key headings: beliefs and assumptions, managerial role, organisation design, and personnel policies. Describing the logic behind the model, Sisson points out that the model shows three related aspects, which arguably, are new. One is the link between managing human resources and business strategy: it is the state of competition which, in effect, is requiring management to make changes. This is also the position taken by Wilkinson *et al.* (1998:37-8) who recognised the growing recognition of the contribution of HR strategies to organisational goals through a comprehensive review of literature in the field. To appreciate this link, Wilkinson and others borrow a quote from J. W. Walker (1992:2) stating: "The challenge of managing human resources is to ensure that all activities are focused on business needs. All human resource activities should fit together as a system and be aligned with human resource strategies. These strategies, in turn, should be aligned with business strategies". Central to this perspective is the view that, in Wilkinson *et al.*'s (1998:38) words, "human resource is about achieving fit". They argue that there should be fit between the approach to managing people and the organisation's

objectives, whilst the various HR practices themselves, for example on recruitment, development and remuneration, should also fit together as a coherent whole. Further, such theoretical and practical implications of this approach are wide ranging (see, Wilkinson *et al.*, 1998) and have been observed and discussed by, among others, Schuler and Jackson (1987), Arthur (1992), Purcell (1989), Sonnenfeld *et al.* (1992). These findings were further supported by Brian E. Becker, Mark A. Huselid, and Dave Ulrich's (2001) book titled: *The HR Scorecard: Linking People, Strategy, and Performance*, delivering a straightforward way to measure the effects of HR policies on an organization's financial performance.

A second is the key role which senior line managers are expected to play: managing human resource becomes their major activity. A third is the emphasis on the integration of policies and practices with each other as well as with business strategies. Further, there are, Sisson suggests, two fundamental flaws in the thinking associated with the new paradigm, which help to account for this state of affairs:

- It makes a number of unrealistic assumptions, notably about the reality of managers to exercise strategic choice, which ignore the importance of the structures within which this choice is exercised.
- It is extremely ambiguous, i.e. its rhetoric makes it possible to camouflage any number of positions.

Overall, there are many varieties of approaches to HRM, including 'best practice' and 'contingency' models, but it is also conveniently forgotten in most formulations that there are so-called 'hard' and 'soft' versions of HRM. This view has been precisely taken up by Storey (1995). As Storey puts it: "The one [the 'hard' version] emphasises the quantitative, calculative and business-strategic aspects of managing the headcounts resource in as 'rationale' a way as for any other economic factor. By contrast, the 'soft' version traces its roots to the human- relations school: it emphasises communication, motivation and leadership" (1995:8).

Indeed, Sisson has reasonably argued that both versions share key elements of the analysis of the new paradigm (1994:13): "that organisations are under pressure to rethink their approach to managing people; that they are and should be seeking a better fit between their human resource strategies and business strategies; and that they are and should be transforming their practice". Meanwhile, the 'soft' version, which is involved in the above model of HRM organisation, entails a range of

specific policies and practices which are essentially people-centred. The ‘hard’ version admits anything that fits the business strategy. Surely, it might be asserted, it is easy to distinguish between the ‘hard’ and ‘soft’ versions of HRM. Closer inspection suggests that the HRM paradigm must be treated with the greatest caution. Sisson (1994:15), for example, argues that how a number of the words and phrases which have come to be associated with the ‘HRM organisation’ and are increasingly finding their way into the everyday vocabulary of managers, can be used to give a very different impression of what is going on (see Table 3.1). However, it is very different transformation from the one intended by the proponents of the HRM. The conclusion that Sisson came to in contrasting ‘hard’ and ‘soft’ approaches is: “Rhetoric may be the people-based centred approach of the ‘soft’ version: the reality is the cost reduction approach of the ‘hard’ version”.

Table 3.1 The ‘HRM Organisation’-Rhetoric and Reality

Rhetoric	Reality
Customer first	Market forces supreme
Total quality management	Doing more with less
Lean production	Mean production
Flexibility	Management ‘can do’ what it wants
Core and periphery	Reducing the organisations’ commitments
Devolution/delaying	Reducing the number of middle managers
Down-sizing/right-sizing	Redundancy
New working patterns	Part-time instead of full-time jobs
Empowerment	Making someone else takes the risk & responsibility
Training and development	Manipulation
Employability	No employment security
Team-working	Reducing the individual’s discretion
Recognising contribution of the individual	Undermining the trade union and collective bargaining

Source: Sisson (1994:15).

In recent years, since organisations in both the UK and USA have been confronted by Japanese competition and employment procedures, struggled with recession and searched for excellence, so the vocabulary for managing their workforces has tended to change. In particular, ‘personnel management’ has been giving way to ‘HRM’ or recently ‘strategic HRM’. However, managers and academics have recognised the problem of identifying clear differences between personnel management and HRM. Although the majority of the definitions stand out several common themes and similarities about personnel management and HRM are as follows (see, for more detail, Storey, 1995:26):

- Emphasising the importance of integrating personnel/HRM practices with organisational goals
- Vesting personnel/HRM firmly in line management
- Emphasising the importance of individuals and developing their abilities for their own personal satisfaction in order to make their best contribution to organisational success
- Placing the right people into the right jobs as an important means of integrating personnel/HRM practice with organisational goals including individual development

Storey, however, identifies some general differences largely of meaning and emphasis rather than substance between personnel management and HRM as follows (1995:27-28):

1. Many statements about personnel management, in one hand, seem to see it as a management activity which is largely aimed at non-managers. HRM, on the other hand, not only emphasises the importance of employee development, but also focuses particularly on development of 'the management team'.
2. In the personnel management models, line's role is very much an expression of the view that all managers manage people, so all managers in a sense carry out personnel management. In the HRM models, however, HRM is vested in line management as business managers responsible for coordinating and directing all resources in the business unit in pursuit of bottom-line results.
3. The third difference is that most HRM models emphasise the management of the organisation's culture as the central activity for senior management. However, it was not fully integrated with the personnel management models.

Furthermore, these three differences being essentially a more central strategic management task than personnel management in that it is experienced by managers, as the most valued company resource to be managed, it concerns them in the achievement of business goals and it expresses senior management's preferred organisational values.

HRM is an integral part of management, thus changes in this area are closely interrelated. Lipiec (2001), for example, identified the most important aspects of management that touch HR today as: decentralisation, IT development and flexibility. Further, it is predicted that decisions will be decentralised to the lower levels of an organisation in the future, which in turn, will result in the creation of

business units that have a lot of autonomy. According to Lipiec, areas of management that influence HRM are to:

1. Strategic approach to HRM
2. Standardisation
3. Decentralisation of HR concepts
4. New competencies
5. Education and training

A review of the definitions and features of HRM indicates that most of them have several common themes and they assert that ‘human resources policies should be integrated with strategic business planning and used to reinforce an appropriate organisational culture’, and ‘human resources are valuable and valued assets and, with the emphasis on commitment, adaptability and employees as a source of competitive advantage’ (see for further details, Wilkinson *et al.*, 1998). Other studies on the strategic role of HRM (e.g., Kelly & Gennard, 1996, 2001; Buyens & Vos, 2001) have emphasised that the HR function is increasingly seen as one of the key functions in the development and implementation of strategic responses to the increasing competitive pressures such as intensified international competition, slower growth and declining markets. More detailed and precise analysis (e.g., Tyson, 1997) defines strategic HRM as the linking of the HR function with strategic goals and objectives of the organisation in order to improve business performance and develop organisational cultures that foster innovation and flexibility. Similarly, Foster and Whipp (1995) highlight clear changes that give a framework for the activity of HR managers. Among these that constantly affect HRM are: market changes, demographic changes, social changes, and management changes. Such changes, in turn, led Lipiec (2001) to conclude that the previous functional approach of HRM has been substituted for a strategic one, and HR managers will have a holistic view of the organisation. Put it simply, as their roles become more strategic, they must be able to define strategic goals, cooperate with employees to achieve the goals, and be acquainted with the financial aspects of the business. While the more classic term ‘personnel management’ as noted by Legge (1995:3) referred to “the optimal utilisation of human resources in pursuit of organisational goals”, according to Gratton *et al.* (1999), a central feature of the notion of strategic HRM is the creation of a link between the overall strategic aims of the business and the human resource

strategy and implementation. Taking the issue in the context of quality management, Wilkinson and others (1998: 41) present an excellent summary of strategic human resource management and its implications for organisations in the form of two views: “First, the contingency or matching model of HRM which says organisations might choose to implement TQM as part of a quality enhancement strategy, along with the appropriate high-commitment HR strategy. A second view sees the cost-reduction strategy as of decreasing significance, at least in the developed economies, with an attendant towards the high-commitment strategy”. To summarise their argument, Wilkinson *et al.* suggest that the adoption of a high-quality strategy is no longer a matter of choice. Put it in another way, central to Wilkinson and others’ perspective is the notion that: “TQM should be seen as an imperative not an option” (p.41).

3.3 Linkages between TQM and HRM

It has been a fundamental change or transformation in the traditional methods of managing people. Many of management policies and practices, it is argued, are associated with the mass-production methods which have their origins in the system developed most fully by the Ford Motor Company in the period immediately before the First World War. Having analysed the such organisational context, Sisson (1994) has come up with three main features of so-called ‘Fordist’ or ‘Taylorist’ methods and targets including: hierarchy, bureaucracy, and specialisation. Sisson further recognised the reasons why these traditional methods are increasingly said to be dysfunctional relate to: the changing context of business. Sisson also suggests that within the global market, the following two developments are deemed to be especially important (1994:6):

- One is the rise of manufacturers in low labour-cost countries who are able to take advantage of modern technology and challenge the established producer countries
- A second is Japanese companies’ growing dominance of markets in such manufacturing industries as automobiles and electronics. In this case it is not cheap labour which has been critical, but the successful use of ‘lean production’ systems involving new working methods such as ‘just-in-time’, *Kaizen* or continuous improvement, and the direct participation of the workforce.

The conclusion that Sisson came to, as an answer to the problems of traditional management and the changes in the global market, was ‘TQM and HRM’. In more

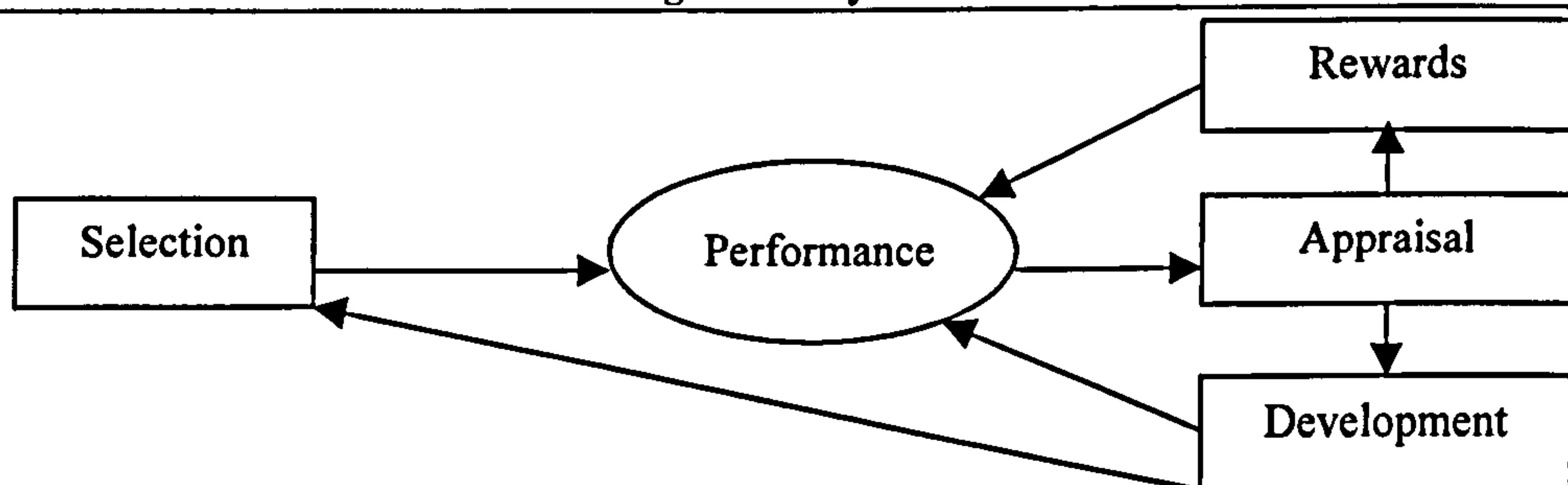
elaborate language, it means switching from mass production to 'flexible organisation'. This, in turn, means getting much closer to the customer to establish his or her desires and introducing TQM designed to achieve continuous improvement, as well as reduction in cost, in product and service. In terms of managing people, the prescription is the 'flexible organisation', the 'empowered organisation' the 'learning organisation', as well as 'HRM'. In spite of this attention to human resources practices, however, a review of the related literature indicates that most debate in HRM centres on the purported goals of its functions. Shamima (1999), through a survey of 298 members of the professional staff of a large state agency in the mid-west, attempted to describes and explores an emerging integrated measure of effectiveness for HRM functions. In Shamima's survey, some of the respondents maintained that HRM should predominantly serve the role of a business partner; meaning that its different functions should aim to provide support to organisational mission achievement i.e. the mission support goals of HRM. Others hold a contrasting view and argue that HRM should predominantly serve the role of an employee advocate thereby prompting and supporting employees' goals and needs achievement i.e. employee support goals of HRM. The contrasting employee advocate view, on the other hand, is shaped by the human relations approach and the recent human resource approach which strongly emphasise the role and the responsibility of organisations in providing opportunities for the fullest development of their human resources. A similar study of the purported goals of HRM functions by Shafritz and Ott (1996:150) reveals that human resource theory draws on a body of research and theory built around the following assumptions:

1. Organisations exist to serve human needs (rather than the reverse)
2. Organisations and people need each other (organisations need ideas, energy, and talent; people need careers, salaries, and work opportunities)
3. When the fit between the individual and the organisation is poor, one or both will suffer: individuals will be exploited, or will seek to exploit the organisations. Or both
4. A good fit between individual and organisation benefits both: human beings fit meaningful and satisfying work, and organisations get human talent and energy that they need.

Supporters of each view obviously criticise the other's position, thereby giving an impression that the pursuit of one set of goals negates achieving the other set. However, as Ellig (1997:91) put it succinctly: "to be optimally effective, the human resource function must be both an employee advocate and a business partner".

HRM encompasses a variety of functions designed to manage, support and develop employee working in organisations. Quality practices in the area of HRM, on the other hand, include: a systematic and careful approach to recruitment, the use of team-work and group problem solving, egalitarian work structures, commitment to training, performance and reward systems (see, for example, Flynn *et al.*, 1994; Waldman, 1994a). Despite of such close link and interaction, some commentators have suggested that quality management faces its biggest problem in 'soft' areas such as workforce management (e.g., Wilkinson, 1994). To add to the vital role of HRM functions in improving TQM, Flynes (1999) asserts that the absence of HRM practices in TQM environments can be a major obstacle to a quality involvement programme. Thus, as proposed by Wilkinson *et al.* (1998: 41), "TQM requires a particular approach to HR strategy if it is to be implemented successfully". Accordingly, while much of the early research in this area concentrated on quality circle, more recent empirical studies in the HRM literature into the interaction between HRM issues and quality management have focused on practices which improve quality performance. Wilkinson *et al.* (1998:41-2), for instance, analysed various elements of HRM that should fit together as coherent whole, using the 'HRM cycle' presented initially by Devanna and others (1984), and then talk in terms of the 'formation of a quality culture' by HRM practices (see, Figure 3.1).

Figure 3.1 The Human Resource Management Cycle



Source: adapted from Devanna *et al.* (1984:41) by Wilkinson *et al.* (1998:42).

Towards a quality culture, as Wilkinson and others explained, the journey begins with staff selection and induction with the purpose of selecting employees with

required qualifications i.e. attitudinal and behavioural features, followed by inducting them into the quality culture. Having selected and acquainted the employees into the organisation, the HRM cycle, then, focuses on the performance through evaluation, remuneration and development. Each of these issues will be discussed in detail in the remainder of the chapter.

As a footnote, it is important to point out that analysing performance evaluation, which is often regarded to be inconsistent with TQM, and is on TQM agenda of things-not-to-do is the central issue to the current research project which will be dealt with in detail through chapter 4 onwards.

In fact, as discussed earlier, TQM as a management system is designed as an integrated, customer-focused approach to improve the quality of an organisation's processes, products and services. Palmer and Saunders' (1992) definition of TQM, for example, is consistent with this argument since they view TQM as a process that emphasises the continuous improvement in the customer-oriented, quality of processes, goods and services. It should be noted that the definition is generic and captures the strategic intent of TQM to focus internally (processes) and externally on the beneficiaries of the organisation, and hence makes some of the more specific relationships that exist between TQM and HRM i.e. various customer groups (see, Saunders & Preston, 1995). Accordingly, Sisson (1994) characterises HRM as a holistic process, integrating all the functions of personnel management into business strategy and planning. Thus, both TQM and HRM, as Sisson points out, are underwritten by an organisation-wide approach. Strategic HRM proponents suggest that individual policies and practices should be linked to overall management strategy (e.g., Guest, 1989). And, the same is true of TQM (see, Deming, 1986). Apparently, the bottom line seems clear: all quality systems strongly support the integration of TQM and HRM practices (see, for example, AQA, 1994; EFQM, 1999). To appreciate such an important link and achieve excellence on the basis of the link between TQM and the role of human factor in quality programmes the following five elements were identified (IDS, 1990; Smyth & Scullion, 1996:2-3):

1. Identifying the customer: One primary element of TQM requires all employees to be aware of their customers i.e. both internal and external and to identify their requirements.

2. **A quality/TQM organisation:** TQM must be organisation-wide, directed and maintained by a structure of quality 'bodies'. This requires the commitment of the chief executive and senior management with the full involvement of all company employees.
3. **Continuous problem-solving activity:** Problem solving is a purposeful technique used as an integral part of any TQM programme that allows people the opportunity to view problems from all angles.
4. **Measurement:** Measuring and monitoring is a continuous process of any TQM programme. Benchmarking is one common method commonly used as a systematic mechanism of evaluating companies recognised as industry leaders. This concept decides business and work processes that represent 'best practices' and establish rational performance goals.
5. **Training:** Training has been identified as the single most significant factor in improving quality (Oakland, 1998). Effective training pursuits must be planned systematically and objectively.

The link between HRM and TQM can also be seen in the model of TQM provided by Saunders and Preston (1995) and in the work of Wilkinson (1994). As they point out, particular strengths of successful TQM organisations are their ability to centralise strategic elements of TQM while still providing the workplaces with sufficient latitude to address the specific needs of their employees. In particular, HRM practices are implicit in attention to internal customers, teams and through training in quality skills. Without compromising this internal focus, TQM also requires that organisational behaviour ultimately serves the interests of its external customers. It should be noted that such external focus, in turn, is akin to the operating paradigm of HRM.

In order to explain the link between HRM and TQM in more detail, in the following section HRM practices, consistent with the 'HRM cycle' presented by Devanna and others (1984) are grouped into four functional areas:

1. Work organisation
2. Staffing and planning
3. Training and development
4. Performance appraisal and remuneration

These four areas, which were covered frequently throughout the literature in the field by other researcher, have been selected in order to focus on the intersection of HRM with elements of TQM.

3.3.1 TQM and Work Organisation

Within HRM there is an increasing emphasis on team-based work organisation and flexible work practices. Although some verification exists to show that human resources practices have lagged behind this movement over the last decades (e.g., O'Neil *et al.*, 1992), however, other recent surveys consistently indicate that organisations ranging in size from large to small businesses are using teams to accomplish work (e.g., Manz & Sims, 1993). Reilly and McGourty's (1998: 245) review of the literature outlined the following three reasons behind embracing the team concept by different organisations: (1) The pressure on businesses to respond to increased competition makes organisations to search for new ways to work more efficiently and effectively. (2) Competitive pressures have also led to wholesale organisational change such as downsizing and flattening of organisations. Smaller, flatter organisations, as Lawler *et al.* (1992) point out, require employees to be more flexible and to play a greater role in deciding how work gets done, self-directed work teams have become increasingly popular. (3) The increasing complexity of many jobs makes it difficult for one person to perform them, leading to the use of teams as the basic work unit. In a similar vein, the 1995 survey conducted by Gross identified the top three reasons for moving to team, consistent with the previous observation, as to:

- Improve customer satisfaction
- Improve products and services, and
- Increase productivity

TQM proponents also value team and flexibility as the preferred way to organise and accomplish work, but focus on workflow analysis and measuring precisely all aspects of the work process (e.g., Juran, 1989). There are close similarities between TQM and HRM regarding work organisation, including how they deal with job analysis, which is needed to redesign jobs. TQM requires that job design serve the purpose of providing long-term benefits to a range of beneficiaries (Saunders & Preston, 1995). Likewise, strategic HRM involves a future orientation to job analysis.

Future, oriented job analysis involves gathering information regarding jobs so that decision makers can be better informed on how work can be arranged in the future. This process is essentially the same as process analysis within TQM. In more accurate language, the aim is to scrutinise job content and work systems to identify where improvements can be made.

Standards-based measuring systems, as Albrecht (1990) reports, place emphasis on job control and standardisation and do not encourage flexibility and loosely-coupled work arrangements (see also, Berggren, 1992), although elements of teamwork and flexibility can be incorporated into the work design through, for example, job rotation within the group and multi-skilling. According to Simmons and others (1995), however, it is not essential that jobs be completely standardised in order for improvements to be made. Put it in another way, the tensions between measurement and control on one hand and flexibility and autonomy on the other hand can be alleviated. To clarify this complexity, Simmons *et al.* (1995) give an example of service-oriented operations. In service sector jobs, they note, there can be flexibility and variation in how jobs are performed, but process analysis can still play an important role. One example is workflow analysis. Careful examination of work processes can reveal that certain tasks or procedures are unnecessary and should be abandoned. This might reduce the workload of employees without removing the flexibility that is present in their work activities. It may even give them greater freedom over their work since less time needs to be spent on unnecessary components of their work (see, for further details, Simmons *et al.*, 1995).

It should be noted that, although the movement to team-based work has been attracting many businesses in recent years, however, in Reilly and Gourty's (1998: 245) words, "it is undeniable that the management of team will be a major issue facing organisations for some time", and so will team performance measurement.

3.3.2 Training and Development

There is a growing appreciation for training, development, and retention of talent as the key to survival (Squires & Adler, 1998). This will be particularly true in any continuous improvement context in which organisations have to anticipate the skill requirements for future work and prepare their workforce, regarded also as an essential to the TQM implementation. Although it is possible to evaluate the extent

to which an employee already has the skills that will be required next year and to take action to ameliorate deficiencies before they affect future performance, however, in the words of Squires and Adler (1998:445) “effective performance in last year’s environment may not be strongly predictive of next year’s performance if the environment changes significantly”. To this end, human resource development plays an important role, through guiding future performance, leverage existing strengths, and address skill deficiencies, in providing employees and managers with sufficient skills to implement TQM successfully.

Advocates of TQM contend that its introduction will increase the role and responsibilities of lower tier employees as problem solvers and decision makers. Also, as Simmons and others (1995) explain, TQM uses data-driven problem analysis as a method for improvement. This is a specific training need for enabling employee participation in the improvement process. To this end, Clinton *et al.* (1994) give a very useful account of dimensions of training and development required by employees in the TQM process in form of three basic issues:

1. Instruction in the philosophy and principles of TQM
2. Specific skills training such as in the use of statistical process control (SPC)
3. Interpersonal skills training to improve team problem-solving abilities

TQM also requires alteration in the required skills of employees and managers, referred to as job rotation in the context of HRM. In the context of teams and greater functional integration, Shadur and Bamber (1994) argue that employees must be provided with a broad base of skills that cover several different jobs. According to Shadur and Bamber, the devolution of authority is placing demands on supervisors and middle managers as they find themselves in the role of facilitator and coach. That is, the transition of this role may place increased stress on mid-level managers. Towards a stress-free context, they also suggest that leadership and management training should be provided to these managers to ease the transition.

It should be noted that TQM organisations will not benefit from advances in learning unless they create a continuous training and development programme congruent with the core idea at the heart of quality management, continuous improvement, that thoughtfully incorporate the quality management precepts and assumptions into HRM cycle, on a daily rather than annual basis, as Wilkinson *et al.* (1998:43) put it: “TQM also has implications for management development, particularly given the

likely impact on management style, with an emphasis on interpersonal skills and leadership,... and in the longer term for career development paths... due to reducing the scope for hierarchical career progression”.

3.3.3 TQM and Recruitment and Selection

HRM's responsibility in implementing TQM should extend beyond the training and development of existing employees. To achieve this, Greene (1991) advocates that HRM must take the lead in attracting, retaining and motivating a high quality workforce. To update HRM practices, Nankervis *et al.* (1992) recognise the place of HRM in a wider organisational context and emphasise on the development of HR plans in the context of the organisational strategy. This aim is to take a strategic view of the future HR needs of the firm across all activities from recruitment to training, career development, succession planning and employee exit. Once the HR plans are in place, staffing policies in relation to recruitment and selection can be developed to ensure they conform with the organisational strategy. Viewing the issue in the frame of quality management, it is clear-cut that human resource planning has an important role in TQM. That is, recruitment and selection must provide the enterprise with employees who understands the goals and values of TQM and can work effectively towards these goals and values. Clinton *et al.* (1994) follow a very similar line explaining that successful recruitment and selection of employees with the proper knowledge, skills, abilities, and attitudes compatible with a TQM philosophy can be a driving force supporting continued programme effectiveness. Having reviewed the related literature on the candidate qualities to target in recruiting and selection, the following issues have emerged:

- Willingness to receive new training and to expand job roles
- To try new ideas and problem solving techniques
- To work patiently in teams within and across departments
- To be enough of a team player to be evaluated and rewarded on a team basis

Additionally, team working is an integral element in the TQM process and exercises to determine how effectively people work in team can ensure that employees are suited to working within a team environment. As Simmons *et al.* (1995) report, in some organisations that are strongly committed to the team concept, team members are given the final say on the recruitment of the members, thus increasing the

possibility of a high-performance team. Some verifications of the issues on the selection of employees with the required attitudinal and behavioural characteristics to fit into the quality culture was provided in a thorough 1998 book titled: *Managing with total quality management: Theory and practice* (Wilkinson *et al.* 1998:41-42), which even discussed issues such as:

- Effective recruitment advertising
- Realistic job previews
- Involving members of the work team in the selection process
- Use of psychometric testing and assessment centres

Thus, as the first step to develop a quality culture based on the HRM cycle, staff selection and induction, could play a key role in TQM improvement.

3.3.4 TQM and Performance Appraisal and Remuneration

Another of fundamental influences HRM can have on the TQM process is in the development of performance evaluation and reward systems that reinforce the TQM philosophy. The importance of such system to organisations in general (see, Boice & Kleiner, 1997; Longenecker & Fink, 1999) and TQM companies (see, Bowman, 1994; Cardy, 1998; Waldman, 1994a, 1994b; Ghorpade *et al.*, 1995; Wilkinson *et al.*, 1998) in particular, has been highlighted by many quality and HR researchers. However, some proponents of TQM explicitly argue against the adoption of performance evaluation (e.g., Deming, 1986). Deming (1986:102), for example, outlines many negative aspects of performance appraisal. Among these are:

- It nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, and nourishes rivalry and politics.
- It leaves people bitter, crushed, bruised, battered, desolate, despondent, dejected, feeling inferior, some even depressed, unfit for work for weeks after a receipt of an unsatisfactory rating, unable to comprehend why they are inferior.

Indeed, Deming (1986) one of the most notable quality management advocates lists 'evaluation of performance, merit rating and annual review' as the third of his 'seven deadly diseases'. Further, Deming comments that the effects of this disease are devastating American industries. This attack on HR performance evaluation was also spearheaded by others (e.g., Scholtes, 1993) following the lead of W. Edwards Deming (1986).

In contrast, other TQM / HRM researchers (e.g., Glover, 1993; Cardy, 1998; Wilkinson *et al.*, 1998; Waldman, 1994; Boice & Kleiner, 1997; Carson *et al.*, 1991) would hasten to say that much can be done, through integration of TQM assumption into HR performance evaluation, to make the system more effective. Given that there is more room to improve HR performance to positively contribute to the TQM process, Clinton *et al.* (1994) suggest that performance evaluation or in more general term, HRM practices, can be conceived of and patterned with the fundamental tenets of a TQM culture regarding customer satisfaction. Further, HRM, Clinton and others note, can have a great deal of influence in developing promotion policies that are consistent with the overall goals of the organisation. In a similar vein, a substantial literature review based on the works of HR / TQM researchers namely Bowen and Lawler (1992), Wilkinson *et al.* (1993), Redman and Snape (1992), and Fletcher (1993), on the issue of performance evaluation in the context of quality management was presented by Wilkinson *et al.* (1998:43). Having reviewed the implications of quality management for HRM, and in an attempt to make performance evaluation more effective and congruent with the TQM context, Wilkinson and others have come up with the following main points regarded to be essential to a TQM-based HR performance evaluation:

- Inclusion of customer (internal and external) in the process of evaluation
- Peer review as a source of evaluation
- Establishment of a link between personal objectives and training and development needs of individual

Also, commentators advocating integration of TQM precepts and requirements into HR performance evaluation have argued that a well-designed HR performance evaluation system that is compatible with TQM requirements may result in acceptance and successful implementation of quality programmes. In addition to the measures provided earlier i.e. customer focus, peer review, and link between personal objectives and training need of individual (see, for further details, Wilkinson *et al.*, 1998), other elements of such a system could be as follows (Clinton *et al.*, 1994:10):

- Identify and recognise the quality of inputs and processes and not just outputs
- Focus on the achievements of the individual, team and enterprise

- Improve future performance through performance planning, coaching and the counselling
- Reward personal improvement and not just rating performance relative to peers
- Provide qualitative feedback to employees

Additionally, HRM department has the ability to help design the evaluation system so that quality improvement teams conduct performance appraisals of one another, interview and select team members, schedule the team's work, and set performance goals. In rewarding team efforts for quality improvement, Clinton *et al.* (1994) point out, HR managers can keep both management and employees informed about TQM achievements and can identify opportunities to feature outstanding accomplishments of team members who deserve recognition and rewards.

Moreover, the literature abounds with strong evidence showing that most organisations have some form of performance evaluation and there is also sufficient evidence supporting the positive effects of performance appraisals on productivity and quality (e.g., Shadur *et al.*, 1994). As Cardy (1998: 132) puts it: "there is no doubt that HR performance evaluation can be difficult and error-ridden. However, it is important to both the organisational and individual perspectives that the task still be done as effectively as possible". Perhaps the best that can be stated is that, in Bowman's (1994:131) words, "a growing number of organisations are adopting TQM, but most, instead of eliminating performance evaluation, have attempted to make it more compatible with quality management" (see also, Carson *et al.*, 1991). In short, the way to consistency is "to listen to the customers of the process and to work toward improvement" (Cardy, 1998: 133).

Even a brief pass over the TQM assumptions suggests considerable implications for performance evaluation. Since the study of HR performance evaluation through the frame of quality management is central to this research project, this exploration will be dealt with thoroughly throughout the remaining chapters through picking up many of the performance evaluation dimensions consistent with the quality requirements.

3.4 Integrating TQM and HRM

In addressing the integration of TQM and HRM, Smyth and Scullion (1996) contend that environmental pressures to change such as turbulent market conditions and heightened competition have left organisations little choice but to introduce novel

approaches in HRM, TQM and management of change initiatives. Having analysed the profound and notable transformation in the organisational context, Smyth and Scullion (1996:1) identified the following notable changes in today's organisations:

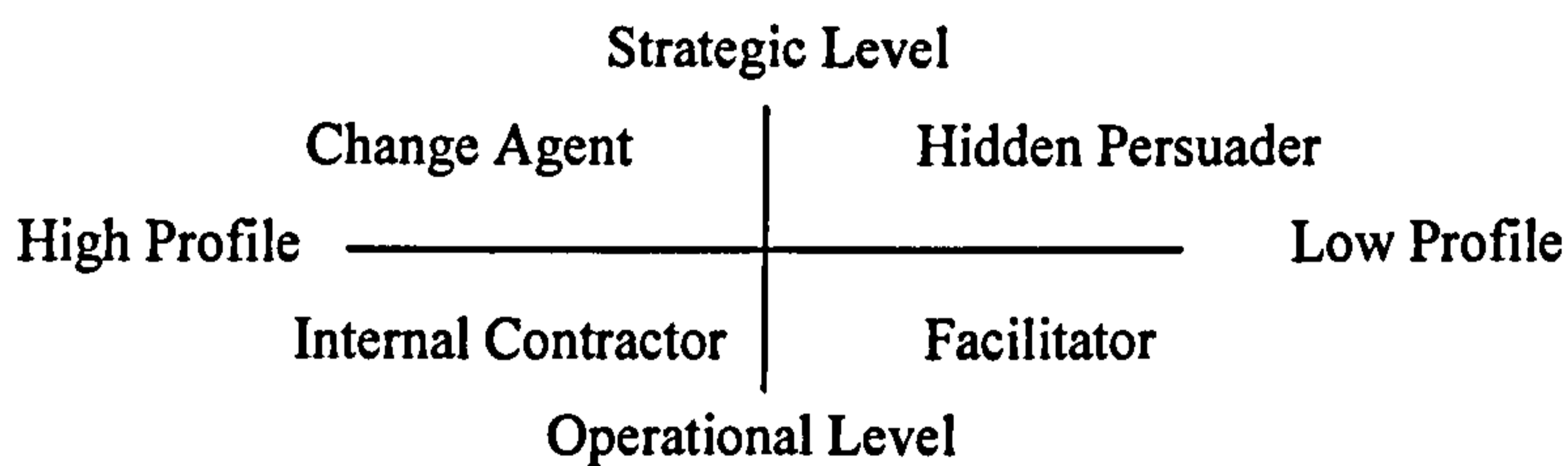
- Centralised into decentralised units
- Functional structures into functional semi-autonomous units
- Flatter organisations

As a result of such change initiatives in areas of communication, workplace organisation and reward systems linked to pay, they further recognised new methods of managerial control and investing in people at work practiced widely throughout different organisations. Among these are: teamworking, quality circles, single status, lean production and customer care training, performance-related pay, profit-related pay, profit sharing, and share option. The conclusion that they finally came to is: these schemes link the general thrust of implementing programmes of HRM and TQM. In order to make such conclusion practical, a number of studies have been carried out over last decade to demonstrate the vital role of HRM in TQM (e.g., Clinton *et al.*, 1994; Wilkinson *et al.*, 1993; Wilkinson *et al.*, 1998). To add to this importance, Clinton and others (1994:2-3) differentiate between responsibility for quality improvements in the past (i.e. as thought to be the sole responsibility of specialists such as quality engineers, product designers, and process designers) and today, illustrating: developing quality across the entire organisation can be an important function of the HRM department in today's organisations. A failure on HRM's part to recognise this opportunity and act on it, however as they stress, may result in the loss of TQM implementation responsibilities to other departments with less expertise in training and development. Later, the authors talk in terms of HRM as a role model for TQM arguing "HRM can jumpstart the TQM process by becoming a role model. By role model, they define two specific tasks for human resource:

1. Serving customers i.e. viewing other departments in the firm as their customer groups and try to satisfy these internal customers, which indirectly provides ultimate satisfaction to external customers.
2. Making a significant contribution on running the business through demonstrating commitment to TQM principles by soliciting feedback from internal groups or current HR services.

Innovations such as: right first time, zero defects, plan-do-check-action and fitness for use, are buzzwords associated with TQM, which in turn, extensively are used and link the employers' emphasis on quality to a wider industrial relations approach (Smyth & Scullion, 1996:90). Although recent years have seen a great enthusiasm towards finding out the link between HRM and TQM, however, far few studies provided evidence of their close relationship. Of these few but impressive, Wilkinson and others in a 1993 *The TQM Magazine* paper presented a thorough model for the role of personnel function in TQM. Their discussion is succinct on measurement of HRM involvement and related indicators as well as various role of HR in TQM (see, Figure 3. 2).

Figure 3.2 The Role of HR in Quality Management



Source: Wilkinson *et al.* (1993:34).

Sponsored by the Institute of Personnel Management (IPM, 1993), taking a multi-methodological approach including questionnaire survey (346 returned questionnaires), case study of 15 UK-based organisations, and a telephone survey, Wilkinson and Marchington illustrate the HR function contribution to quality management in terms of its breadth and depth of involvement based on the findings from the case study part of the project. By breadth, they mean the range of TQM-related activities to which the HR function makes a contribution and they cited 12 examples of such activities, whilst they explain depth in form of 10 indicators, as a measure of how well these activities have presented into the organisations (see, Table 3. 2).

Table 3.2 The Breadth and Depth of Human Resource Involvement in TQM

Type of activities to assess the breadth of HR's involvement in TQM	Types of indicators to measure the of depth of HR's involvement in TQM
<ul style="list-style-type: none"> • Recruiting and selecting high calibre personnel • Designing and running induction courses related to quality • Training for various quality initiatives and teams 	<ul style="list-style-type: none"> • Perception of managing director and senior management team of HR contribution to TQM • The number of employees trained on quality-related issues by HR department • The number of quality teams which have

<ul style="list-style-type: none"> • Development training stressing on empowerment people • Help to set up and facilitate teams and organising communication • Working with trade union representatives on quality-related issues • Dealing with grievances which can affect the process • Designing pay and appraisal system to recognise and reward quality work • Shaping organisation structures which help to assist and support TQM • Ensuring alignment of HR strategy with TQM strategy • Setting up management development programmes to stress TQM • Manager as a coach or facilitator to support the operating staff 	<ul style="list-style-type: none"> • been facilitated by HR • The amount of TQM training material developed by HR • The number of quality team leaders and team mentors counselled by HR • The amount of money spent on HR issues connected with TQM • The input made by HR functions to the TQM steering group / quality councils • The closeness of any links between the HR and quality management functions • The degree to which TQM principles are practised by HR personnel • The number of local service level agreements developed by the HR function with its own internal customers and assessment of performance against such agreements
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Source: Wilkinson *et al.* (1993:32).

Their main findings were that: the HR function has made a greater contribution to TQM than was envisaged at the outset of the research; this role is increasing in significance; the contributions varied both in breadth and depth, and in many cases involvement occurred both at a strategic and an operational level; there did not appear to be any consistent pattern to this HR contributions, which differentiated public sector from private, or manufacturing from service; it appears that the contribution made by HR can vary over time and within organisations; it is likely that some corporate personnel managers may act as change agents, whereas their establishment or branch counterparts operate solely as facilitators; equally as TQM matures, the role may alter from one of change agent or hidden persuader through to one of facilitator or internal contractor; after all, once TQM starts to develop and become rooted in the processes of the business, other skills need to be demonstrated by HR practitioners in order to contribute to the continuous improvement of quality.

Taking a literature survey approach, Smyth and Scullion (1996:105) also give a very useful account of this relationship this way: “the elements involved in HRM and TQM are closely associated”. Their study displayed the vital role of HRM department as central to the success of total quality. Table 3.3 illustrates the role of HRM department and how it influences TQM.

Table 3.3 The relationship between HRM and TQM

Factors to be managed	HRM Responsibilities	Elements of TQM
Interpretation of corporate strategy	Manpower and future planning	Identifying manpower needs highlighted in corporate strategy.

Establishing a structure to support the strategy	Organisation design and development	Involvement in identifying what is right for the business and what will enable it to achieve its goals.
Management style	Impact on management behaviour, skills and attitudes	Identification of management/employee styles and attitudes. Modification of these where they inhibit the successful introduction of TQM. Meeting demands.
Skills	Analysis of training and development needs, skills requirements and gaps	
Human resources	Appropriate recruitment, career development, and remuneration policies	Effective policies and procedures.
Shared values	Ability to identify attitudes, Improve motivation, morale and communication	Shared values are pertinent in a TQM programme. The HRM department can make a major contribution in this area.

Source: Adapted from *Personnel Manager Factbook* (1994) by Smyth and Scullion (1996:91).

It could be argued that the nature of TQM offers the HRM function several opportunities to contribute. This could include designing, conducting and evaluating the philosophy behind total quality. In fact, TQM and HRM are in pursuit of the same goals i.e. productivity, profitability, a customer-oriented company and a motivated workforce (Smyth & Scullion, 1996:91).

Taking a case study approach, the study carried out by Blackburn and Rosen (1993) in the Baldrige award-winning companies in the US indicates that the award-winning companies have developed portfolios of HRM policies to complement strategic TQM objectives. Aligning human resource practices with quality initiatives, they point out, requires revolutionary changes in the way organisations train, empower, evaluate, and reward individuals and teams. The conclusion that Blackburn and Rosen came to, however, revealed that the revolution was far from over, and even among the organisations recognised for their TQM achievements, there was still a need for continuous improvement with respect to HR practices governing the selection, promotion, and development of future leaders. Further, in Table 3.4 Blackburn and Rosen contrast traditional HRM policies with those policies in companies recognised for successfully implementing a total quality effort.

Table 3.4 The Evolution of a Total Quality HR Paradigm

Corporate context Dimension	Traditional Paradigm	Total Quality Paradigm
Corporate Culture	Individualism Differentiation Autocratic Leadership Profits Productivity	Collective efforts Cross-functional work Coaching/enabling Customer satisfaction Quality
HR Characteristics	Traditional Paradigm	Total Quality Paradigm
Communications	Top-down	Top-down

		Horizontal, Lateral Multidirectional
Voice and involvement	Employment-at-will Suggestion systems	Due process Quality circles Attitude surveys
Job Design	Efficiency Productivity Standard procedures Narrow span of control Specific job description	Quality Customisation Innovation Wide span of control Autonomous work teams Empowerment
Training	Job-related skills Functional, technical	Broad range of skills Cross-functional Diagnostic, problem solving Productivity and quality
Performance measurement and evaluation	Individual goals Supervisory review Emphasise financial performance	Team goals Customer, peer, and supervisory review Emphasise quality and service
Rewards	Competition for individual merit increases and benefits	Team/group based rewards Financial rewards, financial and nonfinancial recognition
Health and safety	Treat problems	Prevent problems Safety problems Wellness programs Employee assistance
Selection/Promotion Career Development	Selected by manager Narrow job skills Promotion based on individual accomplishment Linear career path	Selected by peers Problem-solving skills Promotion based on group facilitation Horizontal career path

Source: Blackburn and Rosen (1993:51).

In addition to the evolution from traditional HRM practices to new HRM policies, Table 3.4 also illustrates the evolving role of HRM from a support function to a leadership function in the enterprise. In traditional organisations, HRM functions identify, prepare, direct, and reward organisational actors to follow rather narrow organisational and job scripts. In TQM organisation, HRM units develop policies and procedures to ensure that employees can perform multiple roles (as the result of cross-training and membership on cross-functional work teams), improvise when necessary, and direct themselves in the continuous improvement of product quality and customer service. As a result, Blackburn and Rosen hypothesised that award-winner organisations not only have applied a highly reliable quality system but also

would show portfolios of HRM policies to complement strategic TQM objectives and as a result effective integration of TQM and HRM practices (p.49).

Overall, there appears to be an ambivalent relationship between TQM and HRM. First, while performance appraisal is a key feature of HRM, some proponents of TQM dispute its usefulness (Deming, 1986; Scholtes, 1993). Second, advocates of a standards-based approach to TQM emphasise the measurement of inputs, outputs, work tasks and processes, which may be in tension with the emphasis on flexible work practices and multi-skilling within HRM. Nevertheless as above mentioned, there are also many parallels between the two approaches. Examples include a holistic organisation-wide perspective, a focus on team-based work organisation and mechanisms for employee involvement to enable continuous improvement. Additionally, the results of 1993 Blackburn and Rosen's examination of Baldrige Award-winning companies - the only systematic national framework for assessing quality levels in the US companies - suggest that HR policies to support a total quality culture tend to form a constellation of mutually supportive and interdependent processes. Their analysis of the information provided by the interview respondents and gleaned from company documents yield the following checklist of what they see as an 'ideal' profile of HR strategies in support of TQM (see, Table 3.5). Like 'Deming's Fourteen Commandments' of total quality, these fourteen checkpoints provide HR professionals with a chance to evaluate their own HR organisation and its contribution to TQM.

Table 3.5 Ideal Profile of HR Strategies in Support of TQM

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1. Top management is responsible for initiating and supporting a vision of a total quality culture.
 2. This vision is clarified and communicated to the remainder of the firm in a variety of ways.
 3. Systems that allow upward and lateral communications are developed, implemented, and reinforced.
 4. TQM training is provided to all employees, and top management shows active support for such training.
 5. Employee involvement or participation programme are in place.
 6. Autonomous work groups are not required, but processes that bring multiple perspectives to bear on quality issues are imperative.
 7. Employees are empowered to make quality-based decisions at their discretion. Job design should make this apparent.
 8. Performance reviews are refocused from an evaluation of past performance only, to an emphasis on what management can do to assist employees in their future job-related quality efforts.

9. Compensation systems reflect team-related quality contributions, including mastery of additional skills
10. Non-financial recognition systems at both the individual and work group levels reinforce both small wins and big victories in the quest for total quality.
11. Systems allow employees at all levels of the organisation to make known their concerns, ideas, and reactions to quality initiatives. These systems might include suggestion opportunities with rapid response, open-door policies, attitude surveys, etc.
12. Safety and health issues are addressed proactively not reactively. Employee participation in the development of programmes in both areas improves acceptance of these programmes.
13. Employee recruitment, selection, promotion, and career development programmes reflect the new realities of managing and working in a TQM environment.
14. While assisting others to implement processes in support of TQM, the HR professional does not lose sight of the necessity to manage the HR function under the same precepts.

Source: Blackburn and Rosen, (1993:64).

In sum, the quality and HRM have many implications for each other. Although there appears to be some conflict between these two approaches i.e. performance evaluation, however, any conflict can be resolved by tailoring HRM to fit within the context of quality management (see, for more detail, Wilkinson *et al.*, 1998).

3.5 TQM and HRM: Employee Commitment and Control

Several researchers (e.g., Wilkinson *et al.*, 1998; Oakland, 1998; Torrington & Hall, 1998; Wilkinson & Witcher, 1992; Thiagarajan & Zairi, 1997; Black, 1993; Pegels, 1993) have viewed TQM as being made up of two inter-dependent and yet distinguishable parts: (1) hard, and (2) soft aspects of TQM. As discussed earlier (see, Chapter 2), hard TQM stresses the control and utilisation of a resource and much more narrowly on enhancing discreet clusters of tasks (e.g., task-based team working, Just-In-Time production, TQC and SPC), and soft TQM focuses on the development of skills and commitment (e.g., the use of HRM-style personnel policies to generate commitment to quality, a management ideology that reinforces the maxims of cultural change, continuous improvement, and customer satisfaction (Collinson *et al.*, 1998:9). As such:

The TQM concept...comprises both production-oriented and employee relations-oriented elements, and this highlights the tensions between, on the one hand, following clearly laid-down instructions whilst, on the other, encouraging employee influence over the management process (Wilkinson *et al.*, 1992:6).

It should be noted that, Storey (1992) demonstrates, these dimensions are not opposites and both can be used together. It is thus possible, Collinson *et al.* (1998:9) argue, to characterise an organisation's approach in terms of its position on a matrix defined by the degree of emphasis placed on the hard and soft dimensions of HRM and TQM. Accordingly, there is now well established body of material on TQM (e.g., Wilkinson *et al.*, 1991:35) which informs debate on the integration of TQM and HRM, not only in the emphasis on employee commitment rather than compliance and in the underlying unitarist philosophy, but also in that both identify line managers as having a key responsibility for the management of people. Accordingly, others (e.g., Applebaum & Batt, 1994) through empirical research acknowledge that hard and soft TQM can go together. Despite TQM's stated emphasis on more cooperative employee-management relations, some research (e.g., Wilkinson, 1992; Wilkinson *et al.*, 1997; Parker & Slaughter, 1993; Rothschild & Ollilainen, 1999), however, indicate that TQM - as it is presently conceived in practice - obscures but does not reduce managerial control over workers and enhance employee commitment. Instead, Parker & Slaughter (1993) note, it tightens managerial controls in the drive to reduce variance, or increases surveillance arising out of the quality measurement systems (Delbridge *et al.*, 1992). In a similar vein, others (e.g., Hill, 1991) claim that the advocates of TQM have understated the difficulties of winning employee commitment to TQM and focus on an overly-limited range of change levers; and while the TQM literature recognises the importance of employee involvement, commitment and other HR issues, "the discussion is often superficial, with little on how exactly the quality culture is to be created, beyond relatively vague statements about the need for leadership, education and recognition" (Wilkinson *et al.*, 1995:49). Alongside a strong belief in employee involvement, commitment, and value-added feature of TQM, Wilkinson and others summarised the contrasting views of TQM being drawn from the same situation or set of facts (see, Table 3.6).

Table 3.6 The Contrasting Perspectives of TQM

Bouquets	Brickbats
Education	Indoctrination
Empowerment	Emasculation
Liberating	Controlling
Delaying	Intensification
Teamwork	Peer group pressure

Responsibility	Surveillance
Post-Fordism	Neo-Fordism
Blame free culture	Identification of errors
Commitment	Compliance

Source: Wilkinson *et al.* (1997:800).

They argue, however, that “both the proponents and critics of TQM are being selective in their prescriptions and analysis, with the former focusing on the possibilities, the latter the pitfalls. In short, they are presenting a picture which is not so much wrong, as partial” (1997:799).

Overall, there is felt to be a genuine shift from a management strategy of ‘direct control’ to a ‘responsible autonomy’ approach, based on self-control and high levels of commitment within a quality environment (Oliver, 1990; Wilkinson *et al.*, 1998). One danger observed in the review of literature on the implementation of TQM lies in divorcing it from the contextual requirements i.e. applicability of TQM under different organisational conditions rather than universalism in the conceptualisation and diffusion of TQM. In parallel, Wilkinson *et al.* (1998:38) in a debate on ‘Strategic HRM’ note that there should be fit between the approach to managing people - soft TQM - and organisation’s objectives, referred to as the ‘matching model’ of HR strategy (Boxall, 1992). The concept of fit is defined as (Nadler & Tushman, 1980:40): “The degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs demands, goals, objectives, and/or structure of another component”. The point is spelt out through a comprehensive review of literature (e.g., Schuler & Jackson, 1987; Arthur, 1992; Purcell, 1989; Sonnenfeld *et al.*, 1992; Walton, 1985) by Wilkinson *et al.* (1998:37-41) on ‘business and HR strategy’ who argue how a business strategy requires quite different HRM policies. Using the three business strategies of innovation, quality enhancement and cost-reduction - similar to Porter’s generic strategies - Schuler and Jackson (1987), for instance, explain how these strategies require quite different employee ‘role behaviours’.

A leading discussion of ‘matching model’ of HR strategy including control and commitment of workforce in the context of TQM is by Wilkinson *et al.* (1998:37-49) who use the Oliver’s ‘model of commitment’ as the base of their discussion. In common with the majority of quality management researchers, Oliver (1990) characterises TQM as a means of providing employees ‘a responsible autonomy’

based on self-control and high levels of control. In doing so, Oliver presented a model of commitment which is outlined in Figure 3.3. Oliver's argument, as Wilkinson *et al.* (1998:47) note, is that "the context within which work is carried out is the key determinant of behaviour".

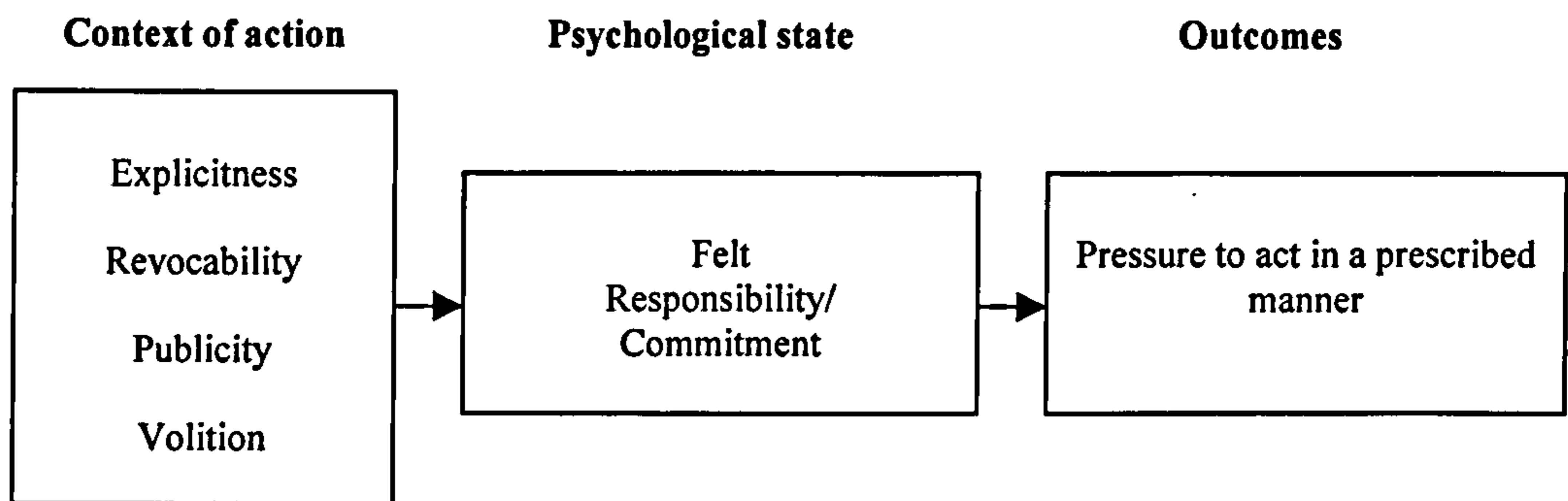


Figure 3.3 A Model of Commitment

Source: Adapted from Oliver (1990:24) by Wilkinson *et al.* (1998:48)

As Figure 3.3 displays, the first part of the model is the work environment / context which is made up of four elements. 'Explicitness' refers to the need to make responsibilities clear. 'Revocability' means the extent to which the individual worker's actions are irreversible. 'Publicity' reflects the view that where our actions and their consequences are visible to others, we are more likely to exercise a higher degree of responsibility. Finally, 'Volition' refers to the extent to which individuals feel that they are in control of their own actions, in the sense of having a degree of real choice (Wilkinson *et al.*, 1998:47-48).

The argument is that each of these contextual factors is positively related to the individual's sense of 'felt responsibility' or 'commitment', which then creates in the individual a pressure to act in a prescribed manner (p.47). To put it in another way, Oliver discusses how the workplace requirements might be restructured in a way which underpin the development of a commitment to continuous improvement, central to the TQM success. In doing so, he made a number of suggestions as follows:

- The introduction of objective / explicit performance indicators in order to develop explicitness and publicity
- The removal of quality control inspection to increase revocability; and
- Involving and empowering employees to increase volition

Such contributions, Wilkinson *et al.* (1998:48) argue, highlight the importance of the work environment itself in producing behavioural changes, and shift the emphasis away from attempting to change attitudes through exhortation. There does appear, however, to be a growing number of critical studies that suggest a clear contrast between the importance of the work environment itself in producing behavioural changes and the TQM literature. Wilkinson *et al.* (1998:48), for instance, conclude: “This contrasts with much of the TQM literature, which tends to emphasise the creation of attitudinal change through leadership and education, and extends the discussion of HR strategy to encompass the impact of the work system on individual and organisational performance”.

3.6 Summary

In this chapter, the role of HRM in quality-focused organisations was outlined, and this role was highlighted as central to the success of quality programmes. The relationship between HRM and TQM and evolution of a total quality HR paradigm was also discussed in detail. The review of literature revealed that different HRM functions could play a vital role in implementing and maintaining a TQM process. The results of the literature survey also suggest that HR managers are responsible for recruiting high-quality employees, the continual training and the development of those employees, and the creation and maintenance of reward systems. HRM’s responsibility in implementing TQM, however, should extend beyond the training and development. In particular, HRM must take the lead in attracting, retaining and motivating a high quality workforce. Another of fundamental influences HRM can have on the TQM process is in the development of performance evaluation and reward systems that reinforce the TQM team philosophy. More importantly, this system can be conceived of and patterned to be consistent with the fundamental tenets of a TQM culture regarding customer satisfaction. Thus, all these contributions reflect the fact that quality can no longer be viewed as the responsibility for one department. It is a company wide activity that permeates all departments, at all levels. It has emphasised that the key element of any quality and productivity improvement programme is the employee. Because of its fundamental employee orientation, HRM should seek the responsibility for implementing TQM programmes rather than risk losing their influence over the key element of TQM: the employee.

The following chapters (4 and 5) attempts to examine the extent to which HR performance evaluation - as the most surveyed function of HRM - criteria are in line with demands and expectations of quality management practices for the benefit of the organisation and other stakeholders of performance evaluation. Further, it focuses on the success and difficulties encountered by the organisations in applying an employee performance evaluation in the pursuit of a TQM-driven HR performance evaluation system.

CHAPTER 4

LITERATURE SURVEY: HR PERFORMANCE EVALUTION

4.1 INTRODUCTION

This chapter presents a literature survey on performance evaluation function as a means of making decisions regarding such matters as merit pay, promotions, demotions, transfer, retention of employees, and as a developmental function in organisations of identifying areas for employee growth and improvement. After a discussion of the origins, approaches, definitions, and purposes of performance evaluation, a presentation of different issues in employee performance evaluation such as methods of appraising performance, and sources of employee performance will follow. Overall, many of articles on performance evaluation systems have long challenged the effectiveness of the current performance evaluation systems in place. Staff performance evaluation is likely to be felt, and indeed is designed to be felt as the exercise of personal power. Moreover, most of appraisal systems are viewed as suffering from the unequal standards applied by different appraisers. Accordingly, evidence from some more recent literature on employee performance evaluation indicates that although performance evaluation is nearly ubiquitous, however, it often fails both employees and organisations. Thus, to tackle such difficulties with the traditional performance evaluation systems, this chapter also outlines the critical steps for developing an effective performance evaluation system.

4.2 An Overview of the HR Performance Evaluation

Traditionally, performance evaluations have been used by employers as a means of communicating organisational goals and managerial expectations to employees. Performance evaluations have also been used to inform employees how their work performance compares with management's expectations. Performance evaluations, as Schuler and Vandra (1990) report, are used typically in organisations for two broad purposes:

1. One use of performance evaluations involves an evaluation function for making decisions regarding such matters as merit pay, promotions, demotions, transfers, and retention of employees.

2. Another use of performance appraisals entails a developmental function in organisations of identifying areas for employee growth and improvement and recommending ways of improving performance or the potential for performance.

Nevertheless, as noted by Elmuti *et al.* (1992), managers are inclined to believe that both functions of the traditional performance evaluation process serve to promote higher levels of employee productivity.

However, many of articles on the HRM practices have long challenged the effectiveness of traditional performance evaluation systems. One of the findings of the Long's (1986) survey, for example, and a major criticism of the performance review procedure is that most evaluation systems are viewed as suffering from the unequal standards applied by different appraisers. That is, evaluation is likely to be felt, and indeed is designed to be felt as the exercise of personal power. Rather than obscuring the source of power, evaluation represents the very personalised applications of power especially, although not exclusively, when related to monetary reward, and in doing so deliberately reinforces the role of the supervisor or immediate superior. In a similar vein, Segall (1989:23) in an article on traditional performance evaluation systems informed supervisors stating: "Some people have never heard of it; others laugh at it; management insists on it; and you are stuck with it. 'It' is the performance appraisal."

Also, Seddon (2001) opens up the debate with a closely-reasoned critique of the idea of performance evaluation. He begins with the logic behind the term and argues that underpinning the idea is workers should be held accountable for their performance. Seddon claims, however, people's behaviour in organisations and thus their achievements are governed more by the system they work in than anything they are able to do, i.e. in fact their performance is governed by many things that are beyond their control. Performance evaluation, as Seddon (2001:1-2) points out, is judgement rather than feedback and summarises his article by saying: "the assumption that performance evaluation is an effective means of improvement is flawed, unless judgement is replaced by feedback, so organisations will have a lot more time to devote to their customers and their business".

Accordingly, evidence from a more recent survey titled: Performance review: balancing objectives and content (Strebler *et al.*, 2001) - sponsored by IES: the Institute of Employment Studies - reveals that although performance evaluation is

nearly ubiquitous, it often fails both employees and organisations (see also, Seddon, 2001). Besides, Strebler and others (2001) report the following issues as the main disadvantages of many evaluation systems:

- Lack of strategic focus
- Giving conflicting messages between encouragement and control
- Having limited impact on business performance, and
- Challenging managers who may lack the skills and motivation to carry them out effectively

Having observed such problems with performance evaluation, Bernardin and Beatty (1984) emphasise the need for adequate control procedures in order to assure higher levels of perceived trust in the evaluation process.

This section will examine the evidence from literature for the increased use of more systematic evaluation procedures, and illustrate the origins, definitions, purposes, types, and schemes of performance evaluation. It will argue that rather than its being seen as technical readjustments prompted by immediate concerns with competition and efficiency, appraisal is an integral part to what has been identified as HRM.

4.3 Performance Evaluation: Origins and Approaches

Organisational evaluation systems are an attempt to formalise activities such as behaviour, personality and systems for the benefit of both the individual and the organisation (Torrington & Hall, 1998). To appraise, as a review of the literature indicates, is part of the human condition and was formally applied in the sphere of work activity as early as the Third century A. D. when Sin Yu, an early Chinese philosopher, criticised a biased rater employed by the Wei Dynasty. Appraisal was also used by Robert Owen in his new Lanark textile mills during the 1800s; and during the First World War to assess the performance of officers (see, Murphy & Cleveland, 1995). Over the past 30 years, as Wilson and Western (2000) report, performance management has achieved a higher profile in the human resource function of most organisations.

With regard to the origins of employee performance evaluation, Randell (1994) argues that the formal observation of an individuals' performance at work by an appointed member of the organisation for the purpose of communicating the results to the individual in order to improve his or her performance probably started in

Scotland in the early 1800s. Most likely, Wren (1994) reports, the early 1800s marked the beginning of performance evaluations in industry with Robert Owen's use of 'silent Monitors'. According to Randell (1994), the managers of those days believed that letting employees know what was thought of them through managers' 'silent monitors', would have the effect of recognising the worthy, and encouraging the less good to improve. Simply, 'silent monitors' were blocks of wood with different colors painted on each visible side and placed above each employee's work station. At the end of the day, the block was turned so that a particular color, representing a grade (rating) of the employee's performance, was facing the aisle for everyone to see. In other words, it is these twin objectives of concern for satisfaction and performance that is now known as employee appraisal. Further, anecdotal evidence of such rating system indicates that this practice had a facilitating influence on subsequent behaviour (see also, Wiese & Buckley, 1998).

The literature of performance evaluation is sparse during the remainder of the 19th century. Undoubtedly, at the turn of the century due to emerge of 'scientific management', performance measurement began to receive a great deal of attention through the work of F. W. Taylor and the scientific management movement. Taylor has supported the use of quantitative measures to understand and to increase productivity at work. Taylor's philosophy, however, was attacked by US Government Social House Committee's critique, in which the committee argued that work measurement was just a part of the whole philosophy of scientific management and could and should not be regarded as an end in itself. Consequently, Mayo and his associates in the 1920s in the USA carried out the Hawthorne studies and concluded that even apparently objective measures of work performance were influenced by subjective factors and social control (Randell, 1994).

No doubt, since many people gained the first management responsibilities and experience through work in government and the armed forces due to world wars, many attempts at performance appraisal were widespread in work organisations in the first half of this century and probably reached a pinnacle particularly during the two world wars. Development of performance evaluations in the United States industry, as Scott and others (1941) report, began with early work in salesman selection by industrial psychologists at Carnegie Mellon University, who used trait

psychology to develop a man-to-man rating system. The army used this system during World War I to assess the officer performance. Consequently, having impressed by the achievements of the army researchers, business managers began to hire many of the people involved in the appraisals (see, for further details, Wiese & Buckley, 1998). Randell (1994:223-224) argues, however, that such assessment and reporting procedures were probably appropriate for that kind of organisations at the stage in its development for the kind of work that it was expected to do. Further, it took a little time to realise that such approaches were inappropriate for both post-war organisations and post-war people. This realisation began the attack on the concepts and practice of employee evaluation in the 1950s. In a thorough review of the related literature, Randell further recognised the following two points as the most important critiques of staff evaluation in 1960's:

1. The ineptness of appraisal interviewers
2. Considerable reluctance by managers to use mainly personality trait-based evaluation procedures

No doubt, many practitioners and researchers criticise the evaluation procedures used in 1960s for its lack of empirical studies, but it cannot be faulted for its, in Randell's (1994:226) words: "lack of good sense".

In Great Britain a more developmental approach to employee performance evaluation was first shown in the 1970's by Randell (1972) in Fisons Limited concentrating on 'skill' as an integral part of management and consequently formulated a 'skill approach' to staff development, and by Anstey *et al.* (1976) in the civil service. Further, Anstey and others (1976) were strong on the need for training and, in particular, the use of practice interviews under guidance from trained tutors. The growth of interest in performance evaluation in the 1960's and 1970's is further illustrated by the publication in both Britain (see, for example, BIM and IPM surveys) and the USA (US Bureau of National Affairs and National Conference Board) of numerous surveys of companies' practices and managers' opinions of employee performance measurement (Randell, 1994). The 1986 IPM survey conducted by Long, for example, covered 306 organisations, of which 18 percent had no formal evaluation schemes identified the following main issues as the main characteristics of performance evaluation before 1980's:

- Appraising non-management employees

- The shift in emphasis in performance review towards concern for current rather than future performance
- A sharp increase in the number of organisations providing appraisal skills training

She further found that evaluation for performance-related pay remained at about 40 percent of schemes, while only 15 percent of organisations carrying out a salary review at the same time as the performance review.

Having done a comparative study on the measurement of work performance, Randell (1994:228) also found that British literature on HRM functions displays a continuing trend towards person-centred, and skill-based approaches, while American texts shows a distinct leaning towards work-centred, mechanistic, ratings-based procedures, with hardly a reference to the interpersonal skills training that is required to support a staff appraisal scheme. Although research findings regarding changes in employee performance evaluation system seem to be similar, but several commentators (e.g., Storey, 1995) have identified changes in payment systems, the move away from bureaucratic age/wage or seniority based payment systems to merit - or performance-related remuneration, and the extension of evaluation systems to groups of employees not previously included, seen as being the main contributing factors to the increase in performance appraisal.

As mentioned earlier, in the 1986 survey - sponsored by IPM - Long found that the emphasis on assessing current performance rather than future development was another aspect of changes in evaluation. Given that this approach is widespread across the organisations, Long believes this may reflect declining opportunities for advancement, or alternatively separate procedures that are in operation to assess potential. Additionally, case studies reporting evaluation systems identified a large emphasis on regulatory or extra-functional norms. In other words, criteria that may be identified as being primarily 'task-based' include (Storey, 1995): attendance, timekeeping, productivity, and quality and job knowledge.

Other criteria towards the opposite end of the continuum, however, include references to:

- Dependability (the extent to which the individual is inclined to follow standard procedures and the amount of supervision required)
- Flexibility (variously defined as a willingness to help out, take on or learn other jobs)

- 'Initiative' (the ability to cope with the unexpected)
- Personal contact skills (the ability to get on with others)
- Leadership and determination

In sum, neither of different approaches can provide a precisely understanding of what should be done to make evaluation an effective process for both individual and organisational development. Further, the analysis of literature shows the need for evaluation systems to be constantly adaptive to changing economical, social and cultural developments of the organisations. To achieve this, for instance, in TQM organisation, employee performance evaluation should be broken down into its manageable parts, each serving a critical purpose and that these parts should be planned according to the particular needs and resources of quality practices and requirements.

4.4 Definition of Performance Evaluation

Nowadays, based on relevant works in the area of employee performance evaluation and its objectives, staff appraisal, employee evaluation, HR performance review, performance review and development are all terms that can be seen in contemporary HRM literature. Moreover, in comparison to other elements of HRM cycle such as recruitment and selection, as Storey (1987) reports, there have been more systematic, and longitudinal surveys on its use. Its use has also grown to include all those formal processes for observing, collecting, recording and using information about the performance of staff in their jobs. Another emotive tone which has also grown up around the term is the point made by Randell (1994): many organisations prefer to use the term 'employee or staff development' or 'job appraisal review' to minimise hostility to the process.

Describing the nature of performance evaluation and its vital role, Fisher and others (1996) stress on a critical factor related to an organisation's long-term success as its ability to measure how well employees perform and then use that information to ensure that performance meets present standards and improve over time. This process is referred to as performance appraisal or performance evaluation. Fisher *et al.* (1996:450) then define performance evaluation as: "The process by which an employee's contribution to the organisation during a specified period of time is assessed". Bernardin *et al.* (1998:7) also take a result-based approach to performance

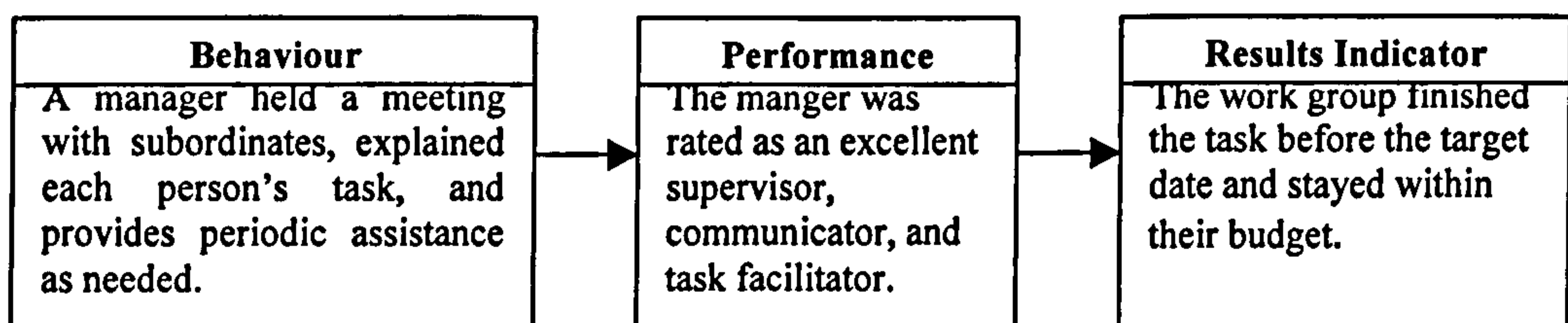
evaluation and define performance this way: “A record of outcomes, including the measurement of result-based criteria”. Furthermore, they emphasise the need for precision in measurement.

The term ‘performance evaluation’ has generally meant the annual interview that takes place between the manager and the employee to discuss the individual’s job performance during the previous 12 months and the compilation of action plans to encourage improved performance (Wilson & Western, 2000). Moon (1993:8) succinctly defined appraisal as “a formal documented system for the periodic review of an individual’s performance”. Similarly, Marchington and Wilkinson (1996) describe it as a cyclical process which includes:

- Determining performance expectations
- Supporting performance
- Reviewing and appraising performance
- Managing performance standards

Having viewed performance evaluation into the context of organisations, Hope and Pickles (1995:5) address the major concerns about how performance evaluation systems can be adapted to meet the needs of public and voluntary sector agencies and define performance evaluation as “making judgements regarding how well something is going”. They further argue that in most organisations “the process of performance evaluation is applied to making a judgement about how someone is doing their job, usually through a formal and planned annual system”. In Carrol and Schneier’s (1982:3) definition, performance evaluation refers to “identification of measurement factors or criteria against which to evaluate performance, measurement of performance against such criteria, review of performance levels attained by individuals, and development of subsequent performance”. For clarification of their definition they presented it graphically as follow (see, Figure 4.1):

Figure 4.1 key points in the definition of performance evaluation



The underlying ethos of employee performance evaluation is what Offe (1976) has termed ‘achievement principle’, i.e., the reward of individual work, achievement or

performance. Torrington and Hall (1998) devote a part of their book to managing individual performance particularly to key aspects of effective performance i.e. performance cycle. They give a detailed account of managing the performance cycle including: planning performance, supporting performance, and reviewing performance, and conclude with many guidelines about making the system work. Reviewing performance, they argue, is an important activity for employees to carry out in order to plan their work and priorities and also to highlight to the manager well in advance if the agreed performance will not be delivered by the agreed dates, and to confirm that the employee is on the right track or redirect him or her if necessary. Bratton and Gold (1999) follow a very similar line, concentrating on creating a learning and developing culture if evaluation is to be accepted by employees as a means of tying the satisfaction of their needs and their development to the objectives of the organisation. They define assessment or appraisal as: “the process by which data are collected and reviewed about an individual employee’s past and current work behaviour and performance” (p.214). Of all the activities in HRM, as Bratton and Gold (1999:214) put it, “performance evaluation is arguably the most contentious and least popular among those who are involved”. DeVries (1986), in *Performance Appraisal on the line*, defines performance evaluation as a process by which an organisation establishes measures and work standards in order to evaluate an individual employee’s behaviour and accomplishments for a specific time period. Fisher *et al.* (1996:451) talk in terms the strategic importance of employee performance evaluation clarifying organisations strive to do the following at all levels:

- Design jobs and work systems to accomplish organisational goals
- Hire individuals with the abilities and desire to perform effectively
- Train, motivate, and reward employees for performance and productivity

Within this context, they argue, the evaluation of performance is the control mechanism that provides not only feedback to individuals, but also an organisational assessment of how things are progressing.

In sum, despite of similarities in definitions, a brief review of literature on performance evaluation shows that the term ‘employee evaluation’ means different things to different people. Employee performance evaluation therefore acts as an

information-processing system providing vital data for rational, objective and efficient decision making regarding improving employee performance, identifying training needs, control purposes, managing careers, and setting levels of reward, to name just a few. In a simple term, performance evaluation can be viewed as processes to bridge the gap between an organisation and individuals, which allow a flow of information between managers, employees and, increasingly, other sources that provide the context for the performance of work (Bratton & Gold, 1999).

4.5 Purposes of the Performance Evaluation

Performance evaluation can be used for numerous purposes. In particular, there are a variety of declared purposes for evaluation and the most usual rationalisation and justification for performance evaluation is, in Bratton and Gold's (1999:215) words: "to improve individual performance". However, under such a broad heading come a number of more focused reasons. The reasons for performance evaluation, given in a survey by Wilson and Western (2000), which is a useful account of performance evaluation purposes, are to: reward, discipline, coaching, counselling, negotiating improvements in performance, improving the work environment, raising morale, clarifying expectations and duties, improving upward and downward communications, reinforcing management control, helping validate selection decisions, providing information to support HR activities, identifying development opportunities, improving perceptions of organisational goals, and selecting people for promotion and redundancy.

More importantly, they argue that stages of performance evaluation i.e. development plan, and an annual assessment, need to be separated in order to assist the development of individual. In a similar vein, Torrington and Hall (1998:481) maintained, "if a single evaluation system was intended both to improve current performance and to act as a basis for salary awards, the appraisal would be called upon to be both judge and helper at the same time. This makes it difficult, however, for the appraiser to be impartial. It is also difficult for the appraisee, who may wish to discuss job-related problems, but is very cautious about what they say because of not wanting to jeopardise a possible pay rise".

Overall, a generally accepted purpose of performance evaluation is the improvement of the performance of people in their jobs. This purpose is subject to different

interpretation in many ways, both from a theoretical and a practical viewpoints. For instance, the main functions of employee performance evaluation by Randell (1994) can be summarised as: evaluation, auditing, succession planning, training, controlling, development, and validation. Behind these operational purposes lie more significant theoretical issues. From an analysis of many organisations' procedures and a detailed review of the literature on the topic, Randell (1994) also refers to one overriding purpose of staff evaluation as improving people's performance in their existing job and this purpose is made explicit in most descriptions of employee evaluation schemes (see also, Bratton & Gold, 1999). In addition, apart from being regarded as a tool for managerial control, from the employees and their unions' point of view, performance evaluation is frequently seen as a means of maximising the financial rewards for individual workers' efforts. Having taken both purposes into account, Randell (1994) came to the conclusion that employee performance evaluation can be both, but need not be either, of these processes.

Broadly speaking, the evaluation system can be seen to have two main purposes:

1. To assess performance with the intention of linking it to a pay reward
2. To assess performance to highlight training and development needs

Another seminal study that highlighted a wide range of purposes for performance review, was carried out by Long (1986), as follows:

- Assess training and development needs
- Help improve current performance
- Review past performance
- Assess future potential and promotability
- Assist career planning decisions
- Set performance objectives
- Assess increases or new levels in salary

Furthermore, in 1984 the American Management Association (AMA) conducted a survey by sending 2,400 questionnaires to members of its Human Resources, Finance, Marketing, and Information Systems Divisions (Moen, 1989). From the 588 questionnaires returned, the purposes for which responding companies use performance evaluation were tabulated as shown in Table 4.1. Of the purposes listed in Table 4.1, more than 85 percent of 588 managers responding to the survey reported that performance evaluations were commonly used for compensation

purposes. Moreover, counselling is the one that could perhaps be viewed as having the welfare of the individual as its purpose.

Table 4.1 The Most Common Purposes for Performance Evaluation (AMA Survey)

Purpose	Percent of responding
Compensation	85.6
Counselling	65.1
Training and development	64.3
Promotion	45.3
Staff planning	43.1
Retention/discharge	30.3
Validation of selection technique	17.2

In a 1965 *Harvard Business Review* article, Meyer *et al.* investigated how the purpose of employee performance evaluation affected the individual being rated. They found that counselling an employee on developmental issues when he or she knows a salary increase hangs on a favourable evaluation is usually ineffective. In turn, the tension leads the employee to be defensive and to blame other people or other factors for any shortcomings pointed out. Moen (1989) also believes in the multi-purpose nature of performance evaluation highlighting the most common uses of performance evaluation in industry as: compensation, counselling, training, development, and communicating company objectives. Further, more recently performance evaluation has become a primary means of documentation for legal problems involving employees i.e. legal protection.

Similarly, the results of another survey (Cleveland *et al.*, 1989) delineated twenty purposes, divided into four major categories, for which formal performance evaluation can be used. A summary of these purposes based on the major categories which is so-called 'multi organisational uses for performance appraisal information' is shown in Table 4.2.

Table 4.2 Multiple Organisational Uses for Performance Appraisal Information

General Applications	Specific Uses
Developmental Uses	<ul style="list-style-type: none"> Identification of individual training needs Performance feedback Determining transfers and job assignments Identification of individual strengths and developmental needs
Administrative Uses/ Decisions	<ul style="list-style-type: none"> Salary Promotion Retention or termination Recognition of individual performance Layoffs Identification of poor performance

Organisational Maintenance/ Objectives	Human resource planning Determining organisation training needs Evaluation of organisational goal achievement Information for goal identification Evaluation of human resource systems Reinforcement of organisational development needs
Documentation	Criteria for validation research Documentation of human resource decisions Helping to meet legal requirements

Source: Cleveland *et al.* (1989)

Randell's analysis (1994) of the theoretical basis of employee performance evaluation shows that the purposes provided by theories such as past behaviour, reinforcement theory seem to be in conflict, and none of these motivational theories adequately explains how people come to put the effort that they do into their work. However, Randell concludes that there are two main purposes for all staff evaluation schemes. The first purpose is to add to the individuals' capacity for doing their existing job, and the second is to maintain and, if possible, add to their motivation.

In sum, if HRM functions are to be carried out properly, information that is generated through evaluation processes has to benefit both individual and organisation. Clearly, some kind of balance is required between organisational and individual needs. Furthermore, the concept of achievement of such a balance, as Randell (1994) maintains, must be at the upper limits of skilled management.

4.6 Other Issues in Employee Performance Evaluation

In the following section, in order to resolve the confusion and controversy around the topic, other issues in employee performance evaluation will be considered in detail.

4.6.1 Methods of Appraising Performance

Evaluation systems can measure a variety of things. Analysis of the literature shows that assessment systems sometimes designed to measure personality, sometimes behaviour or performance, and sometimes achievement of goals (e.g., Torrington & Hall, 1998; Bratton & Gold, 1999). These areas may be measured either quantitatively or qualitatively. Qualitative appraisal, Torrington and Hall (1998) argue, often involves the writing of an unstructured narrative on the general performance of the appraisee. However, the problem with qualitative appraisals is that they may leave important areas unappraised, and they are not suitable for comparison purposes. When they are measured quantitatively, on the other hand,

some form of scale is used, often comprising five categories of measurement from 'excellent', or 'always exceeds requirements' at one end to 'inadequate' at the other, with the mid-point being seen as acceptable. Scales are, however, not always constructed according to this plan. Sometimes on a five-point scale there will be four degrees of acceptable behaviour and only one that is unacceptable. Sometimes an even-numbered (usually six-point) scale is used to prevent the central tendency. Torrington and Hall (1998) takes the argument further, warning that there is a tendency for raters to settle on the mid-point of the scale, either through lack of knowledge of the appraisee, lack of ability to discriminate, lack of confidence, or desire not to be too hard on appraisees. Fisher *et al.* (1996) give a useful account of methods of appraising performance. They characterised most of the performance measures currently in use as either objective or subjective. In their view, objective measures are typically resulted-based measures of physical output, or assess performance in terms of numbers. They also classify the major types of objectives measures as: production measures, dollar sales, personnel data, performance tests, and business unit measures. However, despite of being free from the types of errors and biases that plague subjective measures, objective measures seldom capture the individual total contribution to the organisation. Subjective measures, on the other hand, can be used to assess traits, behaviour, or results. Moreover, since subjective methods mainly rely on human judgement, they are prone to rating errors. Generally, they can be classified as either:

- Comparative procedures (including: ranking, paired comparison, and forced distributions)
- Absolute standards (including graphic rating scales, weighted checklists, the critical incidents technique, behaviourally anchored rating scales or BARS, and behavioural observation scales or BOS)

Further, a very popular individualised method of evaluating the performance of managers and professionals is management by objectives (MBO). During the 1960's, there was a growth in schemes of MBO designed to control the performance of managers and stimulate them as regards their development (Bratton & Gold, 1999). In several surveys of performance evaluation techniques, for example, more than half of the organisations responding used some kind of MBO procedure to evaluate

managers' performance (e.g., Fisher *et al.*, 1996). Fisher *et al.* identify the following three steps for the MBO process:

1. The employee meets with his or her superior and agrees on a set of goals to achieve during a specified period of time.
2. Throughout this period, progress toward the goals is monitored, though the employee is left generally free to determine how to go about meeting them; and
3. At the end of the period, the employee and the superior again meet to evaluate whether the goals were achieved and to decide together on a new set of goals.

Observable or resulted-oriented goals, encouraging innovation, creativity, and coordination, leading to performance improvement are several advantages of MBO. Such schemes, however, soon came under attack and many fell into disrepute. For instance, some of the major reasons for failure of such programmes are presented in Table 4.3 as follows:

Table 4.3 Factors Contributing to MBO Programme Failure

-
- Lack of management support
 - Inadequate training of managers in how to use MBO
 - Easy goals
 - Setting unrealistically difficult goals
 - Lack of flexibility in setting goals for different units
 - Not alerting goals to meet changes in circumstances
 - Pseudo participation
 - Overemphasising goal attainment
 - Excessive paperwork
-

Consistent with the current literature (e.g., Torrington & Hall, 1998; Bratton & Gold, 1999; Fisher *et al.*, 1996), Locke and Latham (1984) present three approaches to rating performance: (1) trait scales, (2) objective outcomes measures, and (3) behavioural observation scales. Trait scales, they argue, are inherently ambiguous and are not recommended. Outcome measures can be extremely useful when they are available and relevant to the job. Behavioural observation scales are always recommended, so that the means as well as the ends receive proper attention.

In order to handle all the problems associated with designing rating scales, their accuracy, legal issues and equal opportunities in employee evaluation, Randell (1994) suggested the alternative to rating, which is called "qualitative assessment" (p.237). What this approach demands is the diagnosis of what an individual should be doing differently next in their job. This can be checked and discussed with an individual in an interview and this diagnosis turned into an 'action plan'. In

particular Randell calls this agreed next action a 'development step'. Similarly, Bratton and Gold (1999) put much emphasis on the shift from control approach to development approach. In Bratton and Gold's viewpoint, a developmental approach to employee evaluation that attempts to harness potential for many organisations would mean a spread in the coverage of appraisal systems to all employees who form the primary internal labour market. Further, Randell (1994) argues that all manner of observation forms and scales could be used in this process, as long as they aid the diagnosis and commitment to an action plan. Besides, Randell adds, if the process is seen as inept or unfair appraisees can feel strong resentment and reject the whole procedure. Consequently, this makes it virtually certain that the assessment process will be seen as uncertain by the appraisees. Hence, references to the need for accuracy in ratings abound in the appraisal literature.

Also, Fisher (1994:36) in an attempt to conceptualise the variations between the evaluation schemes delimited types of evaluation schemes by two dimensions:

- The first dimension is concerned with whether the assessment is to be focused on accountability or development. The development orientation is concerned with behaviour while accountability deals with results achieved and resources expended.
- The second dimension concerns whether the assessment is to be carried out by someone hierarchically superior to the appraisee or by a peer.

In short, as discussed above, throughout the performance management cycle, there are a number of opportunities for rating of performance and performers to occur. The different approaches to rating can be classified as inputs, results and outcomes, and behaviour in performance. The development of such methods, however, does not guarantee our understanding of what really happens in performance evaluations and organisations. Indeed, some would claim (Townley, 1991), the manageability of employees could be improved and enhanced through the use of the various techniques of performance evaluation.

4.6.2 Effective Employee Performance Evaluation

Performance assessments are most commonly undertaken to let an employee know how his or her performance compares with the supervisor's expectations and to identify areas that require training and development. Indeed, some would comment that performance evaluation has become a key feature of an organisation's drive

towards competitive advantage through continuous performance improvement (Bratton & Gold, 1999). A review of the appraisal and the performance management literature, however, indicates that regardless of a programme's stated purpose - such as employee feedback, development, compensation, and so on - few studies report positive effects. Beardwell and Holden (1997), for example, argue that evaluation schemes are met by many employees with distrust, suspicion and fear. In a similar line, the *Wall Street Journal* reports "in almost every major survey, most employees who get evaluations and most supervisors who give them rate the process a resounding failure" (Schellhardt, 1996:41). The Society of Human Resource Management concluded that over 90 percent of appraisal systems are unsuccessful, and a 1993 survey by Development Dimensions Incorporated found that most employers expressed 'overwhelming' dissatisfaction with their performance management systems (Smith *et al.*, 1996). The result of a survey undertaken by Duckett (1991) of volunteers in a pilot appraisal scheme in the UK reflected much of the opinion expressed in the literature on the effectiveness of performance management. Despite 50 percent of appraisees involved in the scheme believed performance evaluation to be a good idea, only 25 percent of them thought the scheme itself was very or fairly successful. Duckett also asserts that part of reason for the negative perceptions of staff appraisal and evaluation schemes is the well-documented tension between the summative / accountability purposes and the formative / developmental purposes of appraisal. The latter purposes, Timperley (1998) maintained, have found more acceptance among organisations, and even some argued that the two purposes could not be combined within one system. Although, other studies have reported similar negatives results, a review of research, practice, and litigation related to performance assessment and management highlights a number of things that can be done to improve the effectiveness of the performance evaluation systems. Bernardin *et al.* (1998:5), for example, propose that the effects of performance management systems will be more positive if and when certain prescriptions are followed that have generally been heeded by practitioners. These prescriptions are:

- Precision in the definition and measurement of performance is a key element of effective performance management.

- The content and measurement of performance should derive from internal and external customers.
- The performance management system should incorporate a formal process for investigating and correcting for the effects of situational constraints on performance.

Overall, there are some major reasons that an effective performance evaluation system can boost achieving organisational objectives. These purposes can be broadly categorised into:

1. Formal assessments are required to justify a wide range of human decisions such as pay raises, promotions, demotions, terminations, selection validation, evaluating recruitment results, and determining training needs.
2. Formal appraisals are required to maintain a competitive edge.

In a recent study of high-performance organisations, the practice of employing a value-added performance evaluation process was cited as one of the top ten vehicles for creative competitive advantage. The organisations in this study clearly stated that an effective evaluation and review process created focus, a platform for measurement, a vehicle for employee improvement, and a means of linking key outcomes to performance (cited in Longenecker & Fink, 1999:18). Developing an employee performance evaluation system that accurately reflects employee performance and contribution in different organisational programmes, however, is a difficult task. Boice and Kleiner's (1997) study highlights this difficulty indicating that performance evaluation systems are not generic or easily passed from one company to another. In other words, their design and administration must be tailor-made to match organisational requirements and as a result customer satisfaction. Accordingly, they have suggested the following critical steps for developing an effective performance evaluation system:

- Determining organisational and employee objective
- Training of raters
- Performing employee reviews on a frequent and ongoing basis
- Keeping and maintaining accurate records of employee's performance
- An accurate measurement system
- Conducting the performance evaluation by a multiple rater system
- Adjustments to pay should as close in time as possible to the conducted performance review

- Providing legal reasons for developing an effective performance appraisal system

Overall, if the system does not provide the linkage between the critical evaluation system components with those of criteria compatible with the organisational context, it is bound to be less than completely effective, and it will result in failure of both system and employee satisfaction. It is argued that identification and then removing any barriers to effectiveness of performance evaluation can be regarded as the first step towards developing a performance evaluation system consistent with the organisational context. To do so, having highlighted the barriers to effective performance evaluation, Longenecker and Fink (1999:19) take the argument further and point out that developing an effective and high-performance evaluation system is based upon the following two key tenets:

- The first tenet suggests that if appraisal process operates as a system in an organisational environment, a system perspective must be applied to identify the critical appraisal system components that are clearly matched with the organisational context to make sure that organisational procedures and practices work in harmony.
- The second tenet is that individual managers in organisations play a pivotal role in improving effectiveness and that they need the right tools and support to be effective.

One of the ten lessons presented to help companies in a Continuous Quality Improvement (CQI) environment move close to performance evaluation that help staff perform their best is 'employee / manager involvement' in designing an effective evaluation system (Longenecker & Fink, 1999:19). It is argued that involvement of employees at all levels facilitates acceptance of the quality system and increase co-operation. Put it in another way, when employees are allowed to participate in the design of the performance management system in the organisation, their sense of ownership increase. In contrast, if performance on key aspects of employees' jobs is ignored, it sends the message that those aspects of quality programmes are unimportant and should be ignored. Again, when employees feel that their rated performance is accurate and reflects the full range of their contributions to the achievement of organisational goals, their motivation to perform increases. However, when employees feel that their performance ratings are inaccurate or a function of politics, they tend to perform only to minimum standard, be absent more often, engage in the theft, or quit.

Thus, it appears that evaluation of the effectiveness of any process or technique of HRM is both highly desirable and exceedingly complex. Randell (1994) has written about the problems with employee evaluation stem from 'bias of auspices', obtaining 'independent' and argue that evaluation data is methodologically more respectable, but difficult to achieve in practice. Also, Randell talks in terms of the conflict between the system designer and managers by saying: the designers of a scheme require the data for their system's development, whereas senior managers require evidence that the scheme is working. To overcome this barrier, Randell also draws on the literature that highlights the role of training in performance evaluation and career development (e.g., Fletcher & Williams, 1985; Meyer *et al.*, 1965; Anstey *et al.*, 1976; Allinson, 1977) and concluded: "assessment schemes raises hopes and expectations in employees about being managed more skilfully if organisations undertake training in the structure and content of their employee performance evaluation schemes" (p. 244).

Consistent with Randell's (1994) view to performance evaluation and in a similar vein, Fisher (1994) stresses on the issue of performance evaluation as a continuous activity in organisations, in particular, professional and public sector organisations where the presentation of evaluation by management, as being about development and growth, can be thought by staff to be a cover for less noble intentions. In addition to choosing the types of evaluations, Fisher provides a range of potential features, which are available to the designer of employee evaluation schemes. Among these, which seem to be generally acceptable based on the HRM literature and research, are to: link between appraisal and performance-related pay (PRP), appeal systems, focus of control, structure of interpretation or judgement, degree of formalisation within the scheme, scopes of evaluation schemes, appraisal frequency, and method of implementation.

Clearly, the range and complexity of views about employee performance review in organisations will be great. Within the sample organisations of Fisher's (1995) survey, for instance, six particular rhetorical themes in the attitudes of appraisee, and six in the attitudes of senior managers, have been identified. Taken together, Fisher seems to suggest the following elements to be key to the appraisees:

- The rhetoric of feedback, development and growth

- The rhetoric of autonomy and independence
- The rhetoric about biased, incompetent and malicious appraisers
- The rhetoric of hidden agenda
- The rhetoric of equal and fair treatment within the scheme
- The rhetoric of performance, promotion and pay

On the other hand, the anxieties and aspirations of senior managers are as follows:

- The rhetoric of fashion and external stakeholder pressure
- The rhetoric of changing strategy direction and organisational behaviour
- The rhetoric of knowledge of staff competence and potential
- The rhetoric of control and performance
- The rhetoric of staff reward
- The rhetoric of the enabling organisation

Furthermore, in order to determine proper criteria for an effective evaluation system, another seminal study by Fisher *et al.* (1996) highlighted the fundamental decisions about what type of performance to assess and how to measure that performance through four desirable criteria including: validity, reliability, freedom from bias, and practicality i.e. user acceptance.

In short, despite of a great number of research evidence, in reality however, performance evaluation may be less than effective in the achievement of its purposes. The problem may be due to the way employee performance processes are formulated, based on an explicit or implicit performance control orientation. The task for personnel managers, however, is to diagnose what approach is most appropriate for their organisation, and to take astute steps to get it accepted and applied.

4.6.3 Raters of Employee Performance

Although, in most organisations, subjective ratings of employee performance are provided by immediate supervisors, but individuals are appraised by a variety of other sources including: their superior's superior, a member of the personnel department, self-appraisal, peer evaluation, upward evaluation, and multi-rater feedback. Sometimes, assessment centres are used to carry out the evaluation (Torrington & Hall, 1998; Fisher *et al.*, 1996). Each of these sources of evaluation will be explained in detail in chapter 7 and 8.

4.7 Summary

The purpose of this chapter has been to define performance evaluation / appraisal and discuss its origins, approaches as well as its purposes. Further, an effective performance evaluation system was also discussed. The literature on performance evaluation indicates that the term 'employee evaluation' means different things to different people. In particular, its use has grown to include all those formal processes for observing, collecting, recording and using information about the performance of staff in their job. Performance evaluation refers to identification of measurement factors or criteria against which to evaluate performance, assessment of performance against such criteria, review of performance levels attained by individuals, and development of subsequent performance. Overall, performance appraisal can be used for numerous purposes. Broadly speaking, information from performance evaluation is used by raters, ratees, and organisations for many purposes such as assessing training and development needs, improving current performance, reviewing past performance, setting performance objectives, making administrative decisions, and improving other HRM functions, to name just a few. Furthermore, analysis of the literature shows that performance evaluation systems can measure a variety of things. Performance evaluation systems are designed to measure personality, behaviour, and sometimes achievement of goals.

Dissatisfaction with performance evaluation, however, is a common survey finding. Back to the effectiveness of performance evaluation system, the extent to which the process is successful in an organisation depends to a large extent on how well it fits within the context and the culture of the organisation and is supported by a set of mutually reinforcing HR practices. As discussed previously, in the context of TQM, one approach to accomplishing this consistency, is through integration of performance evaluation with quality management requirements. In more accurate language, if the system does not provide the linkage between the critical appraisal system components with those of criteria compatible with the organisational context, it is bound to be less than completely effective, and it will result in failure of both the system and the employee satisfaction. The logic behind this argument is that: employee performance evaluation systems are not generic or easily passed from one

company to another. Therefore, its design and administration must be tailor-made to match organisational requirements.

To do so, the purpose of the next chapter is to explore the topic of performance evaluation / appraisal – referred to as deadly diseases of quality activities, and things-no-to-do cited frequently in the TQM literature - through the frame of the quality management to find out potential resolution of the apparent conflict between the two approaches. In sum, the following chapter will begin with a consideration of what performance evaluation, through the frame of quality management, is and then examine the quality advocates' admonition to eliminate appraisal. The rational and empirical bases for this argument will then be carefully considered in chapters 7, 8 and 9.

CHAPTER 5

LITERATURE REVIEW: HR PERFORMANCE EVALUATION IN THE CONTEXT OF TQM

5.1 INTRODUCTION

This chapter provides a review of the literature in the area of TQM and HR performance evaluation in order to establish the context for the empirical research, and its projected significance within the existing body of literature. To this end, a brief overview of the implications of a quality orientation for the evaluation of employee performance will be presented. The chapter also reveals the main difficulties with the concept of performance evaluation from a quality perspective, followed by an examination of particular characteristics of performance evaluation that could maximise the effectiveness of HR performance evaluation in organisational environments with a quality orientation. Both the assumptions of TQM and the requirements for HR evaluation are used as a foundation from which to examine the ways in which HR performance evaluation might have changed to integrate TQM requirements. By examining the pertinent literature throughout this chapter, the main criteria of a TQM-based HR performance evaluation system are refined and enhanced, thus moving towards a situation in which TQM can drive HR performance evaluation in practice. The results also serve as a guide for further assessment of the effectiveness of such a system through a two-stage empirical research.

5.2 Quality Management and Evaluation of Employee Performance

An analysis of the various approaches to TQM reveals that a fundamental assumption of the quality approach is that system factors matter the most when it comes to performance (see, for example, Deming, 1986; Waldman, 1994a, 1994b; Cardy, 1998; Wilkinson *et al.*, 1998). System factors refer to anything outside of individual workers. A number of researchers associated with the TQM movement have been highly critical of Western performance management practices (Crosby, 1979, 1984; Deming, 1986, 1993; Juran, 1964, 1989). Among these, perhaps the one most strident in his claims has been Deming. Deming (1986) summarised his management philosophy with 14 management principles that he offered as requirements to remain competitive in providing products and services. These principles have been a very useful stepping-

stone in helping to globalise TQM as an all-pervasive management philosophy (Sousa & Voss, 2002). Waldman (1994a) summarises Deming's argument on HR performance evaluation in the form of two primary themes relevant to total quality and HRM practices i.e. performance evaluation. The first theme is that the central problem of management is an incorrect understanding of variation in performance phenomena, including the work performance of employees. Waldman who also attempted to design performance management system for TQM implementation argues - following Deming's (1986) original argument - that "Deming's lamentation focuses on the confusion between common and special causes of variation" (1994a:35). Special causes are sporadic in nature, and with regard to work performance, can include factors unique to the individual worker, i.e. separate from the system in which the individual operates. The sporadic nature of special causes is evident in Deming's proposal that very little of the variance in work performance is due to such causes. Accordingly, Waldman notes, the lion's share of variance is due to common causes, which according to Deming are system-based. This is the position taken precisely by Cardy (1998:138), who presents a list of general categories of system factors that could influence performance as follows:

- Poor coordination of work activities with others
- Inadequate information, instructions, specifications, and so on
- Lack of needed equipment
- Inability to obtain raw materials, parts, supplies, and so on
- Inadequate financial resources
- Uncooperative co-workers or poor interpersonal relations
- Inadequate training
- Insufficient time to produce the quantity or quality of work required of the job
- Poor environmental conditions (for example, too cold, hot, noisy, or full of interruptions)
- Unexpected equipment breakdown

A further important point about the system factors made by Waldman (1994a), as the main Deming's concern, is that management, through such mechanisms as performance evaluation, attempts to respond to most variation as if it were due to special causes rather than to common causes. Further, Deming (1986) argued that system factors account for up to 95 percent of the variance in performance. Cardy's

(1998) view, however, is against this argument discussing that this figure was simply an assertion based on no empirical evidence. Nonetheless, it is a figure routinely cited in the quality literature.

As a result of the above arguments, TQM proponents (e.g., Deming, 1986; Scherkenbach, 1985; Scholtes, 1993; Walton, 1986) have been quick to criticise performance evaluation practices which are based on the assumption that the individual employee is largely in control of his or her own performance level. It follows that a second primary theme of total quality is that a process (or work performance in a unit) can only be improved by first identifying and eliminating the special causes of variation to achieve a stable process. Then the overall system can be improved by focusing attention on the common, system-based factors which affect performance. A substantial comparative study on the source of performance was carried out by Cardy (1998:136) giving a very useful account of the source of performance from quality and human resource perspectives by stating, “underlying the focus on system improvement is the quality assumption that people are intrinsically motivated to perform well”. In other words, the emphasis from the quality perspective is on removing system barriers to performance in order to provide an opportunity for the natural motivation of workers to be released. This argument, however, appears to be in sharp contrast to the approach taken by traditional HRM. HRM theory and practice have for many years focused on individual differences in the management of performance in organisations. Indeed, areas such as selection, performance evaluation, and compensation have largely been concerned with decision-making based on assessment of individual differences. While evidence found traditional HRM in conflict with the context of quality management, Waldman was trying to give guidelines for an individual-based approach to performance evaluation that would help it to be regarded as an essential feature of a performance management system. To this end, Waldman talks in terms of two assumptions to be key to an individual-based approach (1994a:36):

1. With regard to performance evaluation, raters can accurately distinguish system from person causes of performance
2. Enhancing individual task performance will enhance the performance of the greater unit or organisation

Measurement error theory is based on the notion of the true score and concerned with the accurate assessment of an individual performer (Nunnally, 1978). With regard to the second problem associated with an individually-based approach to performance evaluation, TQM proponents have been critical of the use of such individualised goal-setting practices as management-by-objective (MBO) for at least two reasons. First, individuals may attempt to set or negotiate less challenging, easy goals to obtain rewards. Second, and perhaps more importantly from a TQM perspective, goals tend to be set stressing only short-term, financial or productivity outcomes. The problem is that because of self-interests, goals are pursued at the expense of the type of teamwork and continuous improvement effort necessary to improve work systems and processes (Scholtes, 1988). Others (e.g., Levinson, 1970:134) attacked the practice of MBO as self-defeating because it was based on 'reward-punishment psychology' which put pressure on individuals without there being any real choice of objectives. Furthermore, Deming (1986) argues, traditional performance evaluation and associated rewards mechanism reward people who do well or at least appear to do well within the system. Such procedures, however, do little in an attempt to improve the system. As a consequence, these are potentially growing problems because of the increasing interrelatedness of individuals' work activities and the need on the part of organisations for continuous improvement to maintain competitiveness.

In line with the previous arguments, and in an attempt to improve quality culture, Wilkinson and others (1998: 45) provide a very useful discussion based on the quality gurus' arguments, concentrating on the provision of recognition rather than reward, and as a consequence use of award schemes as a way of recognising outstanding performance or achievements. Others, they report, however, have questioned this view, arguing that it has several negatives implications for management. From management viewpoint, it is unlikely to be sufficient to build the quality culture. Furthermore, it may persuade them to link pay with quality. Waldman (1994a) went on to contrast HRM and TQM approaches of employee motivation. HRM field has assumed that worker motivation is largely determined by extrinsic factors. While intrinsic motivation has sporadically been recognised as potentially important, thrust has been on setting extrinsic contingencies to maximise

performance. Examples of the extrinsic motivation approach taken by HRM are: 'clear and difficult performance goals' and 'performance-contingent pay'. Proponents of TQM, however, have questioned this focus, and instead have chosen to emphasise aspects of work systems as being predominantly relevant to work performance (see, for example, Deming, 1986, 1993; Juran, 1989; Walton, 1986; Cardy, 1998). As a result, TQM brushes aside the use of individual-based approach to employee performance evaluation and condemns the use of this approach since it seems to be largely unworkable and incompatible with TQM practices.

Clearly some kind of balance is required between HRM and TQM approaches i.e. person factors against system factors. To this end, Wilkinson *et al.* (1998: 45-46) allow the two approaches to merge, and talk in terms of an alternative version of the relationship between TQM and HRM, as they call it 'Deming TQM'. Central to their discussion is whether the main source of variation in organisational performance is the system or individual performance which in turn led them to propose a synthesis of the two views which is outlined in Table 5.1.

Table 5. 1 TQM and Management of Performance: Two Competing Views

	Performance management	Deming TQM
Focus for performance improvement	Individual performance	System performance
HRM implications	Individual Appraisal Rewards Development	Avoid blaming the Individual – 'drive out fear' Provide recognition Education and leadership

Source: Adapted from Wilkinson *et al.* (1998: 45).

Wilkinson and others argue that the view implicit in the performance management approach - focus on the performance of individual workers - is in contrast with Deming TQM which stresses the extent to which system factors can constrain performance. Having analysed the two conflicting approaches, the authors concentrated on the interaction of these two apparently conflicting views and have written, "a synthesis of the two approaches is in line with the suggestion that HR policies can be adapted to underpin the development of the necessary motivation, attitudes and competencies required for TQM" (1998:46).

In a similar vein, and consistent with the Waldman (1994a), Wilkinson *et al.* (1998), and Cardy & Dobbins (1996), Cardy (1998: 138) illustrates the contrasts between traditional HRM and his own version, as he calls it, 'quality-oriented HRM' (i.e.

when HRM practices are adapted to fit within TQM requirements and precepts) and divide them into process and content categories as follows (see Table 5.2).

Table 5.2 Contrasts in Content and Process Characteristics

	Traditional HRM	Quality-Oriented HRM
Process characteristics	Unilateral role Centralisation Pull Administrative	Consulting role Decentralisation Release Developmental
Content characteristics	Singular Compartmentalised Worker-oriented Performance measures Job-based	Pluralistic Holistic System-oriented Satisfaction measures Person-based

Source: Adapted from Cardy (1998:138).

Process characteristics, Cardy and Dobbins report (1996), refer to how the HRM function gets accomplished while content characteristics refer to what is focused on. In sum, in a highly detailed and descriptive way, Cardy (1998) suggests that conflict between the quality and traditional HRM approaches can be resolved adapting HRM to fit within a quality organisational environment. In particular, Cardy (1998:139) states: “the quality HRM approach moulds the pure person and system approaches embodied in the traditional HRM and quality approaches, respectively, and recognises the importance of both factors”.

Although it seems that the direction of the answer to the main problem with performance evaluation in quality organisational environment has partially been expressed in the aforementioned arguments, however, this evidence displays confusion concerning the place of HR performance evaluation in the context of TQM, and consequently they obfuscate the real issues of bringing about through and precise change and modification in HR performance criteria to integrate TQM requirements. They do not seem able to clearly answer the fundamental questions about HR performance evaluation which would then allow them to give a thorough analysis of the issue they are considering and provide precise methodology to attain the goals, conclusions, and recommendations. Put it in another way, a key question to be remained and faced by TQM-driven organisations is whether inclusion of system factors in the HR performance evaluation will change the current HR performance evaluation to a so-called ‘TQM-driven HR performance evaluation’? Although system factors are crucial to be integrated into TQM performance evaluation,

however, what is also being argued here is that a typical TQM performance evaluation should be from, in Randell's (1994: 237) words, "performance development to performance assessment". To have an HR performance evaluation system that is aimed to achieve this must include all TQM requirements (e.g., frequency of evaluation, source of evaluation, purpose of evaluation, responsibility for performance evaluation, to name just a few).

5.3 HR Performance Evaluation: Past, Current, and Future

Recent years have seen the evolution of performance evaluation systems and human resource development processes. More importantly, compared to other HRM functions, a review of the literature gives the impression of increasing attention paid to employee performance appraisal. In a very insightful text, Storey (1995) analyses the main issues of performance evaluation and argues that in comparison to recruitment and selection, there have been more systematic, longitudinal surveys on its use. While the traditional name, performance evaluation is still in use, however, some organisations are experiencing negative connotations with the term. For many, the term 'performance appraisal system' embodies the major difficulties with traditional approaches. Further, a review of the literature on performance evaluation also reveals that there are many unresolved issues surrounding this topic. Put simply, the main difficulties with traditional performance evaluation systems are (see, for further details, Deming, 1986; Hemmings, 1992; Waldman, 1994a; Randell, 1994; Smither, 1998; Wilkinson *et al.*, 1998; Cardy & Dobbins, 1996; Cardy, 1998; Scholtes, 1993, 1995; Ghorpade *et al.*, 1995; Seddon, 2001; performance appraisal: a UK-based company, 2001) :

- A focus on the past
- Use of quantifiable measures
- Traits are inputs to work, not outputs
- Traits are subjective
- Conservative use of performance evaluation rating scale
- Pay awards 'unrelated' to performance evaluation
- Annual performance evaluation emphasising formal procedures
- The limits of only two performance evaluation views
- Performance evaluation forms can impede wider discussion

- Performance evaluation objectives are not always measurable

Although, the overriding purpose of HR performance evaluation is the improvement of the performance of employees in their job, however, the purpose of traditional performance evaluation systems was largely to ensure that the minimum standards for the job were being maintained and that some measure of control was being exerted over the employee. This approach was referred to as ‘performance control’ by Randell (1994) which underpins most employee evaluation schemes that exist in Britain today. In more accurate language, the HR performance evaluation attempted to assess past and current performance in a particular job. In turn, these were often viewed as an opportunity to criticise rather than give recognition or meaningful support for performance improvement. Ignoring performance-related pay, employee’s future development, and tendency not to incorporate strategic needs of the business are also frequently cited as the disadvantages of traditional HR performance evaluation.

In contrast, during recent years performance evaluation systems have tended to move away from being primarily control and maintenance based and have moved towards an approach more concerned with motivational and developmental issues to be congruent with the culture and principles that guide the conduct of the organisations. In short, the major shifts in recent years in performance evaluation have been to (see, for further details, Deming, 1986; Waldman, 1994a; Randell, 1994; Smither, 1998; Cardy *et al.*, 1998; Ghorpade *et al.*, 1995; Cardy, 1998; Wilkinson *et al.*, 1998; Clinton *et al.*, 1994; performance appraisal: a UK-based company, 2001):

- Focus the evaluation on development rather than control
- Use open consensus based approaches
- Assess performance against behavioural standards and competencies
- Draw performance feedback from colleagues and subordinates
- Relate the evaluation results to performance related pay schemes
- Minimise paperwork while increasing ownership of the process
- Focus the process on people’s potential rather than skills deficits

A further important point about the HR performance evaluation arises from its consistency with organisational context. This is the position taken by majority of TQM and HRM researchers. Ghorpade *et al.* (1995:32), for example, states: “performance evaluation is a complex creativity that confronts even the most well-

meaning appraiser with a maze of interrelations that frustrate assignment of clean, accurate, and merit-based ratings”. Moreover, they argue that evaluation gets progressively more complicated with the introduction of additional variables and quality management demands. Even modest increments in complexity add disproportionately to the challenge. As complexity increases, they point out, it becomes progressively more difficult to meet the criteria that good evaluation systems need to meet i.e. observability, measurability, job relatedness, importance to job success, controllability, and practicality. In short, a detailed review of the literature on the topic is, however, strong on the need for an effective performance evaluation and, in particular, consistent and congruent with organisational context under guidance of TQM precepts.

5.4 TQM Performance Evaluation: Past, Current, and Future

Employee or staff appraisal can be defined, in Randell’s (1994: 221) words: “as the process whereby current performance in a job is observed and discussed for the purpose of adding to that level of performance”. Even though this is a simple definition of an every day managerial activity, however, it is a very controversial topic. The literature abounds with different analyses and conclusions that arise from how the process of HR performance evaluation is viewed and how it is seen to fit with business strategy, personnel policy and individual managerial philosophies. A brief review of the literature indicates that performance evaluation has been lamented by many researchers as an unwelcome and difficult task for a variety of reasons i.e. a tool for managerial control, focus on the past, individual responsibility for performance, error and bias.

In particular, a review of TQM literature reveals that quality management gurus (e.g. Deming, 1986) and other quality and organisational researchers (e.g., Waldman, 1994a; Scholtes, 1993; Wilkinson *et al.*, 1998; Cardy, 1998) have been criticising HR performance evaluation practices for years: as Deming (1986) lists it as the third deadly disease and the main cause of quality problems across American industries. Deming’s view is that ranking and paying individuals by end results against preset goals is unsound because (Hemmings, 1992:309):

- Goals are usually set as extrapolations of last year’s achievement, yet changes in the business environment in the future cannot be accurately predicted. Also,

measurement of performance against goals which cannot be equally challenging for everybody is fundamentally unfair and demotivating.

- The concept of rewarding success (an end result) is wasteful, unless you can be sure that the employee knows what to do to repeat that success; so concentrate on improving working processes not the goals.
- Individual performance is rarely the sole contributor to success. Most work is now a collaborative effort, so individual merit rewards on person to the prejudice of the rest of the team and thereby discouraging teamwork.
- Random variations in the system are usually sufficient for luck to be a significant contributor to any successes achieved against short-term goals, which makes the unfairness of the goals.
- Individual or department goals only focus on a part of the process. This can divert many employees from concentrating on what they can do to satisfy the customers' needs.
- Reliance on pay as a motivator diverts attention from the greater motivating effects of pride in work and innovation.

To add to this pressure, Scholtes (1993) points out that TQM and HR performance evaluation are incompatible. From Scholtes' viewpoint, organisation managers can choose to promote either of these approaches but not both. In an attempt to explain the fundamental problems with performance evaluation in quality-focused organisations, Scholtes (1993) makes up for this deficiency by giving a wide range of examples and finally argues that since fundamental TQM requirements contradict the basic elements of performance evaluation, it would be impossible to combine them. Others (e.g., Cardy, 1998; Waldman, 1994a), however, were trying to give support to and guidelines for an approach to HR performance evaluation that would help it to be regarded as an essential tool for improvement of employee performance. Even though the role of evaluation may be uncomfortable for many, Cardy (1998:132) conducted a comprehensive review of the literature pertaining to performance evaluation in quality-focused organisations giving a useful account of performance evaluation function and asserts "judgments of performance are needed if performance contingent decisions, ranging from termination to pay increase and promotion, are to have any sort of rational basis". This argument was also confirmed in one of recent studies of high performance organisations in which 'the practice of

employing a value-added performance evaluation process' was cited as one of top ten vehicles for creative competitive advantage (cited in Longenecker & Fink, 1999:18). Accordingly, Shadur *et al.* (1994) also found that most large organisations surveyed have some form of performance evaluation and they provided evidence supporting the positive effects of performance evaluation on productivity and quality. Furthermore, Baird and Meshoulam (1988) allow the two perspectives to merge and back up each other, and believe that a firm's HRM activities must fit with each other and support other management programmes if peak organisational performance is to be achieved. Supporting the HR practices and internal fit viewpoints, Arthur (1994:684) came to the conclusion that HR practices focused on enhancing employee commitment, were related to higher performance. This view is also illustrated in a 1995 survey conducted by Sinclair and Zairi in which the researchers examined the performance measurement in quality-focused organisations and found that an inappropriate performance measurement could be a major cause of failure in the implementation of TQM. The survey has also revealed that even in companies assumed to be leaders in both performance measurement and TQM, a significant gap exists between the aspects of performance, which managers perceive as being important to measure, and the actual performance measures used. Consequently, this prevents the organisations from optimising, meaning that all components of the system are not working together. However, neither of these arguments and findings (e.g., Baird & Meshoulam, 1988) can provide a precise understanding of what should be done to make the performance management (appraisal) system an effective for individual and organisational development. Thus, what is required is a more thorough methodological approach of the issues and then a set of guidelines to allow the objectives to be achieved.

As mentioned earlier, a number of researchers of total quality (e.g., Scholtes, 1993, 1995; Waldman, 1994a; Cardy, 1998) following Deming (1986), argue that TQM and performance evaluation are incompatible. The attack on HR performance evaluation in the context of quality management was spearheaded by Deming (1986) since he lists 'evaluation of performance, merit rating and annual review' as the third of his 'seven deadly diseases'. These diseases, Deming notes, fundamentally impede the transition to a stable TQ environment, or they actively encourage regression back

to traditional ways. This, in turn, was followed by other TQM researchers' critiques in 1980s and 1990s, in which they observed the central problem of performance management as an incorrect understanding of variation in performance phenomena, including the work performance of employees. Even though Deming has not enumerated his criticisms, Ghorpade *et al.* (1995:33) summarized the following four charges keep recurring in Deming's discussion:

1. They are unfair since they hold the worker responsible for errors that may be the result of faults within the system.
2. They promote worker behavior that compromises quality.
3. They create a band of discouraged workers who cease trying to excel.
4. They rob the workers of their pride in workmanship.

The above conceptual attack was followed by a number of theoretical studies in which the authors exposed considerable reluctance by TQM to use the traditional HR performance practices. Scholtes (1993), for example, discusses a number of principles at the heart of TQM that establish a foundation for the new philosophy and, indirectly, the basis for rejecting employee performance measurement. More importantly, Scholtes argues, in the era of TQM, HR performance evaluation supports obsolete values with dysfunctional methods. To elaborate on this conflict, in Scholtes' view, performance evaluation (1993:355):

- 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
- 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

Regrettably, Scholtes' argument like the vast majority of the papers is an example based and did not give sufficient insight into exactly how to adjust performance evaluation to integrate TQM requirements. Further, Scholtes' discussion dilutes the depth of his conclusions for he does not adequately tackle the conflicts between

performance evaluation and TQM requirements. Nor does he base his discussion on strictly empirical findings.

In more accurate language, among other issues, the fundamental problem with performance evaluation from the perspective of many quality advocates is that it holds workers responsible for outcomes that are beyond their control i.e. system factors. Although, Cardy (1998) was very strong on the need for a consistent HR performance evaluation system within organisational context, in particular, in TQM-focused organisational environments through taking into account the system factors, however, Cardy (1998:135) reasonably states that “if performance is largely due to system factors, then it makes little sense to assess the workers, since they contribute such a small amount to the performance outcomes”. With regard to the importance of an effective performance evaluation system, Ghorpade *et al.* (1995) tried to give support the vital role of HR performance evaluation and note that appraisal of human performance at work is inevitable in all organisations i.e. large and small, public and private, local and multinational. They identify three main reasons for this:

1. Individuals are hired by organisations to perform work needed for the success of the organisation. So, performance evaluation is the organisation’s way of assessing whether it is getting its rightful due from the individual.
2. Individuals differ concerning how well and how conscientiously they do their work. Therefore, evaluation is necessary to account for the differences in contributions of individuals.
3. In today’s legal climate, formal performance evaluation is essential to defend the organisation’s negative actions against individuals, particularly those that adversely affect members of minority groups protected by law.

In short, this review of literature - despite of some fundamental conflicts between TQM and HRM approaches to performance evaluation - gives the impression of a general agreement among organisational researchers that the appraisal and management of performance remains as an important issue in organisations. Even though the role of evaluation may be uncomfortable for many, Cardy (1998:132) allows the two approaches to merge and states, “judgements of performance are needed if performance-contingent decisions ranging from termination to pay increase and promotion, are to have any sort of rational basis”. According to Cardy, there is no doubt that the appraisal and management of human performance can be a difficult

and error-ridden task. However, it is important to both the organisational and individual perspectives that the task still be done as effectively as possible.

5.5 The Main Criteria of a TQM-Focused HR Performance Evaluation

The managerial literature is replete with the ideas of how performance can be appraised at the workplace. Therefore, what follows are several prescriptions for improving quality-driven performance evaluation systems which are congruent with the requirements of a quality management environment. However, these recommendations are fairly generic and may need to be customised and embellished in order to best work in each particular quality environment. The intent of the suggestions is to provide some general direction for maximising the effectiveness of HR performance evaluation in quality-based environments.

To help quality-driven organisations to decide what criteria are most appropriate for HR performance evaluation in quality-focused organisations, Ghorpade *et al.* (1995) devote an article to the criterion issues and to measuring HR work performance, and describe a number of HR performance evaluation criteria compatible with TQM culture in simple and rather prescriptive terms as follows:

- Within a quality environment, the primary purpose of performance evaluation should be to help the employees improve their performance.
- Modification of the existing performance evaluation system should be brought about with the active involvement of all those who are affected by the activity.
- The evaluation of the existing performance evaluation system should be approached like any other quality improvement effort.
- Within a quality-driven environment, the focus of assessment should be on behaviour, with output and input used for diagnostic and developmental purposes.
- For each dimension of performance considered, employees should be asked to provide examples of two types of behaviour: task performance and quality improvement.
- Workers should be judged by absolute rather than relative standards of performance.
- Responsibility for performance evaluation should continue to rest with the manager.

In this regard, Prince (1996:47-50) provides a detailed discussion on resolving the conflict between TQM and HRM scholars indicating that a unique appraisal context of TQM organisations are likely to have many general distinguishing characteristics

that should be considered in designing a context-appropriate appraisal system.

Among these are:

- From hierarchical to horizontal: TQM organisations are less hierarchical than traditional organisations.
- From individual to team-based organisations: team orientation of TQM versus individual responsibility for jobs.
- Recognising and interpreting variation: common causes of variation in work performance versus special causes.
- Continuous improvement means continuous change: performance criteria should reflect job requirements.

Furthermore, Prince requires a performance evaluation system consistent with TQM to pay attention to both the designing process and the features of the eventual design. With regard to the latter, Prince identified the following general performance evaluation system features consistent with TQM (1996:50-53):

1. Rating scale length? Fewer performance categories are better than many
2. Who evaluates performance? Knowledgeable peers, subordinates, hierarchical superiors, and the employees' clients (either internal or external) should be involved in the evaluation process.
3. What gets evaluated? Employees should be evaluated on criteria relevant to job requirements.
4. Work team or group versus individual evaluation? The relative emphasis on team versus individual should grow.
5. Frequent performance review discussions? The focus on future work planning discussions should be more dominant than the evaluation of past performance.
6. Separation of promotion / transfer and performance evaluation administrative systems? Future job potential is the key factor in making a promotion / transfer decision.

Another discussion for a TQM-based performance evaluation system is illustrated by Petrick and Furr (1995:145-6) through a comparison between traditional and total quality appraisal systems (see, Table 5.3).

Table 5.3 Appraisal Systems

	Traditional appraisals	Total quality appraisal
Guiding value	Individual accountability	System and individual accountability
Primary goals	Control, documentation	Development, solving problems
Input range	Immediate superior	360-degree appraisal

Leadership practices	Directional, evaluative	Developmental, coaching
Appraisal frequency	Occasional	Frequent
Degree of formality	High	Low
Focus	Individual/job	Team/systems and individual jobs

Source: Petrick and Furr (1995:146)

Traditional performance appraisal systems, they argue, tend to rely on an appraisal system with unilateral flow of information from a single source, wherein the immediate superior passes judgment and informs the subordinates. In contrast, TQM gurus (e.g., Deming, 1986) argue that individually-based appraisal are fundamentally harmful and unfair because if the system in which people work is predictable, then over time most employees will perform at about the same level. As a result of the huge influence of variation in the process, Petrick and Furr (1995) add, measuring the overall performance of individuals contribution through separation of the individual performance from that of the system is impossible. “The need therefore to factor in both system and individual inputs into appraisals is a key obligation of total quality HR professionals” (p.146).

Scholtes (1993) in a critique article began to attack on the concepts and practice of performance evaluation, and argues that since fundamental TQM requirements contradict the basic elements of performance evaluation, it would be impossible to integrate them. Having recognised the place of HR performance evaluation in successful implementation of TQM activities, however, Scholtes also suggests two alternatives to HR performance evaluation that he believes managers don't like to hear. First, in the Scholtes' (1993:360) words, “until managers let go of their obsession with the individual worker and understand the importance of systems and processes, they will not enter the quality era”. Besides, Scholtes adds, without this change in mind-set, managers will continue to look for alternatives that are not different from what they are trying to replace. Second, as Scholtes suggests, “when managers are doing something that is demonstrably harmful, they can stop doing it without finding an alternative way to harm themselves” .

The enthusiasm for integration of performance evaluation and TQM has also been precisely discussed by Waldman (1994a) in a debate on individual-based versus group-based evaluation. This linkage as put forward by Waldman can be

accomplished in the following two perplexing issues surround the type of performance management system which according to Waldman considered to be compatible with TQM practices. First, an important issue is whether maximal effectiveness would be achieved when group-based performance review and reward systems are coupled with the types of continuous improvement activities that have become associated with TQM. That is, when implemented alone, group-based assessment and reward may have limited effects. Likewise, the sole implementation of a continuous improvement strategy may stagnate if not combined with group-based evaluation and reward. To put it in another way, organisational members might perceive inconsistencies if continuous improvement strategies emphasised cooperation and teamwork, while appraisal and reward systems only encouraged individual accomplishment - or even worse, competition. A second issue, Waldman argues, is whether system-oriented performance management may be most beneficial at lower hierarchical levels. Previously cited evidence and case examples have largely focused on lower-level employees (see, for example, Nathan *et al.*, 1991). Since managers at higher levels are increasingly responsible for system creation and change, it logically follows that individually- oriented performance review and rewards may remain viable at higher levels. In sum, the conclusion that Waldman came to suggests that performance management efforts focused on group-level performance review and rewards will have greater positive effect on TQM implementation efforts than on efforts focusing on individuals, especially at lower hierarchical levels.

Cardy devotes a chapter of the book '*Performance appraisal: State of the art in practice*' to performance appraisal in the context of quality management and talks about 'traditional HRM and Quality-Oriented HRM' that "there is a definite and fundamental conflict between traditional HRM and quality. The HRM discipline emphasises a main effect for person factors while the quality approach emphasises a main effect for system factors" (1998:137). Moreover, Cardy argues that it is not that one approach is right and the other wrong. Rather, either approach alone is deficient. Table 5.4 presents a summary of Cardy's suggestions that have been offered for maximising the effectiveness of performance appraisal in quality-driven environments.

Table 5.4 Content, Process, and Source Suggestions

Content

- Includes assessment of both person and system factors.
- Generates specific descriptions of system factors.
- Take a participative approach to distinguishing between person and system factors.
- Take a behavioural approach to measuring person factors.
- At the individual level, recognise that system factors may be influenced by person characteristics.

Process

- Shift appraisal to a partnership focused on improving performance rather than placing blame.
- Explore the possibility that differences between rater and ratee assessments of system factors indicate areas of difficulty in the work situation that the rater may not be aware of.
- Watch out for the tendency of ratees to use system factors as excuses, particularly in a climate with low trust.
- Use both person and system factors to allow for the determination and improvement of person fit with the work situation.
- Deal explicitly with causal attribution so that accurate diagnosis of performance can be made and effective remedies be introduced.

Source

- Include sources that are most knowledgeable about the person and system factors that influence the worker's performance.
 - Involve both internal and external customers in setting standards and in assessing performance.
-

Source: Adapted from Cardy (1998:159).

However, neither Scholtes nor other researchers did give sufficient insight into exactly how such TQM requirements should be inculcated and integrated with HR performance evaluation. Nor did they display any awareness or guidance of designing a TQM performance evaluation to bridge the gap between theory and practice in HR performance evaluation in the context of quality management. Also, the above researchers' deep concern about the HR performance evaluation tailored with TQM requirements has not been precisely carried forward by other organisational researchers, a point that is regarded as a keystone element in this research and would be of immense value for future empirical research.

5.6 Summary

This chapter provides an insight into the issues involved in the development of a quality-driven performance evaluation that complement TQM requirements. It has contrasted TQM precepts and HRM approaches to HR performance evaluation in the workplace. In particular, the quality contention that HR performance evaluation should be eliminated was examined in detail. It was further suggested that for

measuring the real contribution of employees into quality programmes certain criteria such as 'focus on behaviour, absolute standard, active involvement of all employees, emphasis on collective responsibility for quality, situational performance factors, a process focus, and customer care were more compatible with TQM context. Only through such quality-focused will TQM-based organisations create a quality-driven performance evaluation system. In particular, the findings from the literature survey also confirmed that performance evaluation is still a vital necessity in quality-driven context, but it needs to be adapted in important ways so that the practice maximally contributes to the quality effort.

Also, as the survey found, low integration of performance evaluation criteria with the context of the organisation appears to occur frequently enough to justify designing a TQM performance evaluation to knit the pieces of the performance evaluation and TQM requirements back together into a coherent whole so-called 'TQM-driven HR performance evaluation'. To this end, in the following chapters the issue of TQM and HR performance evaluation in the context of quality management within a sequence of three interrelated research questions will be empirically examined: (1) What are the generic criteria of the HR performance evaluation systems that are currently used in organisational environments with a quality orientation? (2) What, if any, should be the key criteria of a quality-driven HR performance evaluation system? And, as a consequence, (3) what is the degree of consistency between the systems in current use and the key criteria of a quality-driven system? That is, to what extent, are the currently applied HR performance evaluation criteria in line with TQM demands and expectations? With regard to these three questions, as described in the literature survey, guidance from the literature appears to be largely absent. Guidance from academic practice is also few and vague. At present, it is not known which performance criteria are most likely used by TQM organizations, and whether and to what extent they have adjusted their performance management (evaluation) systems to integrate TQM requirements. In addressing these issues towards filling this void, the following chapters through a combination of quantitative and qualitative methodologies using two different but related research methods attempt to empirically build bridges between these theoretical findings (chapters 1 to 5) and these issues in practice. For the purpose of the clarity, Table 5.5 summarises the

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different perspectives on a typical performance evaluation characteristics that should be considered in designing a context-appropriate evaluation system .

Table 5.5 Performance Evaluation in the Context of TQM: Summary

(Clinton <i>et al.</i>, 1994:10)	Wilkinson <i>et al.</i> (1998:43)	Ghorpade <i>et al.</i> (1995)
1) Identify and recognise the quality of inputs and processes and not just outputs.	1) Inclusion of customer (internal and external) in the process of evaluation	1) To help the employees improve their performance
2) Focus on the achievements of the individual, team and enterprise	2) Peer review as a source of evaluation	2) Active involvement of all in the Modification of the system
3) Improve future performance through performance planning, coaching and the counselling.	3) Establishment of a link between personal objectives and training and development needs of individual	3) Management responsible for performance appraisal 4) Approaching PA like any other quality improvement effort
4) Reward personal improvement and not just rating performance relative to peers.		5) Focus on behaviour / process
5) Provide qualitative feedback to employees.		6) Task performance and quality improvement 7) Judgement by absolute standards
Cardy (1998:159)	Prince (1996:44-47)	Graber <i>et al.</i> (1992:60-61)
Content		
1) Includes assessment of both person and system factors.	1) From hierarchical to horizontal	1) Setting goals based on customers' needs
2) Generates specific descriptions of system factors.	2) From individual to team-based organisations	2) PA should be devoid of arbitrary numbers
3) Take a participative approach to distinguishing between person and system factors.	3) Recognising and interpreting variation	3) PA should be comprehensive
4) Take a behavioural approach to measuring person factors.	4) Continuous improvement through continuous change	4) PA should be based on activities and results
5) At the individual level, recognise that system factors may be influenced by person characteristics.		5) PA should be criterion-based
Process		
6) Shift appraisal to a partnership focused on improving performance rather than placing blame.		6) PA should be participative
7) Explore the possibility that differences between rater and ratee assessments of system factors		7) PA should define outstanding performance
8) Watch out for the tendency of ratees to use system factors as excuses, particularly in a climate with low trust.		8) The development of performance expectations facilitated.
9) Use both person and system factors to allow for the determination and improvement of person fit with the work situation.		
10) Deal explicitly with causal attribution so that accurate diagnosis of performance can be made and effective remedies be introduced.		
Source		
11) Include sources that are most knowledgeable about the person and system factors that influence the worker's performance.		
12) Involve both internal and external customers in setting standards and in assessing performance.		
Carson <i>et al.</i> (1991)	Prince (1996:47-50)	
1) Raters need to be trained in person and system factors.	1) From hierarchical to horizontal	
2) Collect performance ratings from multiple perspectives.	2) From individual to team-based organisations	
3) Focus on potential barriers to individual improvement.	3) Recognising and interpreting variation	
4) Minimize differentiation among employees.	4) Continuous improvement means continuous change	
5) Focus on group-based evaluation, rather than individually based evaluation.	5) Fewer performance categories	
6) Tailor the performance measure to specific needs.	6) Multisource evaluation	
	7) Evaluation based on criteria relevant to job requirements	
	8) Emphasis on team	

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- 9) Frequent performance review discussions
- 10) Separation of promotion and PE administrative systems

Petrick and Furr (1995:146)

	<i>Traditional appraisals</i>	<i>Total quality appraisal</i>
Guiding value	Individual accountability	System and individual accountability
Primary goals	Control, documentation	Development, solving problems
Input range	Immediate superior	360-degree appraisal
Leadership practices	Directional, evaluative	Developmental, coaching
Appraisal frequency	Occasional	Frequent
Degree of formality	High	Low
Focus	Individual/job	Team/systems and individual jobs

CHAPTER 6

RESEARCH METHODOLOGY

6.1 INTRODUCTION

This chapter outlines the research objectives, questions, methods of data-collection, and the research samples. This exploration of methodology begins with a brief overview of the quantitative approach versus qualitative approach as the principal methodologies. Next, methods of gathering data are explained in detail, followed by an examination of the questionnaire development as the product of the research problem as well as questionnaire validation and structure. The remainder of this chapter explains questionnaire survey and follow-up semi-structured-interview survey as the two distinct but related phases of the research. Furthermore, participants and samples, types of questions, and subjects of the research are also outlined.

6.2 Research Objectives

Although the main theme of this research project is ‘an examination of HR performance evaluation in the context of quality management to see whether TQM organisations have adjusted their HR performance management (evaluation) systems to incorporate TQM requirements’, but this broad aim is spilt into a number of clear and more specific and attainable objectives.

To this end, the first objective of this study is to provide the theoretical justification for elimination of performance evaluation from the frame of TQM. A brief overview of the TQM literature shows that quality management gurus, in particular Deming (1986), and other quality and organisational researchers (see, for example, Waldman, 1994a; Scholtes, 1993; Cardy, 1998) have been criticising HR performance evaluation practices for years: as Deming (1986) lists it “the third deadly disease”, which in turn fundamentally impede the transition to a stable TQ environment. In the last two decades numerous studies have been carried out investigating the role of HRM practices - the people dimension of TQM - in successful implementation of TQM programmes (see, for example, Deming 1986; Ishikawa, 1985; IPM, 1993; Juran, 1989; Wilkinson *et al.* 1998; Cardy, 1998; Oakland, 1998; Waldman, 1994a;

Bowman, 1994; Cardy *et al.*, 1998). However, although a great deal of useful information is available, the data does not necessarily provide a thorough analysis of the main problems with performance evaluation - as the most surveyed function of human resource management (HRM) - in the frame of TQM.

Towards the main theme of the research project, and complementary to the first objective, the second objective of the current study is to identify the key criteria of a quality-focused HR performance evaluation. Put it in another way, in seeking to make more sense of why a quality organisational environment requires a set of performance criteria consistent with TQM requirements, as the literature survey showed (e.g., Murphy & Cleveland, 1991; Ghorpade *et al.*, 1995), the second objective of the research was established. In order to establish the context for the following empirical research - observed to be the biggest gap to be filled up - the third and fourth research objectives were also set. To this end, the main characteristics of the HR performance evaluation that are currently used in the quality-oriented organisations are explored (objective 3), followed by a comparison of these characteristics against the TQM ones to find out the degree of consistency between the current system in use with TQM requirements (objective 4). Finally, through providing a number of guidelines to help organisations to move towards a TQM-based HR performance evaluation (objective 5), such a survey will be therefore a particular contribution to the area of TQM and HRM, gathering information specifically from TQM-driven organisations as well as adding to what is more generally known about the progress of quality management in the membership organisations of the Quality Scotland Foundation (QSF). In particular, this study also contributes in establishing a TQM-driven HR performance evaluation system and attaining acceptance and successful implementation of quality programme, efficient and cost-effective operation and finally, to increase internal and external customer satisfaction. A summary of the aforementioned research objectives to be met are given as follows:

- To explain the reasons for elimination of performance evaluation through the frame of quality management
- To identify the key criteria of a quality-driven HR performance evaluation to keep it

responsive to the needs and demands of both TQM organisations and employees

- To identify the generic characteristics of the current HR performance evaluation systems in the TQM-based organisations
- To assess the consistency or inconsistency of current HR performance evaluation systems in the context of TQM
- To provide a guideline for improving a TQM-based HR performance evaluation system

6.3 Research Questions

Methodologically, the primary aim of research questions is to guide the researcher to find out where the data is (Chenail, 2000). With this in mind, the present study examines the practice of HR performance evaluation – as the most surveyed function of HRM – through the frame of quality-driven organisations, in particular, organisations registered with Quality Scotland Foundation (QSF) as one of the National Partner Organisations (NPOs) of European Foundation for Quality Management (EFQM) in the UK. More specifically, the following research questions guide this study:

1. How can it be justified that HR performance evaluation, which forms the basis for a wide range of decisions in the organisation, appears in important parts of the TQM literature on the list of things-not-to-do?
2. What, if any, should be the key criteria of a quality-driven HR performance evaluation system?
3. What are the generic criteria of the HR performance evaluation systems that are currently used in organisational environments with a quality orientation?
4. What is the degree of consistency between the systems in current use and the key criteria of a quality-driven system? That is, to what extent, are the currently applied HR performance evaluation criteria in line with TQM demands and expectations?

The first question was raised because one of the major focus of enquiry for several authors has been examining why, in such a volatile environment, HR performance evaluation systems tend not to incorporate goals and the direction or strategic needs of the business, or the personal aspirations of the employees and their future development (see, for example, Freeman, 2002; Long, 1986; Segall, 1989; Seddon, 2001; Strebler *et al.*, 2001; Randell, 1994; Wilson & Western, 2000). For example, it

is noted that: in almost every major survey, most employees who get evaluations and most supervisors who give them rate the process a resounding failure (Schellhardt, 1996). In particular, the majority of literature on HR performance evaluation in the context of TQM – based on the discussion originally proposed by Deming (1986) - lists this function as a deadly disease which fundamentally impede the transition to a stable TQ environment. In other words, it is argued that since fundamental TQM requirements contradict the basic elements of HR performance evaluation, it would be impossible to adjust HR performance evaluation to integrate TQM requirements (see, Deming, 1986; Scholtes, 1993). As a consequence, the first research question was raised to theoretically investigate ‘why HR performance evaluation appears in important parts of the TQM literature on the list of things-not-to-do?’

Further, the literature survey revealed that the congruity between HR performance evaluation criteria and TQM precepts improves the employees’ positive attitudes towards effective TQM implementation. A decade ago, for example, Murphy and Cleveland (1991) further recognised the place of HR performance evaluation in the organisational context by emphasising on the congruity between performance evaluation and the organisational context (see, for more details, Deming, 1986; Scholtes, 1993; Ghorpade *et al.*, 1995; Cardy, 1998). It was these seminal messages to raise the second question: ‘what, if any, should be the key criteria of a quality-driven HR performance evaluation system?’

As the related literature showed, the majority of articles on performance evaluation have long challenged effectiveness of the performance evaluation system. For example, evidence from a more recent survey by the Institute of Employment Studies (Strebler *et al.*, 2001) found that although performance evaluation is nearly ubiquitous, it often fails both employees and organisations (see also, Seddon, 2001). Since the main theme of the current research project is to find out whether TQM organisations have adjusted their performance management (evaluation) systems to integrate TQM requirement, the first step towards this issue is to identify the characteristics of the current system in use for any further comparison. As a consequence, the third research questions aims to find: What are the generic criteria of the HR performance evaluation systems that are currently used in organisational

environments with a quality orientation?

Having answered the questions 2 & 3, the answers can be used to compare those criteria believed to be consistent with the requirements of TQM (Question 2) with those of the HR performance evaluation system in use (Question 3). The results raised the fourth research question: What is the degree of consistency between the systems in current use and the key criteria of a quality-driven system? That is, to what extent, are the currently applied HR performance evaluation criteria in line with TQM demands and expectations?

In short, the answers to the first and second questions lie in the literature survey, and the third and fourth will be answered through two separate but complementary research techniques including questionnaire survey followed up by semi-structured interview, which will be explained further in the following chapters.

6.4 Research Assumptions

Listed below are some assumptions that serve as the, rationale, reasoning, and justification behind the current study. These assumptions were derived from the research findings of quality gurus and other organisational researchers (see, for example, Deming, 1986; Devanna *et al.*, 1984; Fletcher, 1993a, 1993b; Bowen & Lawler, 1992; Scholtes, 1993; Waldman, 1994a, 1994b; Bowman, 1994; Ghorpade *et al.*, 1995; Cardy, 1998, Oakland, 1998, Wilkinson *et al.*, 1998; Murphy & Cleveland, 1991; Wilkinson & Ackers, 1995; Dale & Cooper, 1992):

- Quality-focused organisations possess a set of performance criteria compatible with TQM context for measurement of employee performance.
- In a quality-driven context, the system that is used to evaluate performance needs to be congruent with the culture and principles that guide the conduct of the organisation.
- The congruity between TQM precepts and HR-related performance measures is positively associated with acceptance and effective TQM implementation, employee satisfaction, and as a result maximisation of the customer satisfaction.

The remaining of the chapter provides an overview to the research methodology in general, followed by the methodology used for the current study.

6.5 The Importance of Methodology

By definition, research is a scientific enquiry of a problem based on data collection techniques for the purpose of finding the solution (Sekaran, 1992). Sekaran also takes this definition further by suggesting the following measures as the hallmarks of a good research: purposiveness, rigour, precision and confidence, objectivity, generalisability and parsimony (avoidance of unnecessary complexity), testability, and replicability. In particular, implication of such hallmarks of the research is that the sciences are not united by their subject matter but rather by their methodology. Put it in another way, what sets the scientific approach apart from other modes of acquiring knowledge are the assumptions on which it is based and its methodology. A scientific methodology, as Nachmias and Nachmias (1997) note, is a system of explicit rules and procedures upon which research is based and against which claims for knowledge are evaluated. The methodology of the scientific approach, Nachmias and Nachmias argue, serves the following three major purposes (p.13):

1. Methodology provides rules for communication
2. Methodology provides rules for reasoning
3. Methodology provides rules for intersubjectivity i.e. explains the accepted criteria for empirical objectivity (truth) and the methods and techniques for validation.

As will be discussed later in detail, the methodology applied in this study incorporated of two separate but complementary approaches: quantitative and qualitative, using two different research techniques but linked ones: a questionnaire survey, followed up by semi-structure interviews. The first consideration in determining which research methodology to engage was the nature of research questions, which were formulated and refined after a comprehensive review of the related literature in the area of quality management and performance evaluation. In sum, using questionnaire survey might help to identify the ‘what’ questions of performance evaluation practices in the context of quality management, however, it is not sufficient. To this end, the interviews were conducted to answer some of the ‘why’ and ‘how’ questions and to help enrich, interpret, and understand the quantitative data.

It should be noted that the issue of *theoretical sensitivity*, defined by Strauss and

Corbin (1994), as the ability to define research problems, to recognise what is important in data and to give it meaning, was precisely taken into account throughout this research. In other words, the major sources of theoretic sensitivity closely related to research topic including: TQM, HRM, performance evaluation, HRM in the context of quality management, performance evaluation in the quality organisational environment, were precisely examined through separate but linked chapters, which in turn enable the researcher to be more theoretically sensitive.

6.6 Principal Methodologies: Quantitative Versus Qualitative

In social sciences, there are two principal methodologies (Easterby-Smith *et al.*, 2002). These are positivism (quantitative) and phenomenology (qualitative). Central to the idea of positivism, Easterby-Smith and others point out, is that “the social world exist externally, and that its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition” (p.28). Put it in another way, positivists argue that reality is objectively determined and use as data only that which can be directly observed or collected. As a result, they tend to apply quantitative research and believe that what people say is not valid evidence.

Denzin (1989) highlights the use of large sample sizes and utilising statistical techniques as the common features of the quantitative researchers. As they noted, deduction forms the basis of positivism, that is, hypotheses are defined and then tested against observation. Furthermore, quantitative studies emphasise the measurement and analysis of casual relationships between variables, not processes. Thus, inquiry is purported to be within a value-free framework. Easterby-Smith *et al.* (2002) further recognise another important feature of quantitative techniques in which the process of the data collection is distinct from data analysis. In the section of data collection, the researcher will focus mainly on the design of questionnaires. Then, data analysis should be done at different ways to summarise different types of data, in order to make some sense of it (see also, Denzin & Lincoln, 1994).

In contrast, qualitative (phenomenological) methodology by definition is, “an array of interpretative techniques which seek to describe, decode, translate and otherwise

come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (Van Maanen, 1983:9). In phenomenological (inductive) research, the word qualitative implies an emphasis on processes and meanings that are not rigorously examined or measured, in terms of quality, amount, intensity, or frequency. Qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape inquiry. Qualitative researchers, as Denzin and Lincoln (1994) point out, stress the value-laden nature of inquiry and seek answers to questions that stress how social experience is created and given meaning.

In a very similar line with Easterby-Smith *et al.* (2002), Mason (1996: 35-36) gives a useful account of qualitative studies and makes a distinction between data sources and generating data. According to Mason, it is more accurate to speak of generating data than collecting data, precisely because most qualitative perspectives would reject the idea that a researcher can be a completely neutral collector of information about the social world. Qualitative interviewing, Mason argues, is usually intended to refer to in-depth, semi-structured or loosely structured forms of interviewing, as Burgess (1984: 102) calls it, “conversation with a purpose”.

Hakim (1994:26-29) analysed qualitative research and talked in terms of the strengths of this research methodology. As Hakim pointed out, the great strength of qualitative research is the validity of the data obtained. The other great strength of the qualitative research is in the study of motivations and other connections between factors. Suitability of qualitative research for exploratory studies leading into more structured or quantitative studies is also another advantages of this approach. Hakim’s study, however, further illustrates the main weaknesses of qualitative research. In qualitative research, as Hakim notes, small numbers of respondents can not be taken as representative, even if great care is taken to choose a fair cross-section of the type of people who are the subjects of the study. Strauss and Corbin (1994) also recognised the absence of rigid experiment control as another drawback of qualitative research.

Hussey and Hussey take this argument further by arguing that “a method is not

necessarily phenomenological or positivistic by its label, but by how it is used” (1997: 140). That is, using a method to collect data on the frequency of occurrence of a phenomenon or variable, will result in obtaining quantitative data. On the other hand, collecting data on the meaning of a phenomenon, will result in obtaining qualitative data. The authors then summarised the main data collection methods as: critical incident technique, diaries, focus groups, interviews, observation, protocol analysis, and questionnaires, concluding that a positivist approach suggests structured, closed questions which have been prepared beforehand, whilst a phenomenological approach, suggests unstructured questions, where the questions have not been prepared beforehand.

In light of the above argument, having compared the two approaches, Jankowicz (1995, p. 151) refers to “the valid handling of complexity” in management research, and as a result, the combination of methods chosen for the current research made such valid handling more achievable. The trade off between the strengths and weaknesses of each approach was considered carefully and a conscious decision taken to employ methodological triangulation. A combination of extensive, generalist quantitative methods with those that were intensive, particular, and qualitative, was considered to be taking the best from both worlds (McCracken & Wallace, 2000). It should be noted that the term qualitative research in this study is used to refer as a way of supplementing for adding detail and depth needed to ensure that the questionnaire asks valid questions.

6.7 Sample Construction

Once researchers have constructed their measuring instruments in order to collect sufficient data pertinent to the research problem, the subsequent explanations and predictions must be capable of being generalised to be of scientific value. Sampling can be defined (Sekaran, 1992) as the process of selecting a sufficient number of elements from the population so that by studying the sample and understanding the properties or the characteristics of the sample subjects, the researcher will be able to generalise the properties to the population elements. Central to the sampling design is “the issue of generalisation that is important not only for testing hypotheses but also for descriptive purposes” (Nachmias & Nachmias, 1997:178). Although both

principal methodologies have different sampling strategies, but the sampling design is more distinct for quantitative researchers (Easterby-Smith *et al.*, 1997). Typically, generalisations are not based on data collected from all the observations, all the respondents, or all the events that are defined by the research problem. Patton (1990) takes this argument further by arguing that sample size depends on what you want to know, the purpose of the inquiry, what is at stake, what will be useful, what will have credibility, and what can be done with available time and resources. The validity, meaningfulness and insights generated from qualitative inquiry have more to do with information-richness of the cases selected and the observational and analytical capabilities of the researcher than with sample size. Instead, as Nachmias and Nachmias (1997) comment, researchers use a relatively small number of cases (a sample) as the basis for making inferences about all the cases (a population).

Statistically speaking and back to elements of the sampling definition, the entire set of relevant units of analysis, or data, is called the *population*. When the data serving as the basis for generalisations is comprised of a subset of the population, that subset is called a *sample*. A particular value of the population, such as the median income or the level of formal education, is called a *parameter*; its counterpart in the sample is termed a *statistic*. The major objective of sampling theory is to provide accurate estimates of unknown values of the parameters from sample statistics that can be easily calculated (Nachmias & Nachmias, 1997). Furthermore, to accurately estimate unknown parameters from known statistics, Nachmias and Nachmias (1997:179) recommend researchers to effectively deal with three major problems:

1. The definition of the population: aggregate of all cases that conform to some designated set of specifications.
2. The sample design: the essential requirement of any sample is that it be as representative as possible of the population from which it is drawn.
3. The size of the sample: any increase in the sample size will increase the precision of the sample results.

Having taken the issues raised and cited above into account, in the first stage - questionnaire survey - of the current study, the researcher has surveyed nearly all units of the analysis (organisations registered with Quality Scotland Foundation: QSF, one of the National Partner Organisations (NPOs) of the European Foundation

for Quality Management: EFQM), generated a response rate of 45 percent. This rate compares very favourably with similar postal questionnaire surveys across the UK (see, for further details, Chapter 7). Meanwhile, as complementary to the questionnaire survey, the researcher conducted a semi-structured interview survey constituted a representative sample of approximately 16 percent of the final usable returns from the questionnaire survey, which is regarded as reasonable according to the current literature (see, for example, Grover, 2000).

6.8 Methods of Data-Collection: A General View

The survey method is one of the most important data collection methods in the social sciences to empirically study the properties and interrelations of sociological variables, and as such it is used extensively to collect information on numerous subjects of research (see, Oppenheim, 2000; Roberts, 1999). As Kerlinger (1986:380) points out, “its methods and analysis have profoundly contributed to the methodology of the social sciences”. By definition, survey is a method of social research which is characterised by a structured or systematic set of data with two distinguished features: data collection and the method of analysis (De Vaus, 1996:3). Further, others (Oppenheim, 2000; Roberts, 1999) argue that surveys are usually conducted on a fairly large scale, more coverage for the population being sampled, ‘naturally occurring’ variation between variables and high in external validity as contrasted with laboratory experiments, which tend to be more intensive but on a smaller scale.

Others, however, highlighted a range of shortcomings of survey methods. These disadvantages of the survey based on the works of Babbie (1982), De Vaus (1996) and Roberts (1999), are briefly summarised, followed by the alternative solutions in Table 6.1. Although, it has been regarded as a difficult task to define a concise ‘recipe’ for conducting surveys, acknowledged by a number of researchers (Roberts, 1999; Marsh, 1982; De Vaus, 1996), however, all precautionary steps have been taken to minimise any error as possible.

Table 6. 1 Problems and Solutions for Survey Method

Problem	Solution
Survey research just collects masses of data and provides nothing of theoretical value.	Survey researcher must be clear about what data are being collected and why data are of value before the data collecting.

Survey method is too restricted because of the limitation of a highly structured questionnaire.	Combination of techniques can be used to compensate the rigidity of the structured questionnaire.
Data collected from surveys contain so much measurement error that they are quite unreliable and the validity is extremely low.	For good data quality, steps taken in data collection must be diligently observed, from questionnaire development to the psychometric assessment of the variables.
Surveys cannot adequately establish causal connections between variables.	Statistical analysis are not able to 'prove' causal relations, appropriate analysis can support relation suggested by the theory.

According to Nachmias and Nachmias (1997), social science researchers can choose among the following methods of gathering data with surveys:

1. Questionnaires
2. Interviews (personal or telephone)

Since the current research is applying a combination of the mail / postal questionnaire and semi-structured interview techniques for data collection, the theoretical issues and the activities involved in conducting each of these methods are explored in the following section.

6.8.1 The Mail / Postal Questionnaire

The mail questionnaire is an important survey method. As with any method, mail questionnaires have both advantages and disadvantages. Primary advantages of mail questionnaire are: coverage, being economical, pre-coded data (Denscombe, 1998), reduction in biasing error, greater anonymity, considered answers and consultations, and accessibility. However, requirement of simple questions, no opportunity for probing, no control over who fills out the questionnaire, and low response rate are the most common disadvantages of mail questionnaires (Nachmias & Nachmias, 1997:225-6). To overcome the difficulty of securing an acceptable response rate to mail questionnaires and to increase the response rate, researchers use various strategies. Among them, suggested by Nachmias and Nachmias (1997) are: sponsorship, inducement to respond, and questionnaire format and methods of mailing (i.e. cover letter, type of mailing, timing of mailing, the total design method) are the most important factors that affect the response rate of mail questionnaires.

6.8.1.1 Questionnaire Development

A questionnaire is the product of the research problem, method of administration,

and methods of data analysis. This method is chosen because it seems to be one of the best ways to gather data from an unknown population to the researcher. Despite its limitations mentioned earlier, this method allows the researchers to provide questions that can rigorously be analysed. Furthermore, questionnaire survey also allows the possibility to engage more participants from the people who benefits from the research results compares to other methods such as interview. In particular, the participants' responses will not be influenced by the presence of researchers or evaluators as in other data gathering instruments. Mail questionnaire, however, are criticised particularly on two main reasons (Kerlinger, 1986): poor response rate and quality of responses. Having analysed such problems with questionnaire survey, the researcher took recommendations and guidelines put forward by Dillman (1978) on mail out package i.e. covering letter, on-headed paper, self-stamped envelope, and by Roberts (1999) i.e. good techniques in questionnaire design and mail out procedures. In an attempt to enhance the survey validity and reliability of the research by decreasing the method effect and residual error through developing and designing a sound questionnaire, the researcher followed a very similar line by taking into account the recommendations put forward by Nachmias and Nachmias (1997), Andrew and Robottom (2001) and Easterby-Smith *et al.* (2002) as they advocate a robust instrument to test the data quality. A summary of such recommendations is given in Table 6.2.

Table 6.2 Questionnaire Design Characteristics and Recommendations

Survey Design Characteristics	Recommendations
1. Number of answer scale categories	Use as many categories as possible
2. 'Don't know' or 'no opinion' option	Include this option
3. Battery length (number of items group together)	Keep number of items grouped together small
4. Comparative / absolute questions perspective	Use comparative perspective where possible
5. Full versus partial category labelling	Only label end categories
6. Length of introduction and questions	Use medium length introduction (16-24 words) and medium to long questions (>16 words)
7. Position of item in questionnaire	Data quality lower for first 25 items and those beyond 100 items. Therefore, position easy or less important items at the beginning and end of questionnaire

In sum, the purpose of the questionnaire and of the survey as a whole, Oppenheim (2000) notes, is measurement. In other words, the function of a question in an interview form or a questionnaire is to elicit a particular communication.

6.8.1.2 Issues Surrounding Designing Questions

The major considerations involved in formulating questions are (De Vaus, 1996):

- Content of the questions
- Structure of the questions
- Format of the questions
- Sequence of the questions

Each of these factors is briefly explained in Table 6.3.

Table 6.3 Major Issues Involved in Formulating Questions

Content	Concerned with facts, opinions, attitudes, respondents' motivation, respondents' level of familiarity with a certain subject (Factual questions versus questions about subjective experiences)
Structure	Close-ended questions, open-ended questions, contingency questions (i.e. relevant to some respondents)
Format	To structure the response categories of closed-ended questions in form of: circle or write the number of the answer, check a box or a blank, or rating scale / quantifiers (very common)
Sequence	The order in which the questions are placed on the questionnaire: Funnel sequence: each successive question is related to the previous one. Inverted funnel sequence: narrower questions are followed by broader ones.

6.8.2 Interview: Definition and Types

Interviewing is one of the major techniques for collecting social science data associated with both positivist and phenomenological methodologies. By definition, interview is "a method of collecting data in which selected participants are asked questions in order to find out what they do, think, or feel" (Hussey & Hussey, 1997: 156). As one of the frequently used methods of data gathering, its successful use depends on personal awareness, experience, desire for improvement, and genuine

enthusiasm (Hartman & Hedblom, 1979).

Smith's (1995) review of the literature on methodology defines research interviewing along a dimension of research control from unstructured to structured. This implies at one extreme, unstructured interview, that the interviewer approaches the interview with no clear agenda or list of questions but just aims to enable the person to talk generally about issues. At the other extreme, structured interview, there is a strict order of presentation of questions, which are usually pre-coded in limited response formats. A middle position is the semi-structured interview which involves predefining a range of questions or topics to be addressed in the interview but being flexible enough to allow the respondent to initiate new topics or expand on relevant issues. In a very detailed analysis of the interview applications and uses in different fields, Hitchcock and Hughes (1989:79) recognised nine types of interviews including: structured interview, survey interview, counselling interview, diary interview, life history interview, ethnographic interview, informal / unstructured interview, and conversations. Oppenheim combines the different uses of the interview and comes up with two kinds (2000):

1. Exploratory interviews i.e. depth interviews, or free-style interviews
2. Standardised interviews such as used, for example, in public opinion polls, market research and government surveys.

Other classification of interview types emphasises the intent of interview. A typical classification in this way would be of Hartman and Hedblom (1979) who think of interview to be particularly appropriate in two major areas with several subdivisions. In the first, the data collection interview, the social scientist interviews to collect data (information). The second, the clinical interview, is for diagnostic or therapeutic purposes, and differs in both form and function from the data collection techniques of the social science researcher. In other words, they differ in their most important aspect: intent. Other classification of interview offered by Hartman and Hedblom (1979) focuses on the structure of the interview. From this perspective, there are three major types of structure:

1. Highly structured with a standardised set of questions predetermined prior to the interview.
2. Open-ended (or uncontrolled, unstructured, or non-guided), a term which seems to

have fewer negative connotations than the other terms. It is probably the most difficult of the three types to conduct well.

3. The depth interview which, as its name implies, involves an intimate, long-term conversation with a respondent in probing, expanding, and periodically summarising his / her understanding of what the respondent has reported.

A typical classification in this mode is that of Cohen and Manion (1994:273) who classify interviews into four types: structured interview, the unstructured interview, the non-directive interview, and the focused interview. Broadly speaking, while characteristics of each type of interview appear to strictly demarcate one method from another, May (1997:110) argues that a research project may not simply be one of the following, but a mixture of two or more types:

- The structured interview
- The semi-structured interview
- The unstructured or focused interview and the group interview

In moving from the structured interview to the unstructured interview, we shift from a situation in which the researcher attempts to control the interview through predetermining questions and thus 'teach' the respondent to reply in accordance with the interview-schedule (standardisation), to a situation in which the respondent is encouraged to answer a question in her or his own terms. With this in mind, May (1997) also characterises interviews along a quantitative - qualitative dimension, varying from the formal standardised example (surveys), to an unstructured situation of qualitative depth, which allows the respondent to answer without feeling constrained by pre-formulated questions with a limited range of answers.

Regardless of the type of the interview, interview data need to be recorded for subsequent analysis. There are a number of options including note taking, audiotape recording and video recording. Each method has its advantages and disadvantages. Payne's (2000:92) view is that audiotape recording is the preferred option as it remains as a permanent record of the interaction. Payne also finds it helpful to make brief field notes after the interview which describes contextual features. Video recording, on the other hand, is more likely to be perceived as invasive by the respondent. However, it has the advantage of enabling non-verbal behaviour to be recorded.

The following section provides a brief review of definition and purposes related to semi-structured interviewing used in the current research project.

6.8.2.1 Semi-Structured Interview

In between the focused and structured methods sits one which utilises techniques from both. Questions are normally specified, but the interviewer is more free to probe beyond the answers in a manner, which would appear prejudicial to the aims of standardisation and comparability. Information about age, sex, occupation, type of household and so on, can be asked in a standardised format (May, 1997: 111). This technique can be used to obtain feedback and offers the interviewer the opportunity to explore an issue or service. It allows the interviewee to express their opinions, concerns and feelings. The fact that it is semi-structured allows the conversation to follow where it needs to in order to deal with issues as apposed to cutting someone off because they stray from the topics. The main benefits of semi-structured interviews are (see, <http://www.show.scot.nhs.uk/involvingpeople/methodologies>):

- Obtains relevant information
- The audience are specifically targeted
- Structured so as to allow comparisons
- Gives the freedom to explore general views or opinions in more detail
- Can use an external organisation so as to retain independence
- Can be used for sensitive topics

In order to conduct a sound interview, however, the following issues should also be met:

- The interviewing skills are required
- Preparation must be carefully planned so as not to make the questions prescriptive or leading
- Need to meet sufficient people in order to make general comparison
- Need to have skills to analyse the data
- Time consuming and resource intensive
- Interviewer has to be able to ensure confidentiality

Although semi-structured interviews are said to allow people to answer more on their own terms than the standardised interview permits, May (1997) argues, still provide

a greater structure for comparability over that of the focused interview. Having analysed different methods of surveys, Easterby-Smith *et al.* (2002:74) found unstructured or semi-structured interviews as appropriate methods when:

- It is necessary to understand the construct that the interviewee uses as a basis for his or her opinions and beliefs about a particular matter or situation
- One aim of the interview is to develop an understanding of the respondent's 'world' so that the researcher might influence it, either independently or collaboratively (as might be the case with action research)
- The step-by-step logic of a situation is not clear
- The subject matter is highly confidential or commercially sensitive

As mentioned earlier, role of the interviewer and keeping record of the interview are the other important issues. Smith (1995), for example, describes interviewer's role in a semi-structured interview as to facilitate and guide, rather than dictate exactly what will happen during the encounter. Thus, the interviewer uses the schedule to indicate the general area of interest and to provide cues when the participant has difficulties, but the respondent should be allowed a strong role in determining how the interview proceeds. Further, in Smith's view, it is also necessary to tape-record the interview. Obviously a tape-recording allows a much fuller record than notes taken during the interview. It also means that the interviewer can concentrate on how the interview is processing and where to go next rather than laboriously writing down what the respondent is saying. Tape recording, however, has its disadvantages. The respondent may not feel happy being taped and may even not agree to interview if it is recorded. Transcription of tapes takes a very long time, depending on the clarity of the recording and the level of the transcription. But, the conclusion that Smith came to is that the benefits of tape-recording so outweigh the disadvantages as Smith would never consider doing this sort of interviewing without taping it (1995:9-26).

6.9 Comparing Survey Methods

In deciding which survey method is best suited for a research, the researchers has to determine which criteria are most significant to research objective. Table 6.4 presents some of the comparative advantages and limitations of the three methods of survey research.

Table 6.4 Evaluation of the Three Survey Methods

Criterion	Personal Interview	Mail	Telephone
Cost	High	Low	Moderate
Response rate	High	Low	High
Control of interview situation	High	Low	Moderate
Applicability to geographically dispersed population	Moderate	High	Moderate
Applicability to heterogeneous population	High	Low	High
Collection of detailed information	High	Moderate	Moderate
Speed	Low	Low	High

Source: Nachmias and Nachmias (1997:245).

In summary, survey research is one method of collecting, organising and analysing data. The relevant data can be collected by a variety of techniques and in many studies it may be appropriate to use a variety of research methods (see Figure 6.1).

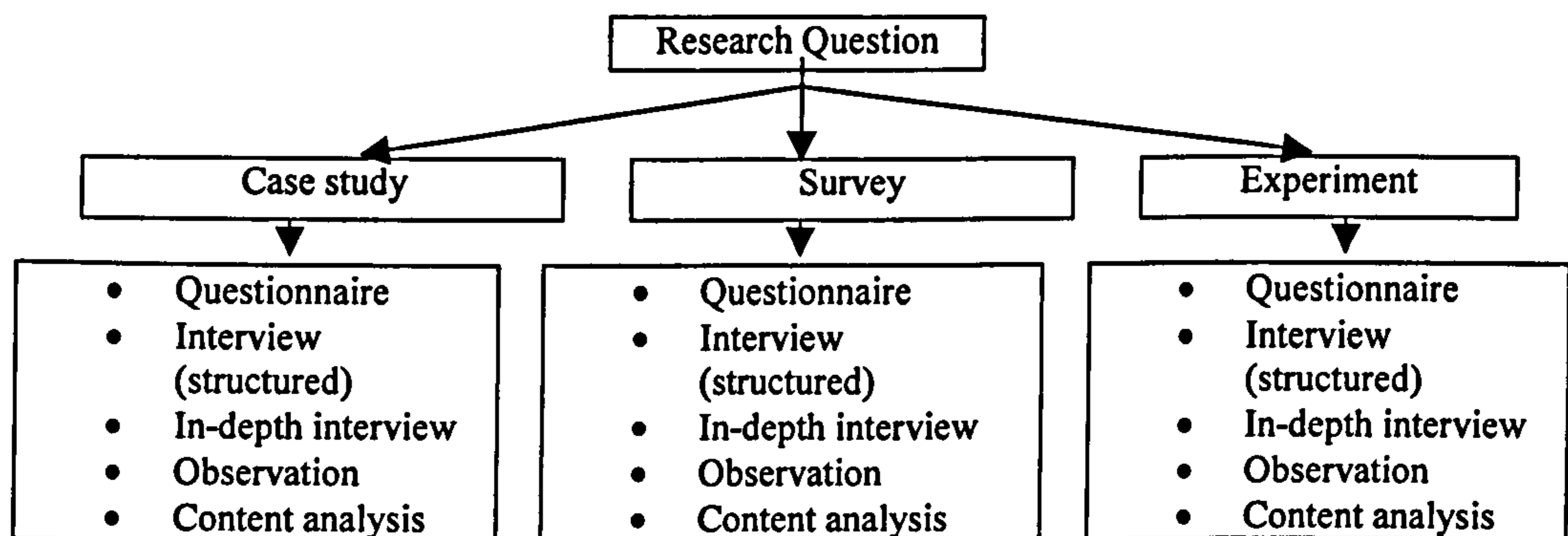


Figure 6.1. A Range of Methods of Research and Techniques of Data Collection (De Vaus, 1996:6).

In other words, many scholars are now realising that to pit one type of interviewing against another is a futile effort, a leftover from the paradigmatic quantitative/qualitative hostility of past generations. Thus an increasing number of researchers are using multimethod approaches to achieve broader and often better results. This is referred to as triangulation by Denzin (1989). In triangulation, as Denzin and Lincoln (1994) argue, a researcher may use several methods in different combinations.

6.10 Methodology Used for the Current Study

6.10.1 Elements of the Research

The initial research built on the findings of the literature available in both area of quality management and HR performance evaluation, in order to establish the

context for the empirical part of the research and its projected significance within the existing body of literature. In this regard, several sources of literature on the subject including on-line search facilities, abstract services, books, journals, dissertations and other sources have been examined. The objective of the search was to identify that what has been covered to date about HR performance evaluation in the context of quality management, and in particular, the consistency or inconsistency between HR performance evaluation criteria and TQM requirements, and how TQM can ensure that this consistency is maximised and focused on business and people objectives of quality management. The aims, therefore, were to:

- Clarify where the knowledge gaps occurred
- To establish the expectations of quality management with reference to HR performance evaluation

The second part of the research is an organisational investigation. So far, there has relatively been a plethora of literature on the effectiveness of HR performance evaluation in quality-focused organisations. These studies, however, rarely provide objective data and statistical evidence to support their claims. Therefore, this research attempts to fill some of the existing gaps in the literature on quality-driven HR performance evaluation. The methods used basically conform to a combination of two types of common survey methods where tested questionnaires were extensively used followed by semi-structured interviews. In more accurate language, this study contains two distinct phases, one quantitative (postal questionnaire survey) and one qualitative (semi-structured-interview survey) in nature.

6.11 Stage One: The Questionnaire Survey

The quantitative (questionnaire survey) study is intended to explore the degree of consistency between TQM requirements and HR performance evaluation criteria identified in the literature as having a potential effect on acceptance and successful implementation of both performance evaluation system and quality programmes. To this end, first, a questionnaire was designed to gather information about performance evaluation in the context of TQM within the membership organisations of Quality Scotland Foundation (QSF) as one of the National Partner Organisations (NPOs) of European Foundation for Quality Management (EFQM) in the UK. Thus, the

questionnaire is used to identify a relationship between the critical HR performance evaluation system components and those criteria, which are theoretically matched with demands, and expectations of total quality philosophy. More specifically, the questionnaire shows the extent to which HR performance evaluation criteria are in line with the demands and expectations of quality practices.

This method is chosen because it seems to be one of the best ways to gather the required data and feedback on the assessment of the current HR performance evaluation in the context of quality management. Despite its limitations, this method allows the researchers to provide questions that can rigorously be analysed. Furthermore, questionnaire survey also allows the possibility to engage more participants from the people who benefit from a quality-driven HR performance evaluation compares to other methods such as interview. Also, apart from different advantages of questionnaire (see, for details, Denscombe, 1998; Nachmias & Nachmias, 1997; Easterby-Smith *et al.*, 2002), the main reason of applying questionnaire in this stage is to figure out standardised answers of all respondents to build up a relationship between the organisations' HR evaluation system components and those TQM requirements and demands of employee performance evaluation. In addition, respondents' responses will not be influenced by the presence of researchers or evaluators as in other data gathering instruments.

Before distributing the questionnaire its layout, content, and structure were tested (validated) through conducting a pilot study of around 40 membership organisations registered with QSF to ensure the accuracy of phrasing, content, structure and common understanding. The questionnaires were mainly piloted to the Universities, Colleges, Schools, and Councils who were members of QSF as well as Membership Services Department of QSF. Since these organisations are often conducting surveys of their own, they were more likely to respond and make useful comments and feedbacks on different sections of the questionnaire concerning the wording, content and structure of the form, to maximise the response rate when the final questionnaires are mailed. As a result, 10 out of the 40 questionnaires distributed to the membership organisations for pilot study were returned, within a two-month timescale, giving a response rate of 25 percent. According to the QSF Membership

Services Manager, this response rate is favourable, since QSF has also conducted its own questionnaire survey with a similar response rate.

Many changes were made to the questionnaire as a result of the pilot study. All relevant comments and feedbacks have been incorporated in the questionnaire so as to be clear and precise and to avoid bias responses. The final version of the questionnaire was designed and has been sent out to the QSF membership organisations. The overall structure of the questionnaire was advised to be easy to fill which could contribute to the response rate, and appropriate for gathering the data relevant to the research objectives.

6.11.1 Structure of the Questionnaire

The questionnaire employed a Likert five-point scale ranging from 1 (very successful) to 5 (very unsuccessful), five-point scales ranging from 1 (very effective) to 5 (very ineffective), and 'Yes' or 'No' questions, consisted of three main sections (see, Appendix 1).

Section I of the questionnaire is consisted of 17 questions on the 'background information'. These questions include organisation details, quality origin and approaches, as well as information on the current HR performance evaluation system in use. Most of the questions in this section can be classified as factual questions including both closed-ended and open-ended ones, which were designed to elicit objective information from the respondents regarding quality practices and performance evaluation system issues.

Section II of the questionnaire comprised of 2 general questions, which were designed to reflect the current HR performance evaluation criteria in the quality-focused organisations. In question 1 of section II which contains 13 statements, respondents were asked to indicate the main criteria of the HR performance evaluation system that they currently had in their organisations. Question 2 of section II asked respondents to indicate whether situational performance factors / system factors - covered in the literature for maximising the effectiveness of HR performance evaluation in quality-based environment - were included in their current employee performance management systems.

Section III of the questionnaire comprised of 5 questions which asked the

respondents to rank some main criteria of a quality-driven HR performance evaluation and reflect their opinions on the importance of these criteria in designing a quality-based employee performance evaluation system. These criteria were covered by the literature on quality practices as well as HR performance evaluation function. In question 1, which includes 11 statements, the respondents were asked to indicate their agreement or disagreement on a list of measures and criteria, which believed to be of important in a quality-driven context for measuring the contribution of employees in implementing TQM programmes. In questions 2 and 3 the respondents were asked to evaluate the effectiveness of various alternative raters for different TQM purposes, and the effect of consistency or inconsistency between HR performance evaluation system and TQM requirements on acceptance and successful implementation of TQM programmes, respectively. In question 4 the respondents were asked to assess the effectiveness of their current HR performance evaluation systems on a five-point rating scale ranging from 1 (very effective) to 5 (very ineffective) in meeting and obtaining a number of organisational objectives. Finally, the respondents were asked to provide information on themselves, specifically work experience and position, and any additional comments on TQM as well as HR performance evaluation system. Also, they were asked to attend a follow-up interview as a complementary to this survey if they would like.

6.11.2 Participants and Samples

Ideally, in organisations with a TQM orientation, quality and HRM departments should be those who are responsible for setting performance criteria, designing, and implementing of the HR performance evaluation system. With this in mind, since the questionnaire comprised of questions in the area of quality management practices as well as employee performance evaluation issues, quality managers and HRM managers - who are expected to design and run the performance evaluation system - were chosen as the subjects in the first stage of this research. Further, due to a variety of reasons such as the high likelihood of collaboration and compromise between the departments, two questionnaires were sent off for each member organisation to be answered separately by each department (i.e. one to be answered by QM department, and the other by HRM department). No single organisation,

however, filled out two questionnaires. To put it in another way, although the researcher asked each organisation to fill out two questionnaires - for the purpose of comparison - however, the participants returned only one completed questionnaire stating that it was jointly filled out by QM and HRM departments, plus one blank questionnaire.

The samples comprised cross-section organisations in different economic sectors with enough experience of quality management, in order to reflect the widest possible range of characteristics. The choice of sample was justified by reference to the primary objectives of the research.

6.11.3 Types of Questions

The questions can be classified in either of two general categories: factual questions and the questions about subjective experiences. Factual questions are designed to elicit objective information from the respondents regarding background information on their organisation and the like such as organisation details, and personal information of the respondents. Moreover, these questions are asked mainly to provide information that can be used to classify respondents. Accordingly, questions about subjective experiences involve the respondents' beliefs, attitudes, feelings, and opinions. Most of the questions of the questionnaire survey consist of opinion-type questions that are intended, first, to evaluate the current HR performance evaluation system in the quality-driven organisations and, second, to rate the importance of different measures and criteria which seem to be of significant in a quality-driven context for measuring the contribution of employees in implementing quality programmes.

With regard to the structure of questions, the questions are divided into both close-ended and open-ended ones. Further, in some cases, a combination of both questions i.e. close-ended and open-ended was applied.

In short, the main objectives of the questionnaire survey are to:

- The generic characteristics of the current HR performance evaluation system in the TQM-based organisations
- Key criteria of a quality-driven HR performance evaluation to keep it responsive to the needs and demands of both TQM organisations and employees

- Assessing the consistency or inconsistency of the current HR performance evaluation systems with TQM requirements

6.12 Stage Two: Semi-Structured Interview Survey

Interview data can be used in a variety of ways and for a variety of specialist purposes, depending on the background of the researcher and the context in which the interview occurs. As an information-gathering tool, the interview lends itself to being used alongside other methods as a way of supplementing their data. It is, indeed, frequently used by way of preparing for a questionnaire and follow-up to a questionnaire. Denscombe (1998:112) argues that “where the questionnaire might have thrown up some interesting lines of inquiry, researchers can use interviews to supply the detail and depth and to pursue these in greater detail and depth”. The interview data, therefore, can complement the questionnaire data. As mentioned earlier, of different types of research interviews such as structured interviews, semi-structured interviews, unstructured interviews, and focus groups, in this research, the semi-structured interview is applied.

Therefore, in addition to different advantages of interview such as dealing with topics in depth, gaining valuable insights, requiring only simple equipments, producing data based on priorities, opinions and ideas, flexibility, validity, high response rate, and finally being therapeutic (Denscombe, 1998:136), the main reason for applying interview as a way of gathering data is that, throughout this research, the emphasis is not only on identifying causal relationship between critical factors which are both emphasised in TQM and HR performance evaluation practices, but also, the focus will be on understanding *why* and in *what* way, the critical factors are important or influential for acceptance and successful implementation of quality practices. In other words, in order to ascertain *why* and in *what* way the causal factors are important, it is quite necessary to understand people’s ideas and views. Thus, this will be done through the use of interview with the managers having the experience of the area of study. Finally, the results of methodology stages will be applied through a number of guidelines and recommendations for a better understanding and more clear explanation of the research findings.

In addition, previous studies on the link between TQM requirements and HRM practices i.e. HR performance evaluation, have failed to document this link, if any, through relevant departments. Furthermore, the previous studies of HR performance evaluation systems in quality organisational environments have been inconsistent in relation to the importance of a quality-driven HR performance evaluation in acceptance and successful implementation of TQM programmes (see, for example, Ghorpade *et al.*, 1995; Scholtes, 1993, 1995; Longenecker & Fink, 1999). Therefore, the qualitative phase of this research is motivated, in part, by these inconsistencies in the past research. To put it differently, the semi-structured-interview survey as a complementary to the questionnaire survey will be useful in developing the structure and content of the quantitative study.

6.12.1 Participants and Samples

The interview method will be applied to a number of organisations who have participated in the first stage of the research. Overall, the purpose is to reveal the general views and opinions from the interviewees on the assessment of the match or mismatch of the HR performance evaluation criteria and TQM expectations and demands for the benefit of both TQM organisations as well as employees. In particular, the interview session will be used to identify the reasons ‘why’ the participants think the current HR performance assessment system is compatible or incompatible with the TQM precepts as well as their expectations, and seek the reasons for the views and opinions that they have provided in the first stage of the research.

6.12.2 Types of Questions

Types of questions will vary to suit context and include general and specific, and mostly open-ended questions. The duration for each interview will be estimated 50 to 75 minutes using note taking and audio recording as the recording methods. In particular, the interviews with managers who have some direct involvement in setting up or running both TQM programmes and HR performance evaluation systems in the organisations are structured to cover the following purposes:

- To examine in detail the current HR-related performance evaluation systems in a

quality-driven context.

- Develop a guideline for improving a TQM-based HR performance evaluation system.

As a result, the main focus of different methodology tools in this study is on illustrating an acceptable HR performance evaluation scheme to all the parties involved in a TQM environment and to develop a set of HR-related performance criteria that can be integrated into a total quality process, and provide a comprehensive examination of what a TQM-based HR performance evaluation might look like.

6.13 Subjects

Due to a variety of TQM models, in this study, organisations who are applying the proposed European Foundation for Quality Management (EFQM) Model, referred to as Business Excellence Model, are surveyed. The importance of employees is reflected in the EFQM Excellence Model, since two of the criteria deal with the employee-related issues (i.e. 'people' and 'people results'). The EFQM Excellence Model is by far the most widely used model for self-assessment in Europe (Eskildsen & Nussler, 2000). In the next section, a summary of the main points of the model will be explained.

6.13.1 EFQM / Business Excellence Model

A quality management system can make a significant contribution to an organisation's focus on excellence. Whilst a poorly implemented and supported system will undermine any effort to achieve that status. For those aspiring to excellence, however, focus and efforts need to extend well beyond the requirements of different quality standards and encompass other management standards, tools and techniques (Russell, 2000). Regardless of the sector, size, structure or maturity, to be successful, organisations need to establish an appropriate management system. Increasingly, organisations in Europe accept that TQM is a way of managing activities to gain efficiency, effectiveness and competitive advantage thereby ensuring longer-term success i.e. meeting the needs of their customers, employees, and other stakeholders and the community at large. The implementation of TQM

programmes can achieve significant benefits such as increased efficiency, reduced costs and greater satisfaction, all leading to better business results. In this regard, the European Foundation for Quality Management (EFQM) has a key role to play in enhancing the effectiveness and efficiency of European organisations by reinforcing the importance of quality in all aspects of their activities and stimulating and assisting the development of quality improvement.

EFQM was established in 1988 by the Presidents of 14 major European companies, with the endorsement of the European Commission to promote outstanding performance in European organisations. Its mission is to be the driving force for sustainable excellence in organisations in Europe through the systematic identification and promotion of best business practice. In more accurate language, EFQM's mission is:

- To stimulate and assist organisations throughout Europe to participate in improvement activities leading ultimately to excellence in customer satisfaction, employee satisfaction, impact on society and business results; and
- To support the managers of European organisations in accelerating the process of making TQM a decisive factor for achieving global competitive advantage

The EFQM attributes the *European Quality award* annually since 1992 to Europe's most outstanding organisations in the private and public sectors. The European Quality Prizes - a framed holographic image of the Award Trophy - are presented to organisations that demonstrate excellence in the management of quality as their fundamental process for continuous improvement. The selection is done following a formal written application which is examined by experts and requires a thorough selection procedure by teams of assessors.

The EFQM Excellence Model is a non-prescriptive framework based on nine criteria. Five of these are 'Enablers' and four are 'Results'. The 'Enablers' criteria that are Leadership (1a, 1b, 1c, 1d), Policy & Strategy (2a, 2b, 2c, 2d, 2e), People (3a, 3b, 3c, 3d, 3e), Partnership & Resources (4a, 4b, 4c, 4d, 4e), and Processes (5a, 5b, 5c, 5d, 5e) cover what an organisation does. The 'Results' criteria, in turn, consist of Customer Results (6a, 6b), People Results (7a, 7b), Society Results (8a, 8b), and Key Performance Results (9a, 9b), which cover what an organisation achieves. Thus, 'Results' are caused by 'Enablers'. The nine elements of the Model have been

identified as the key components of business excellence. These have been verified by extensive research and the Model has been validated by several hundred companies throughout Europe. The enablers are concerned with what is done to run the organisation and how it is operated. The results are concerned with what the organisation has achieved and is achieving as seen by the stakeholders i.e. customers, employees, the community and those who fund the organisation. The excellence Model graphically demonstrates the following premise (see Figure 6.2):

Customer Results, People Results and Society Results are achieved through Leadership driving Policy and Strategy, People, Partnerships and Resources, leading ultimately to excellence in Key Performance Results. The Model, which recognises there are many approaches to achieving sustainable excellence in all aspects of performance, is based on the promise that: “Excellence results with respect to performance, Customers, People and Society are achieved through Leadership driving Policy and Strategy, People, Partnerships and resources, and Processes”.

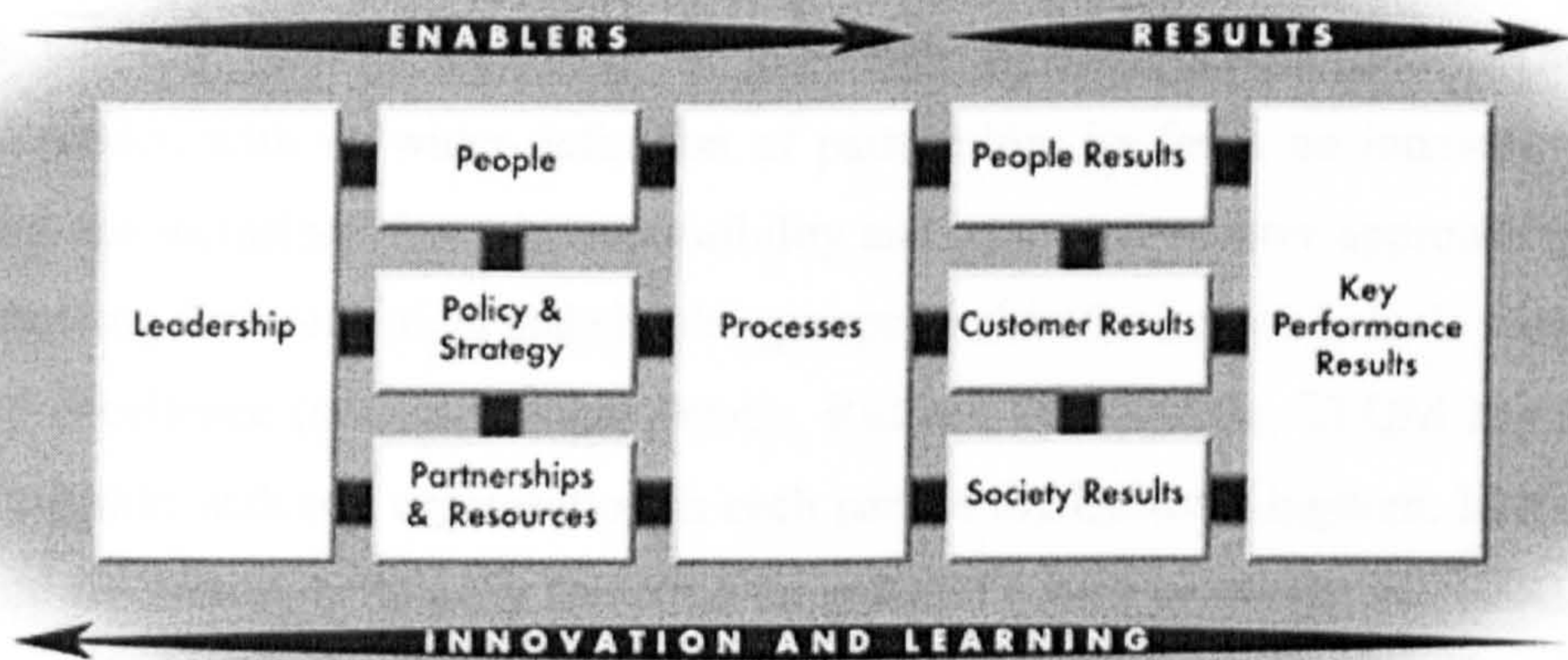


Figure 6.2 The EFQM Excellence Model (see, <http://www.efqm.org>).

The model's 9 criteria represent the criteria against which to assess an organisation's progress towards excellence. Each of the nine criteria has a definition, which explains the high level meaning of that criterion. To develop the high level meaning further each criterion is supported by a number of sub-criteria. In particular, the model consists of 32 sub-criteria. Sub-criteria pose a number of questions that should

be considered in the course of an assessment. Finally, each sub-criterion is supplemented by some guidance points (see, for further details, EFQM / Business Excellence Model, 1999).

At the heart of the model lies the logic known as RADAR. RADAR consists of five elements: Results, Approach, Deployment, Assessment, and Review. This logic states that an organisation needs to:

“Determine the Results it is aiming for as part of its policy and strategy making process. These results cover the performance of the organisation, both financially and operationally, and the perceptions of its stakeholders”.

“Plan and develop an integrated set of sound Approaches to deliver the required results both now and in the future”.

“Deploy the approaches in a systematic way to ensure full implementation”.

“Assess and Review the approaches followed based on monitoring and analysis of the results achieved and ongoing learning activities. Finally, identify, prioritise, plan and implement improvements where needed”.

In particular, the model sets principles that recognise the importance of customer focus and the key role of leadership in providing both drive and focus. The Excellence model, with its wider definition of partnership, its focus on innovation and learning, the inclusion of public responsibility and its more inclusive approach to results (balancing the needs of all stakeholder groups) makes for a more holistic view of quality / excellence (see, for further details, Russell, 2000). Also, EFQM has a formal partnership with one organisation in each part of the United Kingdom. In the next section, the history of Quality Scotland Foundation (QSF) is briefly described. Information on other National Partner Organisations (NPOs) of EFQM in the UK are available from the their web sites.

6.13.2 Quality Scotland Foundation (QSF)

In 1991, Quality Scotland was established by a few highly respected companies as an independent, non-profit making and non-political organisation, keen to develop a quality culture in Scotland. They understood that an action plan was required to respond to the competitive threat - particularly from the abroad. A key issue would be the ability of their people to provide a consistently outstanding business

performance i.e. business excellence at all levels. From the original base of 14 members, Quality Scotland now has a membership in excess of 200 organisations, the majority of which feature among the top companies in Scotland.

The QSF was selected by the European Foundation for Quality Management (EFQM) as its National Partner Organisation for Scotland. As the National Partner Organisation in Scotland for EFQM, Quality Scotland have responsibility for reviewing applications from individuals and organisations who wish to be licensed to deliver EFQM courses on Self Assessment and Assessor Training (see, for more detail, <http://www.qualityscotland.co.uk>). In particular, the main objectives of QSF are:

- To be seen as the leader on matters of excellence in Scotland
- To secure commitment to the use of the EFQM Excellence Model and self assessment as a strategic competitive business tool
- To delight its members with added value services
- To create a proactive membership who will demonstrate leadership
- To build strategic alliances with key sectors in Scotland
- To develop a network of local partnership offices across Scotland

6.14 Summary

This chapter has outlined research methodology and the methods used for collecting data for the study. The questionnaire survey was the major data collection instrument, and it was chosen to identify the extent to which HR performance evaluation systems in quality-driven organisations are in line with expectations of TQM. Despite its limitations, it was found to be the most appropriate method of data collection instruments because of the large sample and time constraints. Further, it has been argued that this method allows the researchers to provide questions that can rigorously be analysed, and the possibility to engage more participants from the people who benefit from the findings of the study. As a complementary to the questionnaire survey, semi-structured interview survey was also chosen to, primarily, answer some of the 'why' and 'how' questions, emerged from the questionnaire survey, and also allow such issues to be followed up, clarified, and developed for the purpose of supporting the research questions. Further, the participants were consisted

of QM as well as HR staff, since they are responsible for determining performance criteria, designing, and running of the system. Finally, collected data were analysed using descriptive and inferential statistics methods, as well as content analysis. To this end, the following chapters (7 & 8) provide the results of the questionnaire, followed by the findings of the interview survey (Chapter 9). The chapter on 'Conclusion' (Chapter 10), then, presents an overview of the findings and considers the way forward in light of adjustment of the management of HR performance to integrate TQM requirements to the benefit of all organisation stakeholders.

CHAPTER 7

DATA ANALYSIS: QUESTIONNAIRE SURVEY (Part – I)

7.1 INTRODUCTION

In this chapter the characteristics and details of the respondents to the questionnaire survey are profiled and discussed. These are: profile of the surveyed organisations; quality management – origin and approaches; management of employee performance – origin and approaches. The survey of almost all Quality Scotland Foundation (QSF) membership organisations was conducted between January and April 2002. Thus, a core feature of the survey was the selection of nearly all organisations registered with QSF as one of the National Partner Organisations (NPOs) of European Foundation for Quality Management (EFQM) in the UK. Sections II and III of the questionnaire survey will be discussed in the following chapter.

7.2 Method: Questionnaire Design and Piloting

On the basis of an extensive and in-depth review of literature covering a wide range of source material (e.g., books, papers, postgraduate theses) collected to date, a draft questionnaire was designed. This was discussed in detail in terms of layout, content, and structure at different meetings, and finally helpful and constructive comments were received. A second draft was then produced, incorporating these and other changes prior to piloting. It was decided to pilot the second draft of the questionnaire with a relatively small number of organisations, however, nearly 40 questionnaires were sent out to the QSF members.

In a meeting with QSF Customer Service Department, it was agreed to pilot the questionnaire mainly to the Universities, Colleges, Schools, and Councils who were members of QSF, as well as Membership Services Department of QSF. It could be argued that since these organisations are often conducting surveys of their own, they were more likely to respond and make useful comments and feedbacks on different sections of the questionnaire concerning the wording, content and structure of the form, to maximise the response rate when the final questionnaires are mailed. As a result, 10 out of the 40

questionnaires distributed to the membership organisations for pilot study were returned, within a two-month timescale, representing a response rate of 25%. This rate compares very favourably with the QSF survey, in which they conducted their own questionnaire survey with a similar response rate. Substantive comments were received and this allowed us to judge the appropriateness and format of almost all questions in the questionnaire. In summary, the main messages from the piloting organisations were that:

- Questionnaire was difficult to complete, as few of the respondents have not had a formal HR performance evaluation systems
- Some questions were not relevant to a number of organisations, particularly in Local Authorities
- Some of the language used in the questionnaire was difficult to follow, in particular for those who recently joined QSF
- The questionnaire took too long to fill in
- Responses to a number of questions would be subjective, and possibility of wide variation in the interpretation of the questions

Overall, respondents felt that the questionnaire was clear and very relevant. Further, the structure of the questionnaire was advised to be easy to fill which could contribute to the higher response rate, and appropriate for gathering the data relevant to the research objectives.

As a consequence, changes were made to the questionnaire which reduced the need for internal research by respondents, cut out too much detail about different sections, and clarified questions where confusion had arisen. In short, all relevant comments and feedbacks have been incorporated in the questionnaire so as to be clear and precise and to avoid bias responses. The final version of the questionnaire was designed and approved for printing and has been sent out to the QSF membership organisations via QSF Customer Service Department in Edinburgh (see, Appendix 1).

Over 150 questionnaires were sent out to all QSF member organisations. Follow-up phone call and email were then conducted with the membership organisations by QSF Customer Service Department in order to thank those who have already completed the questionnaires, and ask the remaining to fill out the forms and send them back to the

researcher. The Survey generated 68 questionnaires - a response rate of over 45 percent - of these 64 were usable. This rate compares very favourably with similar postal questionnaire surveys across Scotland and other regions of the UK involving Scottish Enterprise (Naden & Bremner, 1991), Whyte and Witcher (1992), IPM (1993), Witcher (1994), and Gudim and Meer (1995).

The balance consisted either of questionnaires simply not returned, returned but blank, returned blank but accompanied notes such as:

- “Our organisation is still under development”.
- We will become operational in the next six months”.
- “Much of the questionnaire is not yet applicable to us”.
- “Due to the number of such requests we receive on a daily basis, we will unfortunately be unable to complete this questionnaire”.
- This is our policy not to reply the questionnaires or get involved in any research project”.
- “Unfortunately we are not able to participate in your survey and wish you every success with your project”.
- “I regret that we are unable to assist with your research and I return the questionnaire and reply paid envelope”.

The sample which included all QSF members comprised a cross-section of organisations, in order to reflect the widest possible range of characteristics. Furthermore, the organisations surveyed were spread across all regions of Scotland. The letter accompanying the survey questionnaires was addressed to each company’s QM and HRM departments. However, all the questionnaires were sent directly to the Chief Executive in the first instance by QSF Customer Service Department, and the questionnaires received by the chief Executives were therefore completed by the Quality or HR managers and in most cases jointly completed by both departments. Finally, each organisation completed a six-page questionnaire comprising three sections covering the following:

1. Background Information: organisation details, quality origin and approach, and HR performance evaluation in the context of TQM: origin and approach
2. The Current HR Performance Evaluation
3. Main Criteria of a Quality-Focused HR Performance Evaluation

In addition, 10 organisations kindly agreed to take part in the upcoming interview survey once the questionnaire survey has finished.

The following section and Chapter 8 review in detail the results of the questionnaire survey of the QSF-registered organisations, and draw attention to some possibly missing or relatively ignored elements in measuring HR performance in quality-focused organisations. It therefore proposes the areas that require more investigation in a quality-oriented HR performance evaluation system.

7.3 Questionnaire Analysis: Section One - Background Information

Part (A) of Section I on Background Information presents profile and distribution of the research participants by:

1. Years registered with QSF
2. Organisation size (number of employees)
3. Ownership
4. Economic sector

The main aim of this part of the questionnaire was to map out the details of the respondents for any subsequent comparative analysis and data interpretation in terms of the aforementioned factors. Further, the intention was to make sure that the participants represented a cross-section of different economic sectors, manufacturing and service organisations, and covered a wide range of small and medium-size enterprises (SMEs) as well as large organisations.

7.3.1 Years Registered with QSF

Figure 7.1 shows the distribution of respondents in terms of the number of years that they have been registered with QSF. It can be seen that the large majority of organisations have registered with QSF for a time scale from 4 to 7 years. A range of authors argue that strong competitive pressure has forced many organisations to embrace TQM actively in order to survive and succeed in business (see, for example, Agus & Abdullah, 2000). In relation to the development and application of TQM in Scotland, in 1990 the Scottish Enterprise Development Agency (Naden & Bremner, 1991), now reconstituted as Scottish Enterprise, conducted a survey of organisations based in Scotland. The results showed that

quality management was widespread, however, its application was still not total or true TQM. The researchers also argued that TQM still had a long way to go in the most organisations (see also, Zain *et al.*, 2001). In a similar study by Whyte and Witcher in 1992 based at the Durham University business School Centre for Quality and Organisational Change of large companies based in Northern England, they found that TQM in the north was more advanced. As a result, in order to find out the probable progressed substantially of TQM adoption in Scotland during the intervening period (1991-1993), in collaboration with Scottish Enterprise and the Scottish Quality Network, Witcher (1994) carried out a survey of 1,500 organisations with a response rate of 43 percent including large organisations, small and medium-sized enterprises (SMEs) in which manufacturing accounted for on-third, another third for service-oriented, and 18 percent for in the public sector. Interestingly, the new study's results suggested that a TQM approach was the rule rather than the exception for most organisations. In other words, the idea of quality during a timescale of two years as a functional responsibility has broadened out the whole organisation. A breakdown of the number of years that the organisations have joined the QSF is given in Figure 7.1.

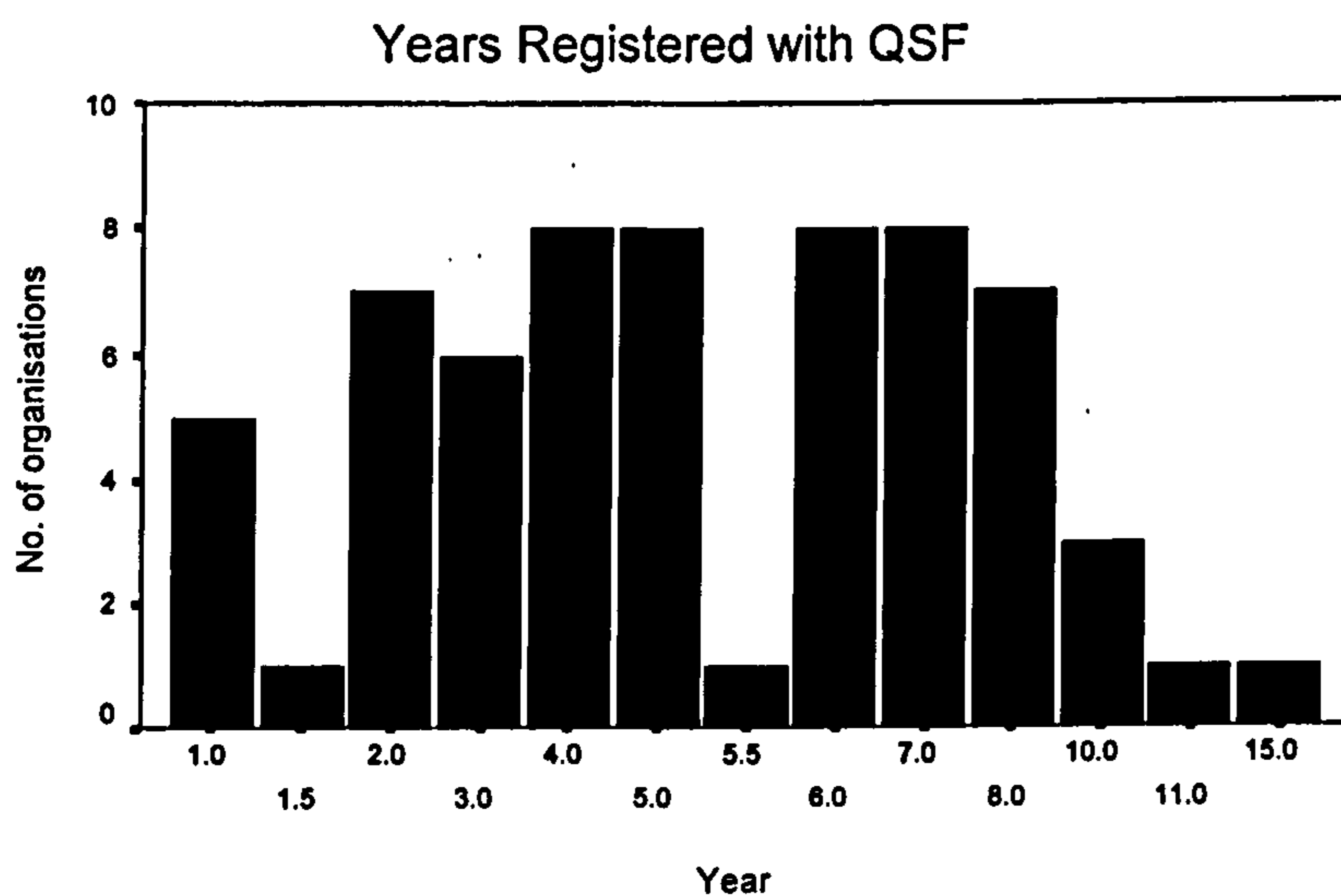


Figure 7.1 Distribution of Respondents: No. of Years Registered with QSF

In a similar vein, Oliver and Wilkinson's (1989) study of British manufacturing industry found that the majority of British manufacturing companies approached and all Japanese-

owned firms were either introducing some form of total quality or considering it. Later, others further recognised the positive outcomes of TQM adoption in the long-term. In an experimental / theoretical article on quality management practices in public-listed manufacturing companies in Malaysia, for example, Agus and Abdullah (2000) revealed that the long-term TQM adopters outperformed short-term TQM adopters. In particular, this finding supports the hypothesis that long-term TQM companies would outperform new users of the quality tools and practices (see also, Hendricks & Singhal, 2001). As a consequence, Agus and Abdullah came to the conclusion that without quality, few companies can remain competitive in the constantly changing global and local marketplace.

7.3.2 Organisation size

The survey also asked organisations on the number of employees that they were employing. The size of each organisation varied from 24 or less employees to over ten thousand employees. It can be argued that quality management is now widespread through the Scotland. However, as indicated in some surveys of a similar kind, TQM still has a long way to go in the most organisations surveyed. In addition, there was no variation in its usage between commercial companies and public sector organisations, nor in size of the organisation. In fact SMEs organisations (nearly 19%) are just as likely to have quality management system as large organisation. Table 7.1 details the distribution of participants according to the organisation size.

According to Powell (1995), most large organisations have adopted TQM in some forms. Little, for example, in a 1992 study found that 93 percent of America's largest 500 firms had adopted TQM in some way. In relation to the application of quality management practice in SMEs, the Department for Educations and Employment's (DfEE) Skills and Executive, reports that small and medium-sized firms are a crucial part of the UK economy with the number of small organisations and their share of output and employment rising steadily over at least the last 20 years (Rosemary & Stewart, 1999). Similarly, in a 2000 study of 20 SMEs - each of which had applied BS in an attempt to incorporate TQM principles - taking a qualitative approach, McAdam points out that

although the principles of TQM are often applied within large organisations by using models developed in the context of large organisations, however, the continued hegemony of the quality or business excellence movement has resulted in these models being increasingly applied in other areas such as public sectors and small to medium-size enterprises.

Table 7.1 Distribution of Respondents: No. of Employees

No. of Employees	Frequency	Percent
24 or less	1	1.6
25-49	2	3.1
50-99	4	6.3
100-499	12	18.8
500-999	8	12.5
1000-4999	28	43.8
5000-9999	4	6.3
10000+	5	7.8

7.3.3 Ownership

Turning to ownership, the survey found that nearly 85 percent of the respondents were UK-owned. Within the UK-owned replies, 60.9 percent were from publicly-owned organisations, and 23.4 form privately-owned organisations. US-owned organisations and continental-Europe owned accounted for 12.5 and 3.1 percent of the respondents, respectively. However, the very small number of responses from US-owned, continental-Europe, and Japanese-owned means that no significant comparisons can be drawn between these and other organisations.

To provide more evidence on the link between TQM and different ownership and in an attempt to compare approaches to TQM implementation between 3 ownership categories: Thai, Japanese, and US-owned companies operating in Thailand, Krasachol in 1999 conducted a survey and found that the companies studied had each adopted different, but successful, approaches to TQM implementation: large subsidiary of a US corporation was employing a competitive strategy based on moving manufacturing to a developing country and aping quality management discipline; Japanese-owned Toshiba was considered to be representative of good Japanese quality management practices; and at Siam Refractory Industry, Japanese ideas were also important, but modified in this company by the

influence of charismatic towards the VTQ paradigm). Despite the differences, important common characteristics of successful TQM implementations were found in all the three companies. These were considered to be top management commitment, good communications, effective use of problem-solving tools and techniques, group activity, employee training and development. Table 7.2 details the distribution of organisations surveyed according to their ownership.

Table 7.2 Distribution of Respondents: Ownership

Ownership	Frequency	Percent
UK-publicly owned	39	60.9
UK-privately owned	15	23.4
US-owned	8	12.5
Continental-Europe owned	2	3.1

(N=64)

7.3.4 Economic Sector

Profile of organisations responded to the survey also showed that of the 64 returns to the questionnaire survey nearly 61 percent of respondents provided public services ranging from large organisations to small and medium-sized organisations, with manufacturing or production industries, professional and scientific consultancy together for approximately over 28 percent, whereas the remaining were involved in construction, energy and water supply, mining and chemical, and retail and distribution. The breakdown of economic sectors and types of organisations of the respondents is given in Tables 7.3 and 7.4, receptively.

Table 7.3 Distribution of Respondents: Economic Sector

Economic Sector	Percent
Public services	61
Private	39
Total	100

(N = 64)

Table 7.4 Distribution of Respondents: Manufacturing / Service

Type of organisations	Percent
Manufacturing	29
Service	71
Total	100

(N=64)

The adoption of TQM by different economic sectors was pointed out in a 1999 article by Reavill. As noted by Reavill, the success of early examples in manufacturing industry encouraged its adoption by the service industries, and more recently in public sector as an outcome of a government policy of introducing private industry concepts. In this light, it can be argued that application of the principles of quality management is proving attractive to major service industries in the UK, in the expectation that this will help them to deliver a better quality service and achieve greater customer satisfaction. A *business Week* (1991) article, for example, discussed the move to embrace quality as a 'fury of activity' with all organisations - small and large, for profit and non-for-profit, manufacturing and services - eagerly jumping on the TQM bandwagon (see also, Gehani, 1993; Korukonda *et al.*, 1999). Table 7.5 also displays the cross-tabulation of manufacturing and service-oriented organisations by economic sector.

Table 7.5 Distribution of Respondents: Type and Sector

Economic Sector	Manufacturing/service-oriented		Total (%)
	Manufacturing (%)	Service (%)	
Public	5	95	100
Private	64	36	100

7.4 Quality: Origin and Approach

Part (B) of Section I, explains the profile of the surveyed organisations in terms of quality management origin and approaches covering:

- The time period experiencing quality management programmes
- Type of approach to quality management
- Winning quality award
- Criteria used to measure the success of the quality programmes, and
- Achieving quality management objectives

In particular, the main aims of this part of the questionnaire were to find out the extent to which the process of TQM is managed successfully, and to explore to what degree QSF registered organisations understood TQM in terms of certain generally accepted and recognised precepts and approaches.

7.4.1 Experience with Quality Management

Quality management was mainly a management approach for QSF members since 1990's, with oldest adoption going back to the mid-1940s (one of the founders of QSF), and the newest appearing one year ago. It can be seen from Figure 7.2 that nearly 18 percent have been applying TQM programmes since 1980's. The survey also found that approximately 54 percent have been practicing quality management programmes since 1990-1995.

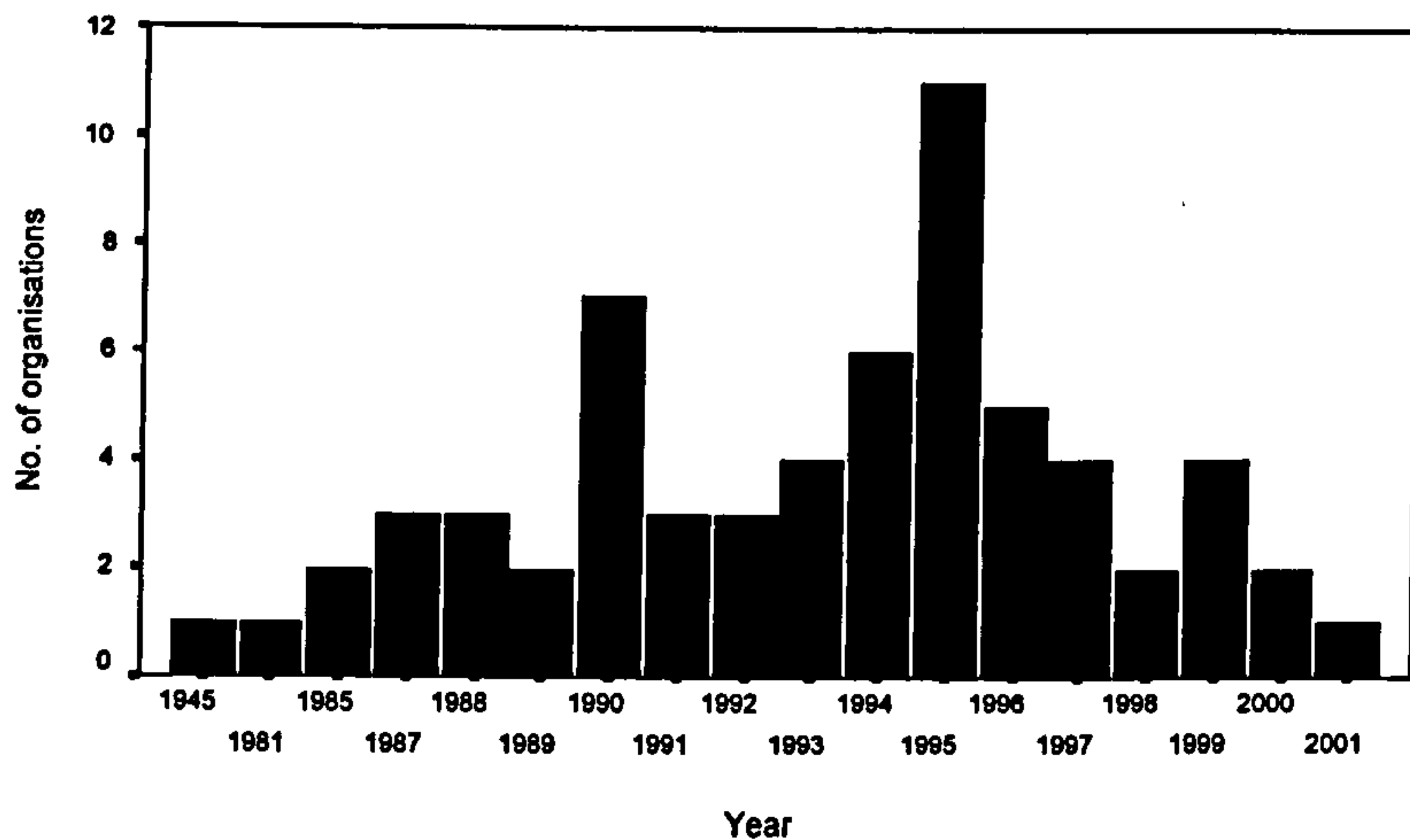


Figure 7.2 No. of Years of Experience with Quality Management Practices

Evidence on the implementing TQM practices confirms that over the last 10 to 15 years, TQM has seized virtually all sectors of the economy so much and consequently it has become a ubiquitous organisational phenomenon in such diverse areas as manufacturing, service, health care, education, and government (Korukonda *et al.*, 1999). Several other authors - notably Sousa (2000) and Oliver and Wilkinson (1989) – pointed out that TQM was born more than two decades ago, and since then it has become an all-pervasive management philosophy finding its way into most sectors of today's business society. Similarly, Powell (1995) in a comparative study of British and American companies reported that American firms began to take serious notice of TQM around 1980. Given the current enthusiasm for the quality movement, however, Wilkinson and others comment that there is a danger of assuming that the concern for quality is of recent origin. In fact, they argue "TQM is an age-old concern" (1998:17). In short, in comparison to 1980's although the quality movement was widespread, but TQM has still a long way to go in

most organisations across Scotland. Such outcomes have been observed and discussed by Naden and Bremner (1991) and Gudim and Meer (1995) in Scotland.

7.4.2 Approaches to Quality Management

The survey results indicated that all the organisations studied, had experience of different quality management approaches. According to the survey, several quite different approaches to quality management can be identified amongst the responding organisations. These approaches varied from system-based quality standards to more general quality improvement initiatives covering all aspects of the operations and customer-related issues. According to the written responses of the organisations surveyed, quality management approaches help the organization to identify its strengths and improvement opportunities as well as monitoring the progress of quality management programmes (see also, Finn & Porter, 1994). As Finn and Porter maintain, self-assessment systems provide an opportunity to design-in quality on an organization-wide basis. Camp (1989) in a 1989 article on 'benchmarking' follows a very similar line and argues that benchmarking - through different self-assessment tools - is a continuous process of comparing an organisation's products, services and processes against those of its toughest competitors or those of organisations renowned as world class or industry leaders. Today, benchmarking is employed by an ever larger number of small and large companies (Geber, 1990). A recent study of Fortune 1,000 companies, for example, revealed that 65 percent of the respondents used the benchmarking techniques (Thomas, 1992). Pun *et al.* identified the reason for such enthusiasm towards various quality management approaches by saying (1999:606): significant shifts in competitive edge have been sharpening the needs for continuous improvements and breakthroughs on quality. Pun and others also pointed out that many of these organisations had taken their initiatives to employ different quality approaches, awards and standards in one form or another to document, implement quality assurance practices and verify continued compliance. The following section reviews briefly the quality management approaches used by the organisations surveyed.

7.4.2.1 British Standard (BS) / International Standard Organisation (ISO) Series

Over 64 percent of the respondents with quality management initiative reported that they had attained and maintained the UK quality standard, BS 5750, or its equivalent international standard, ISO 9000 (see, Table 7. 6). Compared with the original Scottish survey in 1990 (Naden & Bremner, 1991), this means that acquisition of certified standards has tripled. Similarly, the 1994 study of the Witcher, which covered 1,500 organisations across Scotland, found that the acquisition of certified standards was proved to be high among Scottish firms. The same study also reported that as many as 43 percent of the surveyed organisations had achieved a standard, mostly BS 5750/ISO 9000, or were otherwise in the process of trying to obtain one (39 percent). In comparison, Gudim and Meer's survey of 500 Scottish organisations in 1995 indicated that most companies surveyed had appeared to view the introduction of BS5750/ISO9000 either as a necessary condition for the implementation of TQM or even as an alternative to it.

Table 7.6 Registration with BS / ISO Series

Economic sector	What approach to TQM are you taking: BS / ISO Series		Total (%)
	Yes (%)	No (%)	
Public	33	28	61
Private	31	8	39
Total	64	36	100

It appears that attaining such quality certificates was a high priority for many of the organisations responding to the survey. In particular, many of these organisations surveyed maintained that they attained the registration before joining QSF. Of the established series of quality standards, ISO 9000 have since 1987 been adopted as the referred or national standards for quality management system in many countries and regions. Companies that document and implement quality assurance practices to conform to the ISO 9000 standards would be awarded ISO 9001, ISO 9002 or ISO 9003 Certification (ISO, 1994; BSI, 1994). These awards and standards are commonly adopted as a means of recognising the achievements of TQM. These findings are further consistent and supported by Chin *et al.*'s (1995) study illustrating the integration of ISO 9000 and TQM practices. Although, gaining registration was central to the organisations surveyed, many of these organisations were aiming to go beyond ISO 9000 or BS 5750 registration.

As Pun and others (1999) report, reliance solely on the ISO 9000 registration is not sufficient to sustain competitive advantage (see also, Gudim & Meer, 1995).

Overall, there has been a widely held view that ISO 9000 is weak on continuous improvement (see, for example, Chin *et al.*, 1995; Pun, 1998). Consequently, most respondents emphasised that their search for continuous improvement would be far beyond ISO 9000 or BS 5750 and range from attaining 'Investor in People', 'Malcolm Baldrige National Quality Award', 'Best Value', 'Charter Mark', and 'Customised Quality'. In other words, in addition to attaining and embarking different quality initiatives, the respondents mentioned that they had been trying to implement the most recent TQM initiative within their organisations.

7.4.2.2 Malcolm Baldrige National Quality Award (MBNQA)

It is of no surprise that MBNQA appears to be less important to the QSF members, where only 3 out of 64 respondents mentioned attaining registration as an element of their quality management programme (see, Table 7.7). These organisations were affiliated to some large US-owned companies with interest in a wide range of areas connected with manufacturing and selling computers, providing electronic services in different regions in the world covering Europe, Middle East, Africa, and East Block countries. In line with the rest of the organisations surveyed, these companies were already registered with BS5750/ISO 9000 and were applying a wide range of quality initiatives.

In relation to the adoption and application of MBNQA, in the empirical 1994 study by Finn and Porter on the application of TQM self-assessment tools, a questionnaire was sent to 70 companies to gather data on self-assessment in the UK. The majority of companies (55% of the 33 respondents) had less than one year's experience of using total quality-based self-assessment, while 10% had been involved in self-assessment for over 3 years. Finally, the researcher came to the conclusion that UK companies have been relatively slow to move into TQ-based self-assessment despite the fact that the MBNQA guidelines have been available since 1988.

Table 7.7 The Approach to TQM: MBNQA

Economic sector	What approach to TQM are you taking: MBNQA		Total (%)
	Yes (%)	No (%)	
Public	0%	61	61
Private	5	34	39
Total	5	95	100

According to NIST (1998), MBNQA is used by organisations of all kinds for self-assessment, planning, training and other purposes throughout the U.S.A. MBNQA is a systematic assessment of an organisation's overall activities conducted for the purpose of evaluating performance, identifying areas for improvement, and developing recommendations and plans for further action (see, for more detail, chapter 2).

Given the importance of self-assessment tools and benchmarking for organisations, Pun *et al.* (1999) assert that the management should drive the quality initiatives, and link them to the TQM-oriented assessment criteria and compliance requirements. They argue, however, if quality efforts focus primarily on conformity and documentation, there may be separation between quality management and overall business management, reversing a trend toward their better integration. It is therefore best to establish and maintain a total systems approach with strong self-assessment orientation. Moreover, to provide further evidence on the compatibility of MBNQA and other certified standards, and to help quality-oriented organisations to employ different awards and standards in one form or another to sustain competitive edge, Pun *et al.* (1999) designed and presented the compatibility of assessment criteria of the Baldrige Award with the conformity requirements of both ISO 9000 and ISO 14000 in form of a seven stages programme coincided to a considerable extent with the self-assessed quality management system (SQMS) assessment criteria and requirements (see, for further details, Pun *et al.*, 1999).

7.4.2.3 Investors in People (IiP)

As Table 7.8 shows, 25 percent of respondents implementing quality initiatives indicated that they had obtained registration for Investor in People (IiP). IiP is the UK national quality standard which sets a level of good practice for improving an organisation's performance through its people. Since 1991 tens of thousands of UK employers, employing millions of people, have become involved with the standard and know the

benefits of being an IiP. Many of the respondents registered with IiP were from public and voluntary sectors. However, IiP works in all services and industries including the private, public and voluntary sectors. Although, organisations of all sizes work with the standard, but more employers should adopt and maintain IiP to gain maximum benefit for their business, their particular sector and UK economy as a whole. Through a detailed qualitative exploration of three enterprises from small information intensive service sector in 2000, Ram came to the conclusion that the most important ‘trigger’ for serious engagement with the IiP process was the influence of key customers. The significance of IiP, therefore, lay in its utility as a marketing device. Ram also found that the badge was important retaining and attracting clients. Further, the author argues that encouraging training in small firms has been as explicit feature of the policy-agenda for at least a decade.

Table 7.8 The Approach to TQM: IiP

Economic Sector	What approach to TQM are you taking: IiP		Total (%)
	Yes (%)	No (%)	
Public	17	44	61
Private	8	31	39
Total	25	75	100

According to Alberga *et al.* (1997), IiP is based on the assumption, however, largely unproven, of a direct link between human resource practices and organisational performance. To articulate such a link, Friedson (1994: 19) comments: “investment in people and the standard which takes its name of it, provides one way in which the personnel specialist is able to define a professional identity as a particular, corporately organised occupation to which specialist knowledge, ethically, and importance to society are imputed”.

In a report by IRS - the independent research organisation - (1994), which asked 79 organisations employing 10 or more people about their experiences of IiP, they found that the main reasons for the majority of organisations surveyed began working with IiP were, internally, to ensure training activity related directly to business needs and, externally, to link development of employees with achieving business goals. The research findings give the impression that organisations are adept at aligning training needs with business needs,

however, this is not leading to improvements in other areas of the business. Just 10 percent of those surveyed felt that IiP had increased profits, and six percent said it had played a role in increasing productivity. Only three organisations felt it had an impact on increasing sales or income. This is not, however, necessarily a fault within the scheme. One reason, IRS (1994) reports, may be that organisations are unable to properly measure the effect of increased quality of training and development on the business. Others (e.g., Armstrong, 2000), placed great emphasis on education and training as the key to providing a top quality operation in SMEs service industries. To do so, these organisations became convinced that IiP accreditation was the best possible way of meeting these needs. With the continued growth and uptake of the standard in the UK, it can be argued that international interest has been simulated and continue to grow. As a result of IiP's reported success in the UK and subsequent interest from overseas organizations, an international strategy on IiP has been formulated. This focuses upon establishing pilot programmes in overseas markets under direct contractual arrangements with IiP UK. Pilots are currently taking place in Chile, New Zealand, Bermuda, Finland, Holland, the Isle of Man and Jersey. IiP UK has also set up Investors in People Australia under a licence agreement with the Australian Institute of Management, and report that they are keen to instigate similar projects in Western Europe, the USA and Canada (IiP,1998; Rosemary & Stewart, 1999).

7.4.2.4 Best Value

Only 5 percent of respondents had obtained registration for 'Best Value' quality scheme (see, Table 7.9). 'Best Value' is the new statutory duty which the UK Government proposes to place on all Local Authorities in England, Wales and Scotland. It requires Local Authorities to go beyond Compulsory Competitive Tendering and ensure that Best Value seeks Efficiency, Economy, and Effectiveness. In addition to the above, each Local Authority in examining the performance of every area of its service will be charged with Challenging the purpose of its service, Comparing the Local Authority's performance with other providers, Consulting the community and looking to competition as a means of achieving the 3 E's mentioned above. There will be without doubt significant changes

within Local Authorities in order to achieve Best Value. Best Value by its very nature is not prescriptive but the fulfilment of certain key principles would appear to be an essential prerequisite to compliance with the Government's agenda for change (see, for more detail, www.local-regions.odpm.gov.uk).

Table 7.9 The Approach to TQM: Best Value

Economic Sector	What approach to TQM are you taking: Best Value		Total (%)
	Yes (%)	No (%)	
Public	5	56	61
Private	0	39	39
Total	5	95	100

7.4.2.5 Charter Mark

As Table 7.10 shows, 8 percent of all respondents have applied 'Charter Mark' as a quality scheme. Charter Mark is a major part of the UK Government's drive to modernise public services that deal directly or indirectly with the public. It is unique amongst quality schemes since organisations are judged on their results i.e. the service the customer actually receives. Put it in another way, it shows that organisations put customers first. In particular, it demonstrates to people - both your customers and people in other organisations - just how high standards in the public service can be. From January 2002 the scheme has been widened to include internal support services that currently do not have a direct interface with the public i.e. voluntary organisations providing a service to the public and receiving at least 10% of their income from public sector funds, and sub-contractors as long as they provide a service to the public which is provided elsewhere by another public sector organisation. The Charter Mark scheme aims to help public sector organisations make real improvements in the delivery of services, from the point of view of the people that matter the most - the customers. The benefits to the Charter Mark holder are not just the satisfaction of offering an improved service but also the feedback and recognition that guides development and boosts staff morale. Charter Mark holders can be organisational units as diverse as schools, Benefit Agency offices, catering departments in hospitals or prisons, and local emergency services - wherever there is a job to be done in serving the public.

Table 7.10 The Approach to TQM: Charter Mark

Economic sector	What approach to TQM are you taking: Charter Mark		Total (%)
	Yes (%)	No (%)	
Public	8	53	61
Private	0	39	39
Total	8	92	100

In relation to the above-mentioned quality approaches, it can be concluded that the Modernised Government White Paper, published in March 1999, has been encouraging all public sector organisations to make use of one of the four main quality schemes. These are EFQM Excellence Model, Investor in People, Charter Mark, and ISO 9000. All these schemes are useful tools which could be employed for a local authority's best value strategy (see, for more detail, www.chartermark.gov.uk).

7.4.2.6 Customised Quality

Of the 64 organisations studied, approximately 42 percent of the respondents noted their quality programmes had been customised to meet the particular requirements of their organisations (see, Table 7.11).

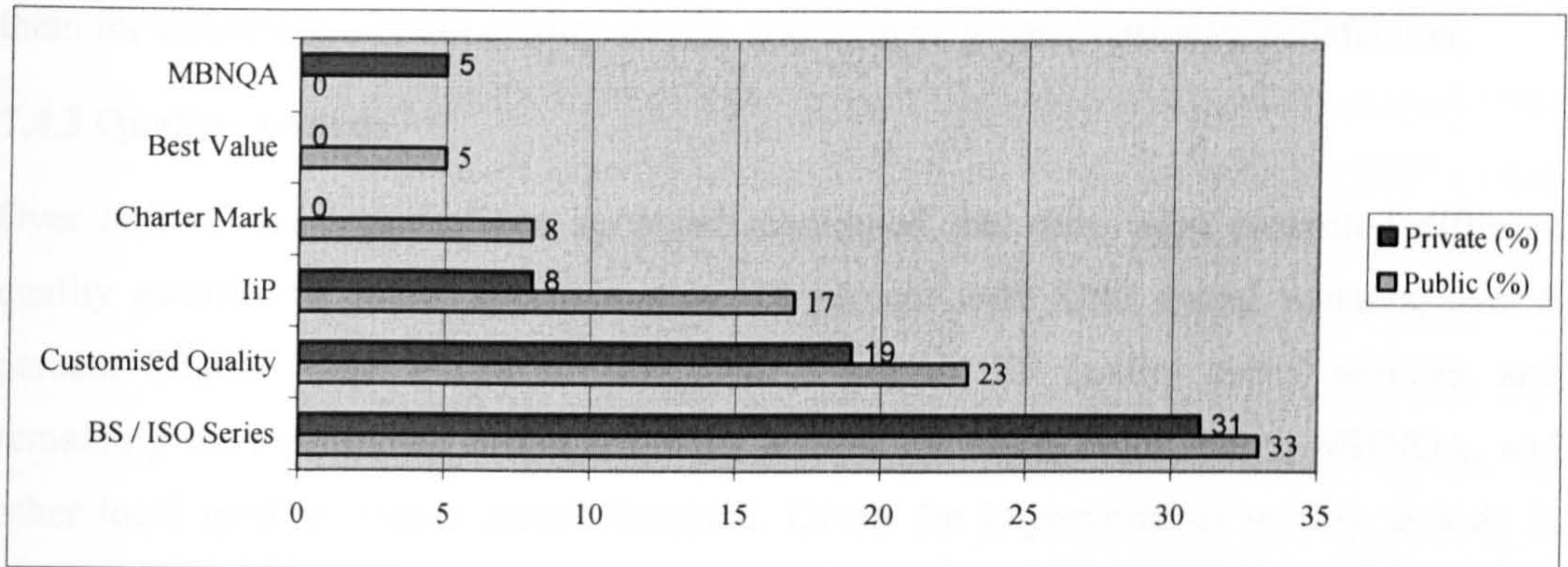
Table 7.11 The Approach to TQM: Customised Quality

Economic sector	What approach to TQM are you taking: Customised Quality		Total (%)
	Yes (%)	No (%)	
Public	23	38	61
Private	19	20	39
Total	42	58	100

The importance of customising and tailoring TQM to the specific needs of organisations is well known. Mann and Kehoe in a 1995 study involving the participation of over 200 companies using questionnaires and structured interviews as the main tools for the investigation, identified seven prime factors affecting the implementation of the TQM including: process factors, type of employees, shared values, management styles, organisational structure, number of employees, and industrial relations. Also Mann and Kehoe recommend that organisations should give these factors special consideration when developing their TQM approaches (see, for further details, Atkinson, 1990; Oakland, 1989; Wilkinson *et al.*, 1998; Silvestro, 2001). The breakdown of the approaches to

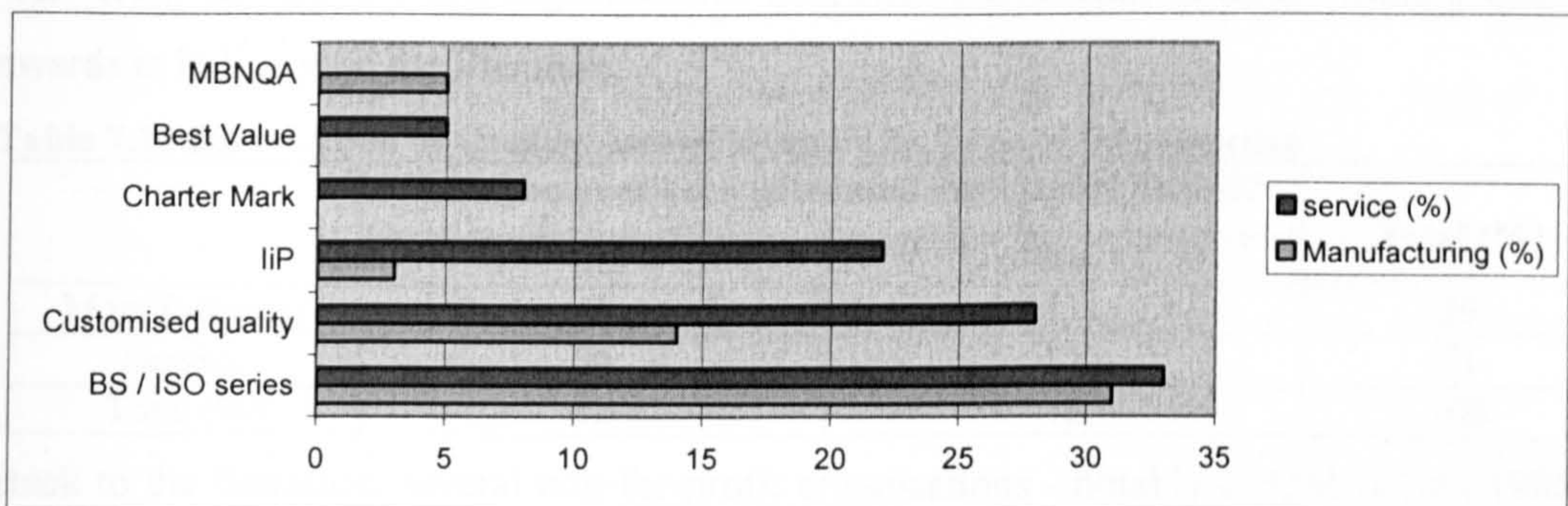
quality management taken by organisations studied in terms of business sector and type of organisation is shown in Figures 7.3 and 7.4, respectively.

Figure 7.3 Approaches to Quality Management by Economic Sector



As Figure 7.3 displays, in terms of application of different quality management approaches, public sector organisations outnumbered the private sector firms, except the case of MBNQA – an international US-owned organisation. The distribution of various approaches to quality management by type of organisations is also outlined in Figure 7.4.

Figure 7.4 Approaches to Quality Management by Manufacturing / Service



According to the Figure, in all cases service-oriented organisations outnumber the manufacturing organisations. It is perhaps of no surprise, given that 61 percent and 71 percent of the respondents were from public sector or service organisations, respectively. As a consequence, neither in this case, nor in the remainder sections there was no need to apply any statistical test for the purpose of identifying any statistically significant difference between the respondents in terms of economic sector or type of organisation. It

should be noted, however, these findings are consistent with the current literature such as Reavill (1999), Korukonda *et al.* (1999), on adoption of quality management initiatives by service industries, and more recently in public sector in the expectation that this will help them for delivering a better quality service and achieve greater customer satisfaction.

7.4.3 Quality Awards

Over half of the organisations surveyed mentioned that they were presented different quality awards. Of these, approximately, 18 percent were QSF award winners, over 8 percent Charter Mark award winners, over 5 percent IiP quality award winners, and remaining were presented different quality awards including BQA, EQA, MBNQA, and other local quality awards across Scotland. Given the importance of quality awards in encouraging TQM adoption, it can be argued that various quality awards have been set up to provide a platform for measurement against world-class standards.

Table 7.12 outlines the distribution of quality award winners by type of organisations. Again, the number of service organisations who won quality awards is approximately twice greater than manufacturing ones since over two-thirds of the organisations surveyed were from service-oriented organisations. But, such enthusiasm towards winning quality awards is in line with the literature.

Table 7.12 Distribution of Quality Award Winners by Type of Organisation

	Have you ever been presented any quality award?		Total (%)
	Yes	No	
Manufacturing	18	11	29
Service	34	37	71
Total (%)	52	48	100

Back to the literature, several non-for-profit organisations - notably EFQM (EQA, 1988), The US Congress (MBNQA, 1987), National Quality Institute: nqi (Canada Award For Excellence, 1992), Japanese Union of Scientists and Engineers (Deming Prize, 1994), to name just a few, have considered the issue of international respected quality awards which have provided the opportunity for firms to assess, using the models of TQM and business excellence which underpin these awards, the strengths and areas for improvement of their approach to business improvement (see, for further detail, Wilkes & Dale, 1998; Wilson,

1998; Pannirselvam & Ferguson, 2001; www.efqm.org; www.eqa.co.uk; www.nist.gov/publicaffairs/factsheet/mbnqa; www.deming.org/www.nqi.co).

This issue was reinforced by Gehani in a 1993 article writing on the quality value-chain when Gehani states, “the almost exponential interest in quality across the U.S organisations can be gauged by the fact that the number of requests for applications for the Malcolm Baldrige Award increased from 12,000 in 1988 to 180,000 in 1990” (p.29). Similarly, a 1995 *Management Accounting Journal* Anonymous article on ‘evaluating the operation of the European Quality Award (EQA) model for self-assessment’ writes that many organisations use quality awards criteria for self-assessment of their business processes and to gain a benchmark by which to measure their year-on-year improvements. Further, self-assessment also involves people in the regular and systematic review of their processes and results. The same article also reports a pilot study carried out by the Bradford TQM Group in 1995 established that UK companies increasingly use self-assessment based on the EQA and that a range of benefits from this approach are quickly realised.

Overall, in an era where global competition is highly intense, countries apply quality methodologies in the form of strategic quality management, quality systems, quality assurance and quality control, in order to gain or sustain a competitive edge (Puay *et al.*, 1998). National quality awards – as a means to sustain a competitive edge - play an important role in promoting and rewarding quality and business excellence. They represent, a country’s efforts to enhance transactional reputation in this increasingly competitive world market. It should be noted that the national quality awards, Puay *et al.* (1998) argue, differ in their emphases on the framework criteria items. In a comparative study of nine national quality awards, Puay and colleagues (1998:38) observed “a country’s economic development status to play a contributory role in creating the differences among various national quality awards”.

No doubt, the approach of having a national level quality award (e.g., EQA, MBNQA, Deming Prize: DP, United Kingdom quality award: UKQA, Canada Award For Excellence: CAE, AQA) has many strengths and positive ramifications. According to the

application guidelines of the awards, the awards are designated to promote the following issues (Main, 1990; Hart, 1993):

- Companies refocus and take a close look at themselves
- Companies gain a better understanding of their strengths and weaknesses
- Executives are required to consider in detail what their companies are doing with regard to quality
- To develop a standardised language of quality
- Quality award as a survey instrument
- Quality award as a discussion vehicle
- Quality award as a monitor to the development of long-term strategic plans.

These benefits, however, are somewhat balanced by a number of negative influences of the quality awards. One negative influence is that developing the formal systems needed for award consideration may frustrate employee involvement and retard the development of a well-institutionalised capability. Other negative influence is that some organisations decide to seek a quality award as a specific competitive focus, rather than for sound business reason. To put it in another way, pursuing the award as an award frequently causes the organisation to lose focus on its customers and even core business motives (see also, Walton, 1990; Garvin, 1991). Critics contend that companies place a focus on winning, instead of on achieving quality (Main, 1991:62). Others (e.g., Steventon, 1994:7) attest that winning awards is only a measures of success in achieving that particular goal and is no substitute for achieving both profit and delighted customers.

In response to these criticisms and the usual ones (i.e. too complicated, too expensive, too time-consuming, too bureaucratic, diverting attention from other important activities, to be deficient in important concepts and methodologies for achieving quality improvements and economic gains), the alternative view is that: aiming for the quality award is a way of focusing the business and management towards better quality, efficiency, and therefore customer satisfaction (Steventon, 1994:7).

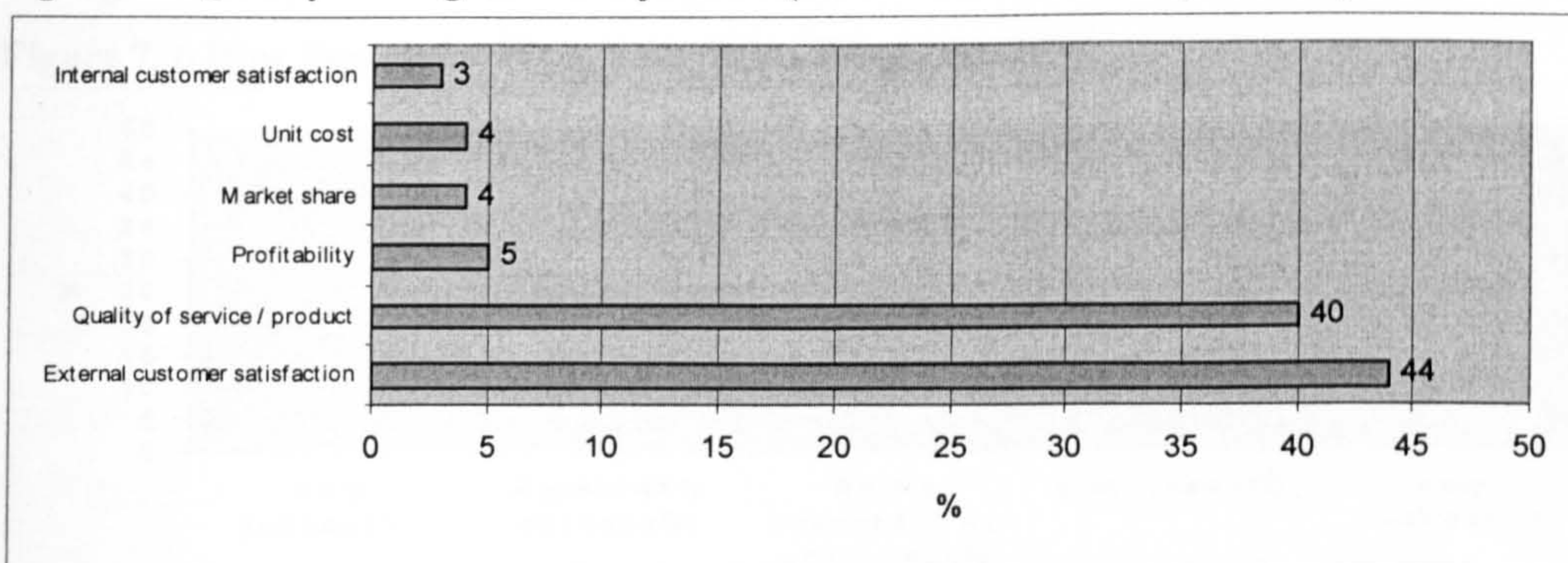
In closing, quality awards focus national attention on quality issues and how quality relates to overall national competitiveness. Also, a national award criteria can provide a framework for organisations seeking to improve their own quality position, the publicity it

generates and the quality aware environment it fosters provide strong support for individual organisations seeking to implement quality initiatives or even TQM. In particular, the quality awards are valuable tools for publicising and supporting the TQ movement. There is also preponderance of evidence (e.g., Hendricks & Singhal, 1996, 2001; Agus & Abdullah, 2000;) that a correlation between pursuing the quality award and long-term financial performance exists.

7.4.4 Quality Management Objectives

Respondents were asked to mention the main aim of their quality programmes. Over 44 percent viewed ‘maximising external customer satisfaction’ as the most important aim of their quality initiatives. In contrast, over 3 percent of respondents considered ‘maximising internal customer satisfaction’ to be the most important aspect of quality management. The second most popular objective of quality management of the surveyed organisations was ‘improving the quality of organisation’s product or service’ which was rated very important by nearly 40 percent of respondents implementing quality management initiatives. Since many of the organisations surveyed were from public sector, criteria such as profitability, market share, and unit cost were not their main priorities. It can be argued that these factors, of course, ranked against each other, therefore, ‘least important’ does not necessary mean ‘not important’. Criteria such as profitability, market share, and unit cost are considered to be the most important aspect of quality management by over 13 percent (5%, 4%, and 4%, respectively) of the organisations surveyed (see, Figure 7.5).

Figure 7.5 Quality Management Objectives (ranked in order of importance)

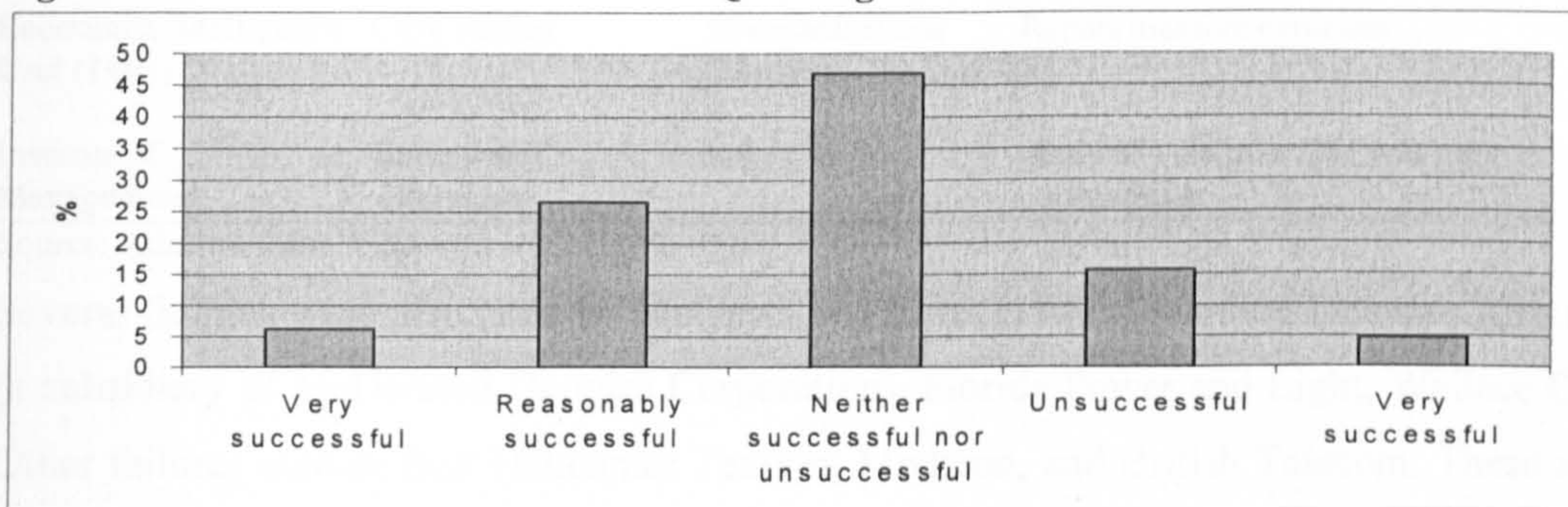


Although there are different interpretations of TQM content, It can be argued that recognising (external) customer satisfaction as the first ranked objective of TQM is consistent with most common accepted TQM's core principles (see, for example, Dean & Bowen, 1994; Hackman & Wageman, 1995). It is clear, however, that customers in the respondents' view, do not include the employee which are so-called internal customers, since only 3 percent of the respondents recognised internal customer satisfaction as their main priority. Given the vital role of employees in the successful implementation of quality management, an assumption of TQM is that, in Bowen and Waldman's (1999:160) words, "failure to meet the needs of internal customers will likely affect external customers. Employees thus need to view themselves as customers of some employees and as suppliers to others", and so do they need to be approached by their organisations.

7.4.5 Success of Quality Management Programmes

The survey respondents were also asked to state how successful were their organisations in achieving objectives of quality management - mentioned in the previous question. With regard to this question, approximately, 47 percent of all respondents rated their quality management initiatives as having been neither successful nor unsuccessful, compared with over 26 percent of the respondents who assessed their quality management programmes reasonably successful. In addition, nearly 16 percent of respondents thought their quality programmes had been unsuccessful, and very few organisations (approximately 5 percent) had considered their programmes very unsuccessful. A breakdown of the main quality management objectives is given in Figure 7.6.

Figure 7. 6 How Successful Were Your TQM Programmes?



These results confirm the findings of other research projects that relatively few organisations were satisfied with their quality management programmes. According to the written responses, most dissatisfaction arose when their quality management programmes failed to achieve its objectives pertinent to achieving employee commitment and participation, profitability, and market share. In contrast, a number of open responses indicated that quality management programmes were reasonably successful in improving quality of product / service, and external customer satisfaction.

The TQM literature abounds with similar results and conclusions, which have been appeared in the popular press (see, for example, Fuchsberg, 1992; Wilkinson *et al.* 1993, 1994, 1995, Sitkin *et al.*, 1994; Smith *et al.*, 1994; to name just a few). A survey conducted by Little of 500 manufacturing and service companies, for example, found that approximately one-third felt the TQM programme was having a 'significant impact' on their competitiveness (Smith *et al.*, 1994:75). Surprisingly, the remaining two-thirds felt that the TQM programmes were not impacting their organisation positively (see, for more detail, Korukonda *et al.*, 1999; Kearney, 1992; Katz, 1993). A far-ranging and thorough review of the effectiveness of TQM is by Wilkinson *et al.* (1998) who place their analysis on the UK studies on the effectiveness of TQM (Table 7.13).

Table 7.13 UK Studies on TQM Effectiveness

Studies	Approach	Sample	Findings
London Business School (1992)	self assessment against the Baldrige Criteria (survey)	42	Most firms in the UK samples would rate poorly against the Baldrige criteria.
Durham University Business School	Survey	235	TQM is still an innovation and there are many uncertainties
Economist Intelligence Unit (1992)	Case studies	50 organisations (European, not just UK)	Report massive cynicism
Institute of Management	Survey and interviews	880	Only 8% claimed QM was very successful

Source: Adapted from Wilkinson *et al.* (1998: 65).

Several failures were also cited by Mathews and Katel (1992) including Douglas Aircraft (a subsidiary of McDonnell Douglas Corporation), Florida Power and Light, Wallace Co. Other failures include Bell Helicopter Textron, Modicon, and British Telecom. These are but a few examples of organisations whose TQM programmes ultimately met with failure.

Consequently, the above-mentioned and other similar findings questioned the degree of effectiveness of TQM initiatives. In response to this high rate of failure, more recent rigorous academic studies have raised doubts to the universal validity of the whole set of TQM practices and initiatives (Sousa & Voss, 2001). To put it in another way, the existing literature (Benson *et al.*, 1991; Wilkinson *et al.*, 1992, 1998; Sitkin *et al.*, 1994; Reed *et al.*, 1996; Sousa & Voss, 2001; Silvestro, 2001), although sparse, clearly raises the possibility of quality management practices being context dependent (see, for further details, Chapter 2).

However, overlooking the wide range of improvements made by quality management such as benchmarking, process management and process analysis techniques, customer orientation, and prevention approach to errors, to name just a few, would not be fair to the TQM movement. Furthermore, referring to a growing body of work done on the extent of TQM and its impact on organisational effectiveness, the general idea, as Wilkinson *et al.* (1998: 80) note, is that “TQM is increasingly being adopted in the US and in Europe.” In one of the most recent articles, Hendricks and Singhal (2001) documented the long-run stock price performance of firms with effective TQM programmes. In their study, the authors used the quality awards as a proxy for effective TQM implementation. The study compared stock price performance of award winners against various matched control groups for a five-year implementation period. During the implementation period, there was no difference in the stock price performance. During the post-implementation period, however, award winners significantly outperformed firms in the various control groups. The findings of the survey clearly indicated that effective implementation of TQM principles and philosophies led to significant wealth creation. The main reason for such interest in TQM, as most studies suggest, is “TQM can add value to an organisation’s competitive strategy” (Wilkinson *et al.*, 1998:80).

7.5 Employee Performance Appraisal in the TQM Context: Origin and Approach

In order to get some primary information from the respondents in relation to HR performance evaluation practices and their consistency with TQM requirements, Part C of

Section 1 provided a series of questions to the surveyed organisations covering the following areas:

- Formal HR performance evaluation
- Frequency of HR performance evaluation in the organisation
- Sources of evaluation
- Purposes of performance evaluation
- Modification and changes made in the HR performance evaluation resulted from TQM to date
- The position of personnel manager on the TQM committee
- The effectiveness of HR performance evaluation in the organisation in improving and achieving TQM objectives

7.5.1 Formal HR Performance Evaluation System

Of the all organisations studied, as Table 7.14 outlines, 61 (95.3%) were operating a form of formal HR performance evaluation system. The responses to this question confirm the findings of Freemantle’s (1994) research, in which 122 UK-based organisations participated. Freemantle’s research investigated the effectiveness of performance appraisal in the surveyed organisations, and found that 89% of the organisations studied had a formal performance appraisal system.

Table 7.14 Formal Performance Evaluation System

	Does your organisation apply a formal performance evaluation system?		Total (%)
	Yes	No	
Public	58	3	61
Private	37	2	39
Total (%)	95	5	100

The remainder organisations which were accounted for over 4 percent had no a formal HR performance appraisal system for a variety of reasons. Typical answers:

“No systematic approach in place. Support staff subject to annual development interview. Uniformed service only appraised during probationary two-year period or on applying for promotion” (Public, local Authority).

“Trade union opposition” (Local authority).

“Training requirements are considered at the Management Review Meeting” (UK-privately-owned, manufacturing).

“Not appraisal, but identification of personal objectives in line with corporate and team objectives, plus identification of staff development required to support this. However, review of this is poor” (Public sector, education).

Accordingly, in Freemantle’s research project, few organisations were against performance evaluation for a variety of reasons including: trade union opposition, or the opposition of councillors (a local government authority) or simply because the previous scheme did not work and was abolished. In a similar study published in *Management Today* (Anonymous, 1998), some 80% of UK companies were operating a performance appraisal system.

A number of respondents indicated, in their written responses, that they were intending to extend and update their HR performance management systems. All evidence shows that performance evaluation is now widely used through the UK organisations. The results - also consistent with Freemantles’ (1994) findings - reveal that there is no variation in its usage between commercial companies and public sector organisations, nor in the size of the organisation. In fact, small organisations are just as likely to have performance management as large companies.

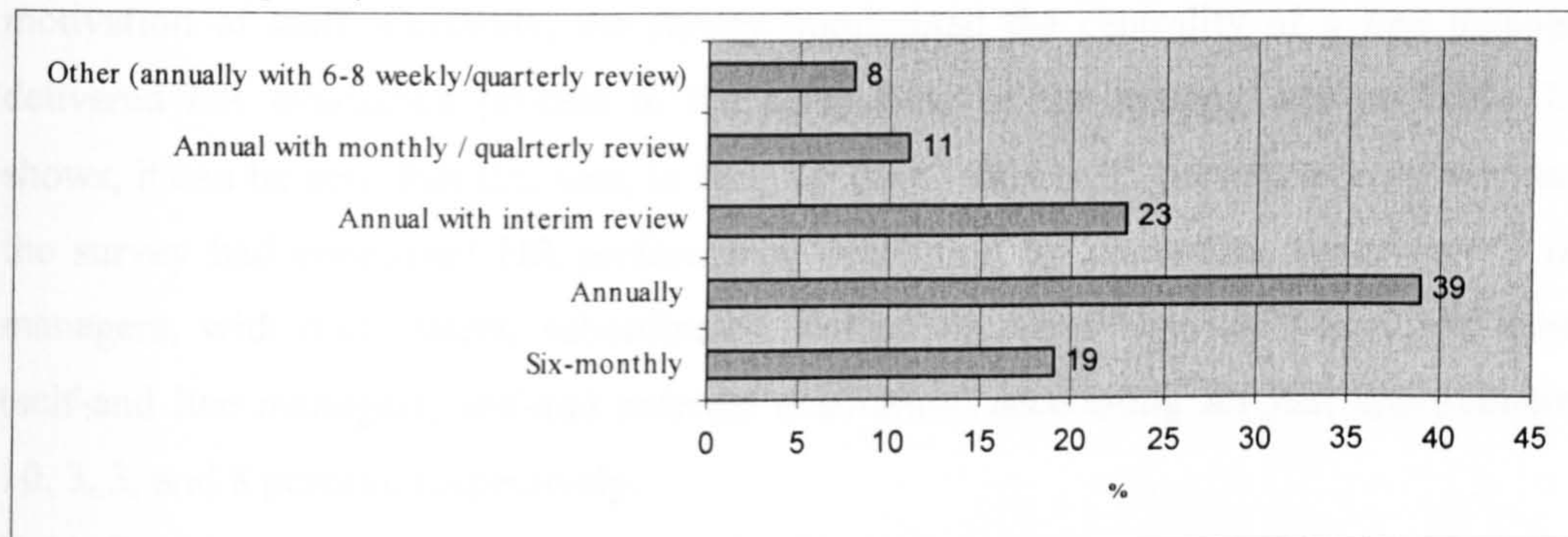
7.5.2 Frequency of HR Performance Evaluation

The survey also examined the frequency with which the employees performance were measured. In Figure 7.7 data for employee performance review are presented and they show, perhaps not unexpectedly, that over 39 percent of organisations conducted HR performance review annually, compared to Freemantle’s survey (1994), in which, the large majority of organisations conducted appraisal on an annual basis. The remaining 60 percent, however, did appraise at other frequencies which varied from annually with interim reviews accounted for over 23 percent, to annually with monthly / quarterly reviews and annually with 6-8 weekly reviews accounted for nearly 11 and 8 percent, respectively.

A review of the related literature highlights the frequency of performance evaluation as a difficult dimension to describe. The reason for this difficulty, Fisher (1994:43) notes, is “the ambiguity of the distinction between an appraisal meeting and an everyday discussion about work between a boss and a member of staff”. Fisher also agrees that the modal

frequency of appraisal interviewing is probably annual, while biennial is not uncommon, and six-monthly or quarterly appraisals are also possible. As Figure 7.7 shows, in some organizations - as an alternative - the appraisal interviews were annual but there were formal interim meetings between them. In other words, many of the surveyed organisations had variable intervals between each formal performance evaluation.

Figure 7.7 Frequency of HR Performance Evaluation



Thus, the actual time period varies in different organisations and with different aims, however, a typical frequency would be bi-monthly or quarterly. In particular, in the context of TQM, employee performance reviews should be performed on a frequent and ongoing basis, which is most consistent with continuous improvement as a key principle of TQM. Boice and Kleiner (1997) were trying to give support to conducting frequent and ongoing performance review for two main reasons:

1. Selective memory by the supervisor or the employee, and
2. Surprises at an annual review

Overall, the problem of frequency was also recognised by Freemantle's (1994: 24) as one of the major limitations of any formal approach to performance evaluation, as he calls it: "a double-bind for the organisation". Freemantle summarises this position by saying, "too long an interval between each appraisal and its contents lose relevance and risk artificiality, and in turn, too short an interval and the process become too time-consuming" (p. 24). What Freemantle concludes is: "there is no easy answer to this and it does beg the question of the efficacy of the traditional approach of annual appraisal" (p. 24).

7.5.3 Sources of Appraisal

With regard to the sources of performance evaluation - appraisers - the survey indicated that individuals were appraised by a variety of people ranging from immediate supervisors / line managers to multi-raters. According to the survey, line managers deliver the performance evaluation and are given increased responsibility for the development and motivation of staff. Certainly, the survey highlighted the centrality of a line manager-delivered HR evaluation process to the conducting of the system, and as Table 7.15 shows, it can be seen that this was, in fact, the case. Nearly 77 percent of respondents to the survey had conducted HR performance evaluation by immediate supervisors / line managers, with multi-raters, subordinates, immediate supervisor and peers, and others (self-and line managers, self-and external evaluation) accounting for just approximately 10, 3, 3, and 8 percent, respectively.

Table 7.15 Responsibility for Conducting Employee Performance Evaluation

Appraisers	Frequency	Percent
Immediate supervisors / Line managers	49	76.6
Subordinates	2	3.1
Multi-raters	6	9.4
Immediate supervisors and peers	2	3.1
Other (self and line manager, self and external evaluation)	5	7.8

Line manager or the front-line supervisor is responsible for conducting the performance review in the majority of performance management systems. According to Storey (1987), the role of the immediate supervisor is a factor which is frequently cited and reinforced throughout the performance appraisal literature. In addition, evidence from performance appraisal survey and case studies also confirm that in the majority of cases surveyed the immediate supervisor was responsible for conducting the performance review (see, for example, Long, 1986; Storey, 1987).

Other methods of conducting performance evaluation, however, should be considered. Self-evaluation, for example, would be the best judge of employee performance particularly if supervisor cannot observe individual on a regular basis. In an employee survey conducted by the Minnesota Department of Transportation on its performance

appraisal process, they found that a majority of participants were in favour of self-appraisal (Laumeyer & Beebe, 1988).

Peer evaluation or co-worker evaluation, on the other hand, is acceptably reliable and valid and has the advantage that peers have a more comprehensive view of the appraisee's job performance. Due to growing emphasis on teamwork, this method is specifically the Rowe's (1995) view, who advises firms to use it, since work groups need to analyse how their work is going and how the team is performing. Rowe further recognised peer appraisal as a joint problem solving method. Also, Waldman (1997) gives a very useful account of peer evaluation as a main source of appraisal in team-based settings and notes that when teamwork is being stressed, peer or co-worker input would represent a logical source of important performance information (see also, Barnes, 1997).

Subordinate/ upward evaluation which sometimes referred to as reverse appraisal is another form of conducting appraisal. In this process, employees rate the performance of individuals who manage them directly, usually by responding to a questionnaire using a rating scale (Antonioni, 1999). Initially organisations used upward appraisals for developmental purposes. As evidence shows, however, organisations are currently beginning to use the results for personnel evaluation, specifically, to determine merit raises. In the latter case, Antonioni (1999) argues, care must be taken when using upward appraisals for this purpose since "there is low degree of association between subjective and objective performance measures". For example, liking or disliking someone's traits may be as important as work results when rating overall performance. Furthermore, when evaluators respond to upward appraisal items using a rating scale, various factors such as rater's liking of the ratee and the amount of time the rater has spent observing the ratee, may influence their ratings (see, for example, Cardy & Dobbins, 1986; Ghorpade *et al.*, 1995).

Multi-rater / 360-degree feedback, on the other hand, is also known as multi-source feedback allows for assessments to be made by peers, subordinates, boss, customers, suppliers and consultants outside the organisations. According to Rowe (1995), 360-degree feedback is made up of four main elements including:

1. Downward appraisal: the traditional form of appraisal in which superior appraises subordinate.
2. Upward appraisal: is where the subordinate assesses the performance of the superior.
3. Peer appraisal: is where work colleagues assess one another's performance.
4. Self-appraisal: is where the individual take responsibility for his or her own performance and assesses his or her present work and future development.

In multi source feedback, as Barnes (1997) demonstrates, all 'stakeholders' are involved. Barnes further comments that three-hundred and sixty degree appraisal is "an innovation well suited to the internal changes in structure that have taken place, assisting organisations to face external pressure and goes a long way towards resolving the problems that have for a long time been associated with the traditional 'top down' approach to performance review" (p.14). Furthermore, Barnes notes that due to a number of factors organisations today should conduct 360-degree appraisal. Among these are: wider span of control or flatter organisations, greater geographical spread, greater use of matrix structures and project management where individual managers have more than one reporting line, greater cross functional cooperation, and higher level of communication.

Today 360-degree appraisal itself is more widespread in the US - it is used, for example, by AT&T, Caterpillar and Chrysler among others - than in Britain where surveys find it difficult to discover the practice. This study confirms previous findings by Long (1986) and IRS survey in 1994. Long's survey, for instance, for the Institute of Personnel Management in 1986 found no instances of 360-degree appraisal and the situation had not changed to any great degree by 1994. Similarly, in an Industrial Relations Services (IRS) survey 2 of subscribers to Employment Trends found that none of the 107 respondents had adopted 360 degree appraisal but 50 percent were using self assessment, seven had upward appraisal and three had brought peers into the process (see also, Barnes, 1997).

In short, it is clear that conducting employee performance evaluation function in order to provide constructive feedback from different sources will result in different employee expectations and, therefore, different approaches to performance management and, in turn, different organisational performance. Thus, companies that hope to succeed in today's competitive business environment must learn to identify their most capable employees for

placement in key organisational appointments through an effective feedback process. Put it in another way, effective performance evaluation is an ongoing process that requires informal and formal feedback from a variety of sources. To this end, in order to maximise the effectiveness of performance appraisal system, McBey (1994) recommends open lines of communication between appraisers and employees - through 360-degree feedback - as complementary to the performance evaluation system.

7.5.4 Objectives of HR Performance Evaluation

Respondents were asked to mention the main objectives of their organisations' performance evaluation systems. A summary of main functions of performance management, each of which can be seen to some degree in all appraisal schemes, ranked in order of importance, is given in Table 7. 16.

Table 7. 16 Objectives of HR Performance Evaluation

Objectives	% Respondents
• Training / Development Needs	89%
• Past Performance	80%
• Promotional / Potentials	56%
• Accountability	47%
• Results-based	42%
• Salary / Reward	35%

It can be seen from Table 7.16 that many organisations surveyed were linking their performance management to the training and development needs of their employees. As it shows, 89 percent viewed training and development needs as the most common aim of their performance evaluation. The second most popular aim was the assessment of past performance by 80 percent of the respondents. In contrast, performance appraisal as a basis for salary and rewards was indicated as an objective of performance management only by 35 percent of the surveyed organisations.

These findings are consistent with a comprehensive investigation of the literature on performance evaluation by Wilson and Western (2000:93) who identified numerous purposes for performance evaluation namely: reward, discipline, coaching, counselling, negotiating improvements in performance, improving the work environment, raising morale, clarifying expectations and duties, improving upward and downward communications, reinforcing management control, helping validate selection decisions,

providing information to support HR activities, identifying development opportunities, improving perceptions of organisational goals, and selecting people for promotion and redundancy.

It is clear from the percentages shown in Table 7.16 that the first two objectives were the most common ones among the surveyed organisations. In the following section, these issues are briefly explained.

7.5.4.1 Training / Development Needs

A thorough analysis of the concepts and the practice of individual development and training has been set out by Squires and Adler (1998) who referred to the development and retention of workforce as “the key to survivor” for many organisations (p. 446). As they report, there is a growing appreciation for the dual nature of the performance appraisal process first identified by Meyer and others in 1965. According to them, not only must an effective appraisal accurately evaluate past performance as an equitable basis for rewards, it should also guide training / future development, leverage existing strengths, and address skill deficiency. The result of such approach to performance evaluation is to help the organisation to set its future targets and objectives. Against this increasing need to link appraisal and employee training / development processes, however, stands an imposing set of practical and theoretical challenges which were thoroughly reviewed by Squires and Adler (1998: 446-7) in one of the most current textbook on performance appraisal. Among these are:

- **Time:** development is an ongoing process, not a once-a-year event, and today’s managers are already stretched.
- **Organisational support:** managers operate in a business environment that emphasises short-term performance. The payoff from development is not likely to have an impact on next quarter profits.
- **Expertise:** fairly sophisticated diagnostic and people-management skills are needed to provide constructive coaching, and these skills are not consistently considered in selecting managers.

- **Diagnostic tools:** developmental planning requires appraisal processes that not only have sufficient construct validity but also have high levels of both inter and intra-individual discriminability.
- **Developmental resources:** training must be customised to address specific developmental needs in a cost-effective way.
- **HR planning:** individual development must be linked to business strategy so that employees are prepared to meet tomorrow's challenges.

Other deficiency was taken up by Wilson and Western (2000) who assert that training and development plans are sometimes unachievable because they are inappropriate, too expensive, or there is a lack of time. Put it in another way, whilst performance appraisal is being undertaken by many organisations with a fresh urgency and focus, feedback from managers and employees suggest that very little is being achieved.

In line with these practical challenges and directly influencing practice, however, there is a range of advices and recommendations by researchers and writers which really face up to the considerable problems and, in turn, demand of organisations for an effective performance evaluation system consistent with different organisational context. Squires and Adler (1998), for example, recommended a set of theoretical challenges that must be successfully addressed:

- Better understanding of skill dimensions so as to define the constructs we seek to appraise and develop more vigorously.
- Better understanding of the processes for skill development so as to determine the employee's stage of development for a particular skill.
- Developing an adequate prescription based upon a diagnosis so as to identify cost-effective strategies for addressing developmental weaknesses.
- Applying a theory of instruction and effective instructional methodology for prescription specified so as to deliver the right training at the right time to achieve maximum impact.

Today, large organisations are increasingly conducting developmentally oriented appraisals outside the context of the regular supervisor appraisal process (see, for more detail, Squires & Adler, 1998). In particular, for those involved with HRM practices, the performance appraisal is widely regarded as one of the main instruments for identifying training and development needs at the individual levels. Indeed, Armstrong and Baron

(1998: 8) maintain, "Performance management should really be called performance and development management". In a similar vein, in an attempt to support training and development activities associated with performance appraisal, Wilson and Western (2000:98) suggest that discussion of training and development issues should be entirely separate from assessment, promotion and remuneration discussions. To be effective, they argue, a strength - or talent-focused performance appraisal process should be supported by the performance management system. Central to their argument is a heavy emphasis on employees' strengths, talents, and expertise through performance appraisal practices. To clarify their reasoning, Wilson and Western referred to the research findings conducted by Gallup Corporation - in North America, Europe, and Asia, cited in Orr (2002) - in which the most common approach in performance management was found to be on employees' development needs and invested primarily in helping employees improve performance in those areas. This means, however, as Wilson and Western point out, that the organisation invests less in developing employees' talents or strengths. To counteract such difficulty, Wilson and Western add, a strength or talent-based performance management and development strategy provide a win-win situation to both organisation and employee. As a consequence, organisations benefit from the enhanced productivity of employees, and employees gain by improving their competencies, work satisfaction and earning power.

7.5.4.2 Past Performance

Performance appraisal systems of 80 percent of organisations surveyed were based on an assessment of the past. In this view, it is believed that the past is the main determinant of the present and the future. Implicit in this view, Randell (1994:231) reports, is that "if good performance is observed and then rewarded, the chances of it being repeated are increased, while poor performance is discouraged or even punished to decrease the chance of it happening again". Whilst it is much easier to assess the past than the future, viewing the performance appraisal as a control and maintenance system does, however, little to realise future performance improvement.

Past performance as an indicator for employee performance evaluation has been often regarded as one of the main difficulties with traditional performance appraisal systems. In

other words, the purpose of traditional performance appraisal systems was largely to ensure that the minimum standards for the job were being maintained and that some measure of control was being exerted over the employee. This was referred to as 'performance control' by Randell and others (1984). Further, this approach to performance evaluation provides an opportunity to criticise rather than give recognition or meaningful support for performance improvement. As mentioned earlier, however, a consideration of future potential, opportunities and development needs is an essential planning aid for both organisations and individuals in the context of rapid change and the need for a high degree of flexibility. As a consequent, during the recent years performance systems have tended to move away from being primarily control and maintenance based and have moved towards an approach more concerned with motivational and developmental issues.

In closing, the research reveals that there is much more confusion over the purposes of performance evaluation. According to responses given by the organisations surveyed, there are many conflicting purposes of performance appraisal and, as Randell (1994) reports, it is not possible to advocate or prescribe any particular techniques. All purposes that exist have their place in the overall scheme of employee appraisal. However, getting such purposes appropriate to the needs of the organisations, and the employees, is one of the key issues of personnel management. In short, as Taylor (1998:185) reports, performance appraisal would appear to be a panacea. However, from an investigation of a number of studies Taylor concludes, "performance appraisal is, in practice, more of an organisational curse than a panacea" (p.185). Further, Taylor attributed this argument to the conflict between two different views. From organisation's perspective, in one hand, the principal reason for performance evaluation is to make people accountable. That is, the objective is to align responsibility and accountability at every organisational level. From employee's viewpoint, on the other hand, the purpose of performance appraisal is four-fold: (1) Tell me what you want me to do, (2) Tell me how well I have done, (3) Help me improve my performance, and (4) Reward me for doing well.

7.5.5 Modification and Changes in HR Performance Evaluation Resulted from TQM

Approximately 35 percent of the organisations studied reported that they had made some changes in their performance evaluation systems at the commencement of TQM programmes - compared to 65 percent of the respondents that had not made any changes in the performance appraisal system. Amongst the changes planned were: introducing mandatory training courses, designing a standardised formal review, continuous monitoring of achievement of objectives, and registration with IiP.

A list of changes and modification in HR performance evaluation systems at the commencement of TQM made by the organisations studied are given in Table 7.17.

Table 7.17 Typical Changes in the HR Performance Evaluation Systems

-
- Smart objectives (Specific, Measurable, Attainable, Results-focused, Timely)
 - Introduction of Training and Development including mandatory training courses
 - Appraisals are based on a “high performance culture process”
 - A new Scottish appraisal system has been introduced across Scotland
 - Applying a standardised formal review for all
 - Move towards immediate supervisor appraisal rather than simply management team
 - Move from pay-based to personal development and training based
 - Trying to improve a set of objectives with managers and review of achievement of objectives
 - Expanded to include IiP programmes
 - Company has grown up significantly over years so processes have become more formulated
-

A number of respondents, however, commented that they have made changes in their HR performance evaluation systems but not as a result of adopting a quality management approach. Only 20 percent of the organisations who made some changes in their HR performance evaluations (accounted for 35%) reported that they had made changes in their performance evaluation due to implementing quality management initiatives. In other words, of 35 percent of respondents, only 20 percent of the respondents had made changes in their performance evaluation systems as a result of implementing TQM programmes.

Table 7.18 summaries the main changes that the respondents have made due to applying a quality management system.

Table 7.18 Changes in HR Performance Evaluation System Due to Adoption of TQM

- Emphasis on continuous improvement from all employees
 - Amendment from implementation of SQMS (Scottish Quality Management System: SQMS certificate proves that the training and education the organisation offers is of the very best quality).
 - Baldrige criteria applied to appraisal format and content
 - More future career path
 - Gone from individual to team for shopfloor employees
 - Appraising the performance review system annually
 - Review of individual development meeting, following a review of staff views on current system
-

7.5.6 The Role of HR Manager in TQM Committee

The survey also examined the position of the personnel manager in the TQM steering committee. Approximately, 42 percent of the organisations surveyed said that the personnel manager had a place on the TQM steering committee, compared with 58 percent of organisations that indicated their personnel managers had no place on TQM committee. Accordingly, in relation to the responsibility for HR performance evaluation, it appears that in most organisations surveyed performance evaluation was driven mainly by HR department, and personnel management had a lead role in the development and maintenance of the HR performance evaluation system. In approximately 61 percent of cases HRM department took responsibility for driving and steering performance evaluation system, although in the majority of these cases supervisors or direct line managers evaluated the employees performance. There is an argument that the more dominant the role of HR department in pursuing for performance evaluation the less likely the scheme is to be successful (see, Freemantle, 1994). Too few instances were provided of chief executive being the driving force behind performance evaluation. In a TQM context, however, HR performance evaluation can only be effective if personnel manager can play an important role in the TQM committee and finally if both TQM and HRM

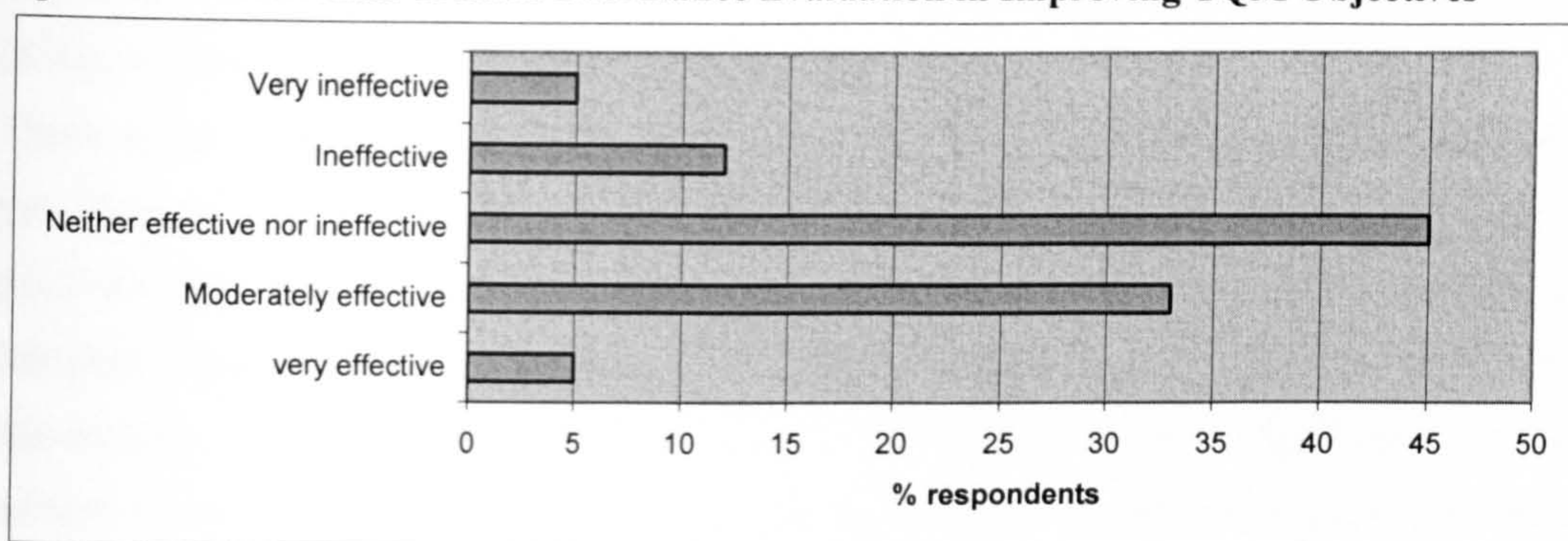
subscribe to its underlying principles considering the organisational context. Whilst there has been much talk over recent years about the role of top management team, there is little evidence that this is taking place since in 58 percent of organisations studied, HR managers had no place on TQM committee. Thus, it seems that the role of personnel in designing and implementing of HR performance evaluation is another source of confusion. Perhaps this is one of the most controversial questions about HR performance measurement in quality management context. In other words, to what extent should HR performance evaluation in quality management context be seen as a function, which is designed, developed, driven, and administered merely by HR department? Ideally, in quality organisational environments, the drive for HR performance evaluation should come from the chief executive and senior manager with personnel having an essential support role. In too many cases covered by this research, also consistent with Freemantle's (1994) findings, however, the drive came from HR department with, regrettably, line managers or immediate supervisors being reluctantly dragged along. Consistent with Freemantle's research (1994:8), the most recent lesson offered by the participants was related to securing the support, commitment and leadership from directors and senior management to the practice of performance appraisal. As a corollary to the above conclusion, the evidence suggests that, in Freemantle's (1994:8) words, "appraisal cannot be seen as a personnel thing. It must be driven, however, by the executives who are ultimately accountable for the performance of the organisation" (see also, Kelly & Gennard, 1996).

7.5.7 Effectiveness of HR Performance Evaluation in Improving TQM Objectives

The survey deliberately set out to gauge the effectiveness of HR performance management in improving and achieving TQM programmes from a number of angles. On a scale ranging from 'very effective' to 'very ineffective', approximately 33 percent of the organisations studied felt that their HR performance evaluation systems were 'moderately effective' in improving and achieving quality management programmes, whilst nearly 58 percent found it 'neither effective nor ineffective' or 'ineffective' in improving quality programmes. Overall the perception of nearly 63 percent of organisations responding was

that the current HR performance evaluation system had not had a tangible impact on the improvement of TQM programmes (see, Figure 7.8).

Figure 7.8 Effectiveness of HR Performance Evaluation in Improving TQM Objectives



Further, as Figure 7.8 shows, perhaps, not unexpectedly, very few organisations (only 4.7% of all respondents) described their HR performance evaluation systems ‘very effective’ in improving quality management programmes.

7.6 Summary

A key objective throughout this chapter has been to document the main issues related to QM and HR performance evaluation systems in order to explore the effectiveness of performance evaluation systems in improving and meeting TQM expectations in a sample of UK-based quality-focused organisations, and the degree of congruity between TQM precepts and performance management practices currently conducting in quality-driven organisations. Data were collected on QM and performance evaluation from a sample of over 150 UK-based TQM registered organisations in different economic sectors of different size and with enough experience of quality management approaches to reflect the widest possible range of characteristics of HR performance practices in TQM organisational environment.

In one hand, the results confirm the findings of other research projects that relatively few organisations were satisfied with the effectiveness of their QM programmes. On the other hand, while on the whole, the data point to an increase in performance evaluation usage amongst the UK-based organisations, however, the findings show that the current HR performance evaluation systems are unlikely to meet the needs of both TQM-driven

organisations and employees. Further, the chapter concludes that HR performance evaluation is still a vital necessity in the quality management context, but it needs revisiting and researching in important ways that are likely to work better where they are in line with the quality management context.

There are two logical extensions to these findings. The first extension would be to develop the generic criteria of the current HR performance evaluation that would aid in establishing a TQM-based HR performance evaluation. The second extension would be to integrate these performance measures and TQM assumptions and precepts to develop empirically a performance evaluation system for quality-focused organisations. This system would aid in examining the fit between HR performance evaluation and TQM assumptions in organisational environments with a quality orientation. To this end, a full description of ‘the generic criteria of the current HR performance evaluation in the context of quality management’ and ‘the main criteria of a TQM-based HR performance evaluation’ developed from the research findings will be presented with a detailed discussion in the following chapter – chapter 8.

CHAPTER 8

DATA ANALYSIS: QUESTIONNAIRE SURVEY (Part – II)

8.1 INTRODUCTION

Overall, this chapter was intended to discover whether HR performance evaluation systems are congruent with the requirements of quality management philosophy and practices. To this end, the first part of the chapter addresses the questions on compatibility of the current performance evaluation systems with the organisational context - here referred to as 'the context of quality management' - in an attempt to explain the generic characteristics and features which have supported the performance management systems among QSF registered organisations. The remainder of the chapter concentrates on the main criteria of a quality-driven HR performance evaluation.

8.2 Characteristics of the Current HR Performance Evaluation

To find out the current practices of the management of employee performance, the surveyed organisations were asked to evaluate their current HR performance evaluation against a number of features and characteristics. These criteria were extracted from a body of literature on TQM and effective performance evaluation systems. A summary of these measures and related responses in terms of percent (%) are presented in Table 8.1.

Table 8.1 The Characteristics of the Current HR Performance Evaluation Systems

Characteristics	% Respondents
1. Individual-based responsibility versus collective responsibility	72
2. Providing feedback	64
3. Emphasis on personal development and job-related training	64
4. Customer orientation	58
5. Participation in determination of work objectives	57
6. Precise employee performance standards and objectives	57
7. Reward and recognition / performance-related pay (PRP)	35
8. Emphasis on intrinsic motivators of employees	28
9. Upward appraisal	25
10. Contribution to the department goals	24
11. Meeting demands and expectations of both QM and employees	22
12. Monitored by both HR and Quality staff	14
13. Team-based compensation system	6

The following section provides the detailed data and analysis of the most common features of the current HR performance evaluation in the surveyed organisation. These are the features listed 1 to 7 (see, Table 8.1).

8.2.1 Individual-Based Responsibility Versus Collective Responsibility for Quality

Of all organisations studied nearly 72 percent were currently operating a performance appraisal system emphasising individual responsibility for quality management programmes. A number of reasons have been cited in the TQM and HRM literature for individual performance issue. The main reason for supporting individual-based responsibility by the organisations studied is based on the assumption that HRM can be utilised in the implementation of TQM through the management of individual performance. This is termed 'performance management' view by Wilkinson *et al.* (1998), with HRM focusing on the management of performance through the HR cycle, with appraisal, rewards, and development efforts all underpinning a commitment to continuous improvement. In contrast, the survey results demonstrate that the remaining organisations studied accounted for 28 percent hold all the system including employees responsible for implementation of quality programmes. Wilkinson and his colleagues called this view as 'Deming TQM view'. The key issue here is that whether the main source of variation in organisation performance is the system or individual performance. A summary of these two views was presented in Chapter 5 Table 5.1.

The idea implicit in the performance management approach is that workers should be held accountable for their performance, and organisational performance can be effectively managed by focusing on the performance of individual workers. However, the evidence suggests that this is not always the case. Employees' behaviour in organisations and thus their achievements are governed more by the system they work in than anything they are able to do (e.g., Deming, 1986; Cardy, 1998; Seddon, 2001). To appreciate this argument from a quality management viewpoint, Deming (1986) makes a distinction between common causes and special or local causes of variation in performance within systems. Common causes, as Deming reports, are faults that are built into the system due to prior decisions, defects in materials, flaws in the design of the system or other managerial

shortcomings. Special or local causes of variance in performance, on the other hand, are attributable to some special event, to a particular operator, to a sub-group within the system and are minor relative to the common causes of performance variation. As a result, it is unfair to hold the worker responsible for the errors that may be the result of the faults within the system. It is Deming's conviction that over 90 percent of the quality problems of American industry are the result of the common causes of variance in performance, which in turn are built into the system (Deming, 1986:109-115). Similarly, Wilkinson *et al.* (1998) in a debate on 'two competing views: TQM and management of performance' covered thoroughly these approaches and set a new direction for TQM and HRM researchers interested in the link between quality management and human resource functions, and came to the conclusion that "attempts to manage organisational performance through the performance of individual workers are mistaken" (p.46). To articulate this argument in an understandable manner, Seddon (2001:1-2) takes a simple, interesting and modern example of a typical call centre as follows: "In a call centre workers are appraised on the amount of work they do i.e. how many calls they take and how long they take on calls. In fact their performance is governed by many things that are beyond the control – the nature of calls, the availability of information, the behaviour of the other parts of the organisation and so on".

Consequently, to hold the worker accountable in such circumstances causes stress and is likely to demotivate. However, captured well by Wilkinson and others who agree to merge these approaches by suggesting (1998:46): "a synthesis of the two views i.e. performance management and Deming TQM view, could benefit both organisation and employee". Further, Oakland summarised the issue this way (1989:298): "everyone in the organisation, from top to bottom, from offices to technical service, from head quarters to local sites, must be involved and held accountable for quality management outcomes".

8.2.2 Providing Feedback

For over 64 percent of all respondents, the current HR performance evaluation system provides feedback to employees on the quality of their work. While it is accepted generally that feedback is invaluable within organisations, especially in managing

employee behaviour, much research, however, suggests that the flow of feedback in organisations is typically constrained (see, Ashford, 1986). According to the research, some of the organisations surveyed confessed to problems within their organisations of providing feedback to employees on their performance. Few of these organisations, for instance, stated that performance appraisal promotes a number of unhealthy patterns of feedback behaviour. Among these organisations, some felt that their feedback on employee performance may be inaccurate, because it comes only from the supervisor, which in turn, can have serious ramifications. Second, they limit feedback to a certain time, usually an annual review. As a result, others complained that feedback scheduled at regular intervals has the unintended effect of discouraging timely feedback. In general, many of these organisations complained that they had not had an effective performance evaluation system for providing feedback on employee performance.

A review of the feedback literature confirms the research findings. One study, for example, has shown that nearly two-thirds (64 percent) of people preferred informal, on-the-job conversations with their supervisor rather than formal interviews (see, for further details, Coens & Jenkins, 2001). Ritter and Nunnally (2002) borrowed a quote from Nona Clark, administrative assistant responsible for human resource at ETEX Telephone Cooperative, Glimmer, Texas that: “many of our employees were not receiving a lot of feedback from their supervisors about their work performance” (p.33). In contrast, as Nona Clark pointed out, “by implementing an evaluation system, employees have a chance to spend one-to-one time with their supervisors, focused on their jobs and how they are performing in them” (p.33). Coens and Jenkins (2001) follow Nona Clark’s argument by saying: timely, useful, and accepted feedback can help individual make great strides toward optimal performance. Moreover, in order to promote and bolster feedback, they also suggest that an organisation must create a clear vision of the culture the organisation desires, educate everyone about useful feedback, offer encouragement, and provide the right tools.

In an extensive review of the literature on the application of feedback in organisations, Earley *et al.* (1990), distinguished two types of feedback: outcome feedback and process feedback. The former concentrates on providing information on specific performance

outcomes, and the latter provides information on the manner in which an individual implements a work strategy. The researchers found that process feedback interacted with goal setting more strongly than outcome feedback in determining the quality of task strategies developed by workers and their efforts to obtain information beneficial to improving their performance. From this evidence and an experimental study of process versus results and group versus individual approaches Simon and Schaubroeck came to the conclusion that “a process focus appraisal has a more positive impact than an exclusively results-oriented appraisal on rater appraisal satisfaction, perceived appraisal accuracy, and expectations of performance improvement” (1999:445).

8.2.3 Emphasis on Both Personal and Job-Related Training / Development

Over 64 percent of the organisations surveyed had used their performance evaluation system as a basis for employee training and development plans. The overall picture is that most of the organisations regarded their performance evaluation systems as mainly a basis for training and development plans. In spite of this attention, only a few of these organisations - mostly SMEs organisations - have long had sections for diagnosing developmental needs and creating developmental plans in their regular performance appraisal forms. Further, consistent with the Squires and Adler's (1998) suggestions, few others stated that training and developmental plans are reviewed the following year, and the extent to which developmental plans have been implemented actually affects the next year's appraisal.

Similarly, studies focusing on training and development issues in the workplace have deepened our understanding of the importance of these factors as a part of performance evaluation systems (see, for example, Squires & Adler, 1998). In the light of continuous and rapid change, as reported by Squires and Adler (1998), organisations are attempting to anticipate the skill requirements for future work and prepare their workforces. Accordingly, in recent years performance appraisal systems have tended to move away from being primarily control and maintenance based and have moved towards an approach more concerned with training and developmental issues. In other words, the performance appraisal focus has become one of linking corporate strategic objectives with an

employees' personal aspirations and developmental needs and continually reviewing, developing and improving their performance and potential. Recognising this need, performance appraisal systems were redesigned and relaunched with these new objectives as 'identifying training needs and development plans' (see, for more detail, www.lean-service.com). Further, Fisher (1994:37) adds, "this type of appraisal provides feedback to both the organisation and the appraisee in order to help them to plan their future priorities. That is, the focus is primarily on the needs of the individual with a broad and generalised regard being given to the needs of the organisation."

To summarise, there is growing appreciation for the 'dual nature' of the performance appraisal process first identified by HRM researchers many years ago (see, for further details, Wilson & Western, 2000; Torrington & Hall, 1998; Randell, 1994; Moen, 1989; Long, 1986). Not only must an effective appraisal accurately evaluate past performance as an equitable basis for rewards, it should also guide future development, leverage existing strengths, and address skill deficiencies. In relation to the second function of the appraisal process, Squires and Adler (1998) maintained that this purpose is going to be more critical than ever in tomorrow's workplace. In addition, Tracy (2001:15) recognized the importance of the issue by stating: "mastering goal setting is a key to lifelong success and happiness". As a result, in order to track performance, Tracy suggests that organisations should set both personal and organisational goals.

8.2.4 Customer Orientation

Turning to the customer focus as a principle at the heart of TQM, 58 percent of the organisations studied indicated that customer care is incorporated in their HR performance evaluation process, whilst the remaining 42 percent had not had the customer care criterion as a performance measure of their performance evaluation system. Customer focus as one of the most generally accepted precepts of TQM has been observed and discussed by the majority of quality gurus and TQM researchers (see, for further detail, Deming, 1986; Crosby, 1979; Juran, 1989). As identified by Hill and Wilkinson (1995), customer orientation and meeting customer requirements is one of the basic principles underlying TQM as a generic approach to the management of organisations which is also

frequently mentioned in the work of all quality management gurus. Hill and Wilkinson also note that customer orientation provides a common goal for all organisational activities and members, and incorporates both quality of design and conformance to quality specification. In relation to the position of customers among UK-based businesses, for years British organisations, however, have ignored their customers, yet to improve the quality of service, an organisation must understand the fundamental issues which concern their customers. Put simply, excellent care is a commercial must for the next millennium (McAtarsney, 1999). In a similar vein, Scholtes (1993:350) argues that “customers and their needs shape any organisation and its work, not vice versa”. In a paper on the principles of quality that are consistently regarded as factors of organisational growth and profitability, Williams and others (2001:50) note: “leading organisations transform themselves from internally focused TQM to a customer-focused business structure.” Once defined in terms of ‘meeting specifications’ and ‘design tolerances’, they argue, quality has evolved from its traditional internal perspective to one that is customercentric. Quality, they add, is now rightfully defined as consistently meeting or exceeding customer expectations (p.51). In an exploratory examination of experimental and theoretical literature on quality management, Dale *et al.* (2001:439) provided a baseline for the advancement of TQM theory in which customer focus as well as management by fact, process orientation, and teamwork are considered the most important factors. The basic premise of TQM, they argue, is to achieve customer satisfaction and continuous improvement. More importantly, the key to successful implementation begins with the identification of key customer satisfaction variables (CSVs) i.e. price, performance, reliability, service, durability, appearance and added feature (Ahmed, 2001:26). Ahmed (2001:26) put it succinctly: “the ultimate TQM goal is to attain a high level of customer satisfaction.”

Given the plethora of literature in which customers and their needs shape the organisations, a major goal for any performance evaluation system regardless of organisational context is and should be, of course, people (internal customers) satisfaction with the system as a pre-requisite for external customer satisfaction. In particular, customers are both external and internal, and as Wilkinson *et al.* (1998:12) report, “the

orientation of quality management is to satisfy customers.” Most writers and practitioners would agree that customer satisfaction is a vital business goal, reflecting this, customer satisfaction is the most heavily weighted of the Business Excellence Model’s nine criteria, with 20% of the overall marking allocated to it. Oakland and Oakland (1998) provided an extensive review of such related evidence and explored the link between people management, people satisfaction, customer satisfaction, and bottom-line business results. They cited enough evidence to support this link and concluded (1998:190), “To be successful, organisations must ensure that employees feel valued and are trusted to do a good job”. Further, as they put it, “a key element of best practice in many leading organisations involves the effective management of people through: good communication of the organisation’s values, goals, policies, to foster employee participation and commitment, encouraging and facilitating teamwork, assessing training needs and providing appropriate training and development opportunities, and empowering employees” (p.190). Accordingly, when these people management practices are in place, employees are more likely to be satisfied in the workplace. Only then will employees be motivated and committed to delivering products or services which meet or even exceed customer requirements and, ultimately, lead to superior business performance and results.

8.2.5 Participation in Determination of Work Objectives

Of the 64 organisations studied 58 percent have utilised the expertise of knowledgeable employees through designing different staff participation plans. However, the process is not as simple as that. A number of participants indicated, in their written responses, that they had problems in getting employees involved in setting work objectives. Some participants mentioned that encouraging employee participation in goal setting process is a major challenge. Others argued that unless participation in determining work objectives fit well into people’s everyday work life and those workers see some benefit to them, they are unlikely to take the extra effort to share their work experiences and interests.

Employee / manager involvement in system designs is critical. In relation to an effective performance evaluation system Longenecker and Fink (1999) agree that effective performance appraisal systems should include input from managers and employees about

appraisal practices and the criteria used to evaluate performance. In addition, they argue that involvement of employees at all levels facilitate acceptance of the system and increases cooperation. In particular, when employees are allowed to participate in the design of the appraisal system, their sense of ownership increases. In contrast, Longenecker and Fink express concern over this issue by saying “attempts to save time by passing employee and manager input can short-circuit ownership of the system, lower the system’s credibility, produce a system that does not meet staff needs, damage the perceived connection between pay and performance, and lose the performance-enhancing effects of employees’ commitment to organisational goals” (1999:19). To overcome the problems that organisations facing in participative goal setting, Drucker (2001) emphasises rewarding employees for contribution, and sometimes penalties for nonparticipation.

8.2.6 Precise Employee Performance Standards and Objectives

Survey results indicated that nearly 58 percent of the respondents used some form of standards-based or management-by-objectives (MBO) performance management system. However, the process of setting specific and precise performance standards is not simple. In the written responses, a number of organisations maintained that there were problems in defining objectives and performance standards. Some participants, for instance, stated that the setting of standards was too subjective, and in turn, there was a lack of consistency in approach. Some felt ‘vague objectives’ were set. A 1995 study by Bernardin and others found that fewer than 25 percent of the standards or objectives written for or by managers had a moderate or greater level of specificity in the definition of the outcome or the performance level. According to Bernardin *et al.* (1995), while the words quality and quantity were often mentioned in the standard, for example, most standards provided no specificity on these aspects of value. As a result, they argue that it should come as no surprise that raters and ratees often disagreed over exactly what constituted a given level of performance or whether a standard had been met or exceeded. From a ratee’s point of view, in one hand, performance standards are an important communication mechanism through which employee decipher what is expected of them (Bobko & Colella, 1994).

Accordingly, Bernardin *et al.* (1998) note, from an organisation's point of view, on the other hand, performance standards are a key factor in creating a job-content foundation for an appraisal process and serve as a mechanism for communicating what the organisation means by 'high performance'. Unsurprisingly then, many discussions about appraisal include the assertion that clear, specific performance standards, rather than ambiguous standards or no standards, will improve the overall accuracy and effectiveness of an appraisal process (see, for example, Kane & Russell, 1998). In short, as pointed out by Bernardin and Beatty (1984), performance standards are levels of performance that correspond to predesignated levels of effectiveness. As such, they convey critical information that affects all appraisal participants. As a result, Tracy (2001:15) adds, goals must be clear, specific, measurable, time bounded, challenging, congruent with the organisation and people's value and in harmony with each other, balanced, and finally goals must have a major definite purpose for your people and organisation.

8.2.7 Reward and Recognition / Performance-Related Pay (PRP)

'Reward and Recognition / PRP' is one of the principal objectives of performance appraisal by 35 per cent of organisations surveyed. Many writers of HRM, such as Clark (1995), Storey and Sisson (1993), for example, include PRP as an intrinsic part of performance management. Further, the importance of performance appraisal functions in different management decisions has been mirrored by the popularity of PRP schemes which reward individual employees on the basis of their job performance, defined by ACAS (1996, p. 8) as "a method of payment where an individual employee receives increases in pay based wholly or partly on the regular and systematic assessment of job performance". As such many organisations including the TQM ones have instituted a variety of financial rewards, awards, and innovative pay schemes (see, Knouse, 1995). Cash, nonmonetary rewards (recognition), and team rewards are examples of types of rewards and recognition used by organisations. Such rewards and recognition in a TQM context, for example, are vital since they reinforce TQM behaviours, team work, and TQM culture (Knouse, 1996:29-30). It should be noted that rewarding employees through the pay system (e.g., wages, MBO, merit pay) as the traditional output-based payment by

results (PBR) are likely to contradict the aims of TQM (Snape *et al.*, 1996) since they set up individual competition and decrease cooperation toward organisation quality efforts (Deming, 1986). In addressing this conflict, Wilkinson *et al.* (1993) through a postal survey of individual members of the Institute of Management and Snape and colleagues (1996) through a case study of British Steel Teesside Works found that: organisations were implementing TQM alongside a range of financial incentives and formal appraisal systems (p.8); there was no evidence to show that the presence of financial incentives undermined the perceived effectiveness of TQM, and that if anything there might be a positive impact (p.9); the linking of pay or bonuses to quality management indicators was associated with greater success in terms of improving quality awareness, teamwork, labour turnover, productivity, customer satisfaction and complaints, sales and profitability (p.9); remuneration strategy can support and underpin quality improvement and that there are synergies between the two, with TQM providing the framework for attitudinal and behavioural change and the bounce scheme providing a mechanism to focus employee attention on key priorities (p.14).

To counteract the problems associated with the traditional pay systems (e.g., PRP, MBO, merit pay), TQM organisations have experimented with several variations to the traditional salary such as: profit sharing, gain sharing, pay based on skill acquisition, and contribution increases (Knouse, 1996:32-33).

Accordingly, recognition defined as (Juran, 1992:328): “public acknowledgment of success” – as one type of nonmonetary reward – has been used extensively in TQM organisations in a various forms such as company awards, peer awards, team-managed awards, and customer-oriented awards for the purpose as (Knouse, 1996:30-32):

- Public indicator of achievement
- Feedback
- Reinforce a culture of appreciation

In a similar vein, Oakland (1993:296) goes on to suggest that “there may even be opportunities to refocus incentives in ways that remove barriers to TQM and demonstrate practical commitment to the individual and organisational values implicit in a never-ending improvement”.

However, although there have been few attempts to explain empirically any observed success or failure of PRP or other financial incentives, PRP literature, for example, indicates that unsuccessful implementation of PRP is often associated with ineffective performance management processes (Lewis, 1998). In an analysis of research data from three financial services organisations using a PRP process cycle developed from the performance management literature, Lewis found that in two organisations the PRP process cycle was implemented ineffectively and there was a low level of acceptance of PRP by recipient managers. Further, the research findings indicated that the inclusion of pay in the performance management process might be unnecessary.

In conclusion, as Table 8.1 shows, the findings offer additional support for the argument by many advocates of quality management following Deming (1986), that TQM and HR performance evaluation systems are incompatible. As surveys show, HR performance evaluation systems are expected to do too many things, and in Scholtes' (1993:360) words, "performance appraisal is a fragile cart asked to bear too heavy a load." As a consequence, in the open-ended questions a number of organisations maintained that they were changing their approach to HR performance evaluation and more would be in the near future. The current interest and recent supportive evidence in debundling of performance evaluation functions confirms the Deming's (1986) argument that performance appraisal as a deadly disease must be changed if companies are to survive in this new economic age.

8.3 Situational / System Performance Factors

Respondents were also asked to report about the inclusion of situational / system factors as an underlying assumption of quality management, in the performance management systems of their organisations. This question was developed with the intention of discovering what situational performance factors / system factors were included in the HR performance evaluation systems of the organisations surveyed as a criterion for measuring employee performance. In Table 8.2 data exploring this issue are presented, showing, perhaps not unexpectedly, that 'amount and relevance of training received' cited as used by 75 percent of respondents with experience of conducting formal HR performance

evaluation, followed by 'cooperation, communication, and relations between co-workers or others' cited as used by half of the organisations surveyed. However, other system factors such as 'equipment and tools necessary to do the job', 'conditions in which job is performed', 'coordination of work activities', 'time allowed to produce quantity and quality of work required', 'information, instructions, and specifications needed', 'availability of financial resources', 'dependability of equipment', 'process for obtaining and retaining new materials, parts, suppliers, and so on' were used by approximately 43 percent to 8 percent of the respondents as a part of their approach to HR performance evaluation .

One of the main reasons for asking this question was an increasing number of indications from various sources that performance appraisal focuses managerial attention on person factors, rather than on system factors (see, for example, Deming, 1986; Wilkinson *et al.*, 1998; Moen, 1989; Scholtes, 1993; Cardy, 1998; Cardy *et al.*, 1998).

Table 8.2 Situational / System Factors

Factors	%
Amount and relevance of training received	(75%)
Cooperation, communication, and relations between co-workers or others	(50%)
Equipment and tools necessary to do the job	(42%)
Conditions in which job is performed	(42%)
Coordination of work activities	(36%)
Time allowed to produce quantity and quality of work required	(30%)
Information and instructions needed	(22%)
Availability of financial resources	(22%)
Dependability of equipment	(9%)
Process for obtaining and retaining new materials, parts, suppliers, and so on	(8%)

As Carson *et al.* (1991) pointed out, TQM proponents argue that performance appraisal is an attempt by management to pin the blame of poor organisational performance on lower level employees, rather than attention on the system, for which upper management is primarily responsible. As mentioned earlier, quality management expert Deming (1986), the strongest force behind TQM, made a very strong argument on this issue, and includes performance appraisal on his list of the seven deadly diseases of U.S. management

practice, and argues that appraisal should be completely abandoned. However, this is not to say that HR performance practices do not have any place in managerial functions.

TQM is based on the fundamental principle that quality products are a function of the system in which they are produced. The system, which, by definition, is outside the direct control of the individual employee, includes everything that influences the final product or service, such as the availability of raw materials and supplies, the leadership style of supervisors, the efficiency of the manufacturing line, and the culture of the organization. When employees sense that their ratings are based on factors outside their control, their response is likely to be one of distrust and lower morale. As TQM advocates point out, these negative employee reactions are almost certain to negatively affect performance, adding to the problem of managers not focusing on system factors as major sources of work inefficiencies. As a result, TQM scholars encourage managers to focus their attention on these system factors to increase the quality of goods and services delivered to consumers (see, for further details, Wilkinson *et al.*, 1998; Cardy, 1998). These arguments were further supported by Cardy *et al.*'s (1998:135-6) study summarising the position by saying that the quality orientation assumes that system factors play the dominant role in determining performance (i.e. continuous improvement in performance through improvements in the system). On the contrary, an implicit assumption underlying much of the research and practice in HR performance evaluation is that workers account for the largest portion of variance in performance (i.e. people matter). As a result, the effect of system or non-person factors on performance has received limited attention in HR performance appraisal research.

Consequently, in an effort to improve performance appraisals, proponents of the practice have made numerous suggestions to make it more effective for the benefit of both individual and organisation. Employee / manager involvement in system design, ongoing informal feedback, top management support, developing user-friendly procedures and job-related forms, linking performance ratings to organisational rewards, on-going systems review and corrective action, training the raters, and instituting new management philosophies are just some of the new improvement techniques.

In short, performance appraisals and TQM can work together to improve overall organizational performance. For developing performance appraisal systems that are consistent with TQM principles, Carson *et al.* (1991) proposed the following six recommendations:

1. Raters need to be trained in person and system factors.
2. Collect performance ratings from multiple perspectives.
3. Focus performance appraisal interviews on potential barriers to individual improvement.
4. Minimize differentiation among employees.
5. Consider designing an appraisal system aimed at group-based evaluation, rather than individually based evaluation.
6. Tailor the performance measure to specific needs.

Thus, the philosophy and practices of TQM direct the focus of managers from individual employee capabilities to organisation-wide system factors as a means of improving corporate performance (see, for more details, Deming, 1986; Waldman, 1994; Cardy, 1998). Consequently, the issue of person versus system determinants of work performance and, in particular, the influence of person and system sources on performance and HR appraisal are fundamental areas requiring much more future attention and research, both theoretical and empirical (see also, Dean & Bowen, 1994).

8.4 Evaluation Criteria for Human Resource in the Context of TQM

This section of the questionnaire was intended, in particular, to provide the answers at least, in part, to numerous unanswered questions thrown up by the literature on: What, if any, should be the key criteria of a quality-driven HR performance evaluation system? - research question 2. It allowed the researcher to map the most important issues in HR performance evaluation in the context of quality management. These are:

- Main criteria of a quality-focused performance evaluation system
- Consistency of different methods of conducting HR appraisal with TQM-driven context i.e. alternative raters that are most effective and congruent with a TQM-driven employee performance appraisal system
- The relationship between performance evaluation system and TQM effectiveness

- The effectiveness of the current HR performance evaluation systems in meeting and obtaining a number of individual and organisational objectives

Each of these issues is discussed in detail in the following sections.

8.4.1 Main Criteria of a Quality-Focused HR Performance Evaluation

In order to map out the main components of a quality-oriented HR performance evaluation as one of the main objectives of the current research project, a number of measures extracted from an extensive review of the relevant academic literature, in form of 10 measures were selected. In the corresponding section of the questionnaire survey, the respondents were asked to indicate their agreement or disagreement with this list of criteria on a five-point rating scale ranging from 1 (strongly agree), 2 (agree), 3 (neither agree nor disagree), 4 (disagree), to 5 (strongly disagree). The results are presented in Table 8.3 by ranking the criteria in order of importance, with 1 denoting the most important and 10 denoting the least important criterion from the respondents' points of view. It is clear from the mean scores shown in Table 8.3 that the survey respondents considered four of the ten criteria as especially important: the criteria listed 1 to 4.

Table 8.3 The Main Criteria of a Quality-Driven HR Performance Evaluation System

Criteria	Mean Score
1. Helping employees improve their performance	1.42
2. Customer focus	1.47
3. Involvement of all employees in the modification of the system	1.61
4. Approaching performance evaluation as a QM improvement effort	1.66
5. Collective responsibility for quality / Focus on team	2.42
6. Requiring supervisors with broad, cross-functional skills	2.45
7. Situational performance factors or system factors	2.61
8. Focus on behaviour, or process focus	2.75
9. Judgement by absolute standards	2.80
10. Managers to be responsible for performance appraisal	2.88

In the discussion below, we define these specific criteria, identify why it is believed that they are necessary in a TQM context, and elaborate on them using a large body of theory-based literature as well as empirical studies conducted by other researchers.

8.4.1.1 Improvement of Employee Performance

For the huge majority of organisations in the questionnaire survey, improving employees' performance was rated the highest criterion of a quality-driven HR performance evaluation. Thus as Table 8.3 shows, within a quality-focused context, the main purpose of HR performance evaluation should be to help the employees improve their performance. It is becoming a commonplace statement, however, as Ghorpade *et al.*'s (1995) research indicate, regardless of the organisational contexts, an inevitable purpose of performance management system is to arrive at some judgement about the worth of the individual's contribution to the organisation over a period of time. In a far-ranging and through British text by Randell (1994: 222), it has been often regarded as "a tool for managerial control", as Townley (1991: 92) puts it, "contributing to an overall approach to the handling of labour relations".

Carroll and Schneier (1982) follow a very similar line, arguing that many of the components of performance evaluation as a process of identifying, observing, measuring, and developing human performance in organisations are neglected or done poorly. Discussion of each point can be found in the book '*performance appraisal: state of the art in practice*' edited by James W. Smither in 1998. In chapter four of the book, Cardy (1998: 140) analyses the performance evaluation process in the context of quality management and points out that "development is often neglected and left up to the motivation and skills of individual raters". Further, he cannot agree more with Randell (1994) that administrative purposes are often the primary reasons for conducting appraisal.

In a continuous improvement context, however, a consideration of future potential, opportunities and development needs, as a means of improving employee performance is an essential part of the performance management system. A detailed analysis of what to be the purpose of performance evaluation in quality management context has been set out by Ghorpade *et al.* (1995) and another thorough analysis of similar kind has been provided by Cardy (1998). While both administrative and developmental purposes are of interest to all organisations, as Ghorpade *et al.* (1995) demonstrated, an organisation that

seeks to pursue quality over a long period of time would make the development of the individual a primary concern of the appraisal activity. Moreover, it can be argued that such an approach to performance evaluation in quality management context can lead the system to a cosy rather than incongruent system.

8.4.1.2 Customer Focus

Customer care as the second highest criterion congruent with TQM context for measuring HR performance is one of the most generally accepted precepts of quality management. TQM proponents have also argued that an organisation should not be conceived as a closed, self-contained system but rather as open, including for example, both suppliers and customers (Bowen & Waldman, 1999). Consequently, as Ashkenas *et al.* (1995) report, the TQM philosophy becomes aligned with the notion of boundaryless organisation. According to Reeves and Bednar (1994), in the 1980's definitions of quality work shifted from conforming to internal specifications to meeting or exceeding customer expectations. Relatedly, although there are different interpretations of TQM content, almost everyone would agree that customer focus is one of the TQM's core principles (see, for example, Wilkinson *et al.*, 1998; Hill & Wilkinson, 1995; Bowen & Waldman, 1999; Dean & Bowen, 1994; Hackman & Wageman, 1995). Bowen and Waldman's (1999: 157) review of quality management texts confirms that "the basic rationale of TQM is the belief that customer satisfaction is the most important requirement for long-term organisational success." They also argue that management practices that support the principle of customer focus include: promoting direct contact with customers, collecting information about customers' expectations, sharing this information widely throughout the organisation, and using customer data to set employee performance standards and to provide employees with performance feedback. As, in a similar vein, Cardy (1998: 133) puts it "customer satisfaction is the *raison d'etre* for the quality approach."

In a comprehensive review of the literature on customer orientation as an principle in heart of TQM, Bowen and Waldman (1999) summarised the factors that gave rise to the customer-driven orientation including: quality revolution, growth of services

characterised by intangibility, simultaneous production and consumption, and customer co-production. Particularly, in relation to performance evaluation in quality management context, an increasingly useful criterion as a source of appraisal information is from internal and external customers. This information, as pointed out by Torrington and Hall (1998), can be collected directly by the direct manager from internal customers. Berry and Parasuraman's study (1991) found that such appraisals are more popular in the context of service delivery, where there is a high degree of client involvement and when the service employee is relatively removed from other employees and supervisors. Further, given for the assumption that customer is the *raison d'être* for quality management approach, Cardy (1998: 157) precisely argues that failure to include customers in the vital process of criterion development may mean that workers may be applauded for performance that seems important to their functional area but is irrelevant to the customers of the product or service. Thus, including customers in determining what is important and how it should be valued is an important means for the organisation to maximise customer satisfaction.

8.4.1.3 Active Involvement of Employees in Modification of the Evaluation System

An important factor in success of any system, in particular, performance management system, is the degree to which employees are included in decision-making processes, rated as the third highest criterion by the respondents. The concept of involving employees to achieve company goals is not new. Employee involvement is generally taken, Sonny (2002:13) argues, "to refer to any management practice that gives employees influence over how their work is organised and carried out." Fenton-O'Creevy (1998) gives a useful account of employee participation through examples of employee involvement techniques such as use of task forces, self-managing teams, employee surveys, and suggestion boxes (see also, Fenton-O'Creevy, 2001). To achieve this, Vivian (2001) advocates that 'involvement' of employees in the modification of the existing management systems through different participation programmes is one of the key factors that help organisations shape employee ownership behaviour. Involvement / participation factor, Vivian argues, influences an employee's decision on whether or not

to 'fully engage' on the job, or is said, in Gennard's (2002:587) words, "to enhance the employees' commitment to their employer". This, Gennard argues, could improve their co-operation with their employer, particularly with regards to accepting change in working practices. The positive effects of employee involvement on job satisfaction and productivity are also well documented and confirmed in a number of research projects (see, for example, Katzell, 1983; Locke & Schweiger, 1979).

An anonymous article in a *Management Services* (2001:4) article reports that the key to motivating staff and improving performance - in any business and at any level - is already in the hands of the bosses and it does not cost them a thing. 'Involvement' is one of the ten commandments of management also termed the 'people enablement index' in the article. The report also points out that "being consulted and involved helps people to feel committed to what they are doing and able to offer ideas" (p.4). Put it in another way, people who are consulted about job targets typically display greater commitment to achieving. A lack of involvement, in contrast, stops staff highlighting obvious problem areas or identifying improvements. An example of this issue is a study carried out within a manufacturing organisation in developing processes for the manufacture of a high-performance truck (Tim, 2002), in which company leaders decided that a new level of 'involvement' was needed with employees and environmental, health, and safety (EHS) representatives. This involvement, Tim (2002) reports, was necessary to maximise efficiency, reduce wastes and decrease health and safety issues. Consequently, this focus contributed significantly to all phases of the new vehicle launch in March 2001. Also, Tim concludes that participation in any form by affected workers ensures that diverse ideas from many perspectives are used in the modification or designing any system.

This view has also been taken up by Ghorpade *et al.* (1995) who place their account of employee participation in their article on '*performance evaluation in quality-oriented organisations*' arguing: various customers of performance appraisal can serve as sources of information about how the established system works and what needs to be done to improve it. Further, they can provide insight on whether the appraisal system is measuring what it ought to be measuring, or whether the system currently has enough

representation for the various constituencies, and how well the current appraisers are performing their job. Emphasising the importance of active involvement of all employees in designing and modification of performance appraisal system, Ghorpade *et al.* (1995:35) maintain that “inclusion of all the customers - all those affected by the working of the system, that is, employees and their peers, supervisors, and consumers - in decision making is a basic quality tent.” In particular, as they point out “given a commitment to performance management system that is directed at helping to improve performance, it makes sense to include a wide range of individuals in all stages of this activity.” From such argument, Murphy and Cleveland (1991) came to the conclusion that employees are more likely to view the appraisal process as fair and to accept the results when they have had a voice in shaping the system. In a similar vein, ‘participation and involvement factor’ is regarded as the largest effort to move the operation forward and also a critical tool to achieve optimal performance in a number of recent studies (see, for example, Geller, 2001; Gennard & Judge, 1999; Gary, 2002).

8.4.1.4 Performance Evaluation System as a Quality Improvement Effort

The evaluation of the existing performance appraisal system should be approached like any other quality improvement effort. A thorough analysis of this measure, which was rated the fourth highest criterion by the respondents, has been provided by Ghorpade and others in a 1995 *The Academy of Management Executive* article. According to Ghorpade *et al.* (1995:36), “performance appraisal system should be viewed in the same way as any other quality improvement effort”. This means that the system would be analysed by using the same tools commonly used in quality management processes. Further, in this analysis of performance evaluation process, the focus would be on finding the sources of conflict and identifying opportunities for improvement. The point here is that local causes behind any variations would be separated from common causes, which would then become the focus of the improvement effort. Although developed originally for diagnosing quality problems in manufacturing settings, tools such as process flowcharts, cause and effect diagrams, and Pareto diagrams have proven to be quite versatile. The following quotation from their paper dealing with this issue, give a very strong flavour

of approaching performance management like any other quality management effort (1995:36):

“Process flowcharts can be used to understand the existing process of appraisal, and to locate process flaws and wasteful steps, particularly those that result in rework of the appraisal, e.g. grievances resulting from faulty appraisals. This analysis would give an indication of the total time actually spent in appraisal activity. In addition, cause and effect diagrams could capture, display, and classify untested assumptions about problems with the performance appraisal system. A result of such an analysis might be a grouping of the problems according to categories, e.g. person, method, or policies. Finally, Pareto diagrams can be used to identify the vital few elements that account for the bulk of the effects. In performance appraisal activity, this method can be used to rank opinion surveys of the existing appraisal system” (see also, Berwick *et al.*, 1991).

8.4.1.5 Collective Responsibility for Quality / Focus on Team Rather than Individual

The survey results demonstrate ‘collective responsibility for quality management outcomes’ in which all the system including employees will be held responsible for implementation and resulting outcomes of quality programmes, rated as the fifth highest criterion congruent with TQM philosophy by the respondents. As mentioned earlier (see, section 8.2.1), TQM researchers have been exploring the limitations of the individual-based performance evaluation in the context of TQM. It was about supervisor ratings that McGregor (1957) first voiced an uncertain feeling regarding the accuracy of individual performance evaluation. Since then, organisational scholars have confirmed the inaccuracy of individual-based performance evaluation for a variety of reasons such as: systematic errors in subjective appraisal related to the sex of the ratees (Nieva & Gutek, 1980); the evaluator’s position in the organisation (Berry *et al.*, 1966); the general errors of leniency and halo (Drenth, 1984); the individual is only one part of a process; individual goals not linked to long-term organisational goals; negative personal consequences of individual performance (Deming, 1986).

To counteract the problems associated with individual-based appraisal, some scholars (e.g., Green, 1991; Thornburg, 1991; White & Nebeker, 1996) recommended to shift

away from an individual focus in performance management to one on the team. In line with this emphasis on team, White and Nebeker (1996:202) precisely discussed 'team-oriented performance management and its congruity with the TQM context and listed the following steps needed to develop a team approach to performance evaluation. They are:

- The performance management focus must shift from individuals to teams (a team focus)
- Appraisals must be accurate and not subject to bias (process measurement)
- An improved system for performance feedback, which provides individuals with useful information in a timely manner, must be developed (timely feedback)
- Individual performance goals must be consonant with and contribute to overall organisational goals (organisation performance goals)
- An atmosphere of blame must be changed into one of trust so that the appraisals can be used to develop employees skills and abilities (driving out fear)
- Awards and recognition must emphasise teams (team-based awards)

White and Nebeker (1996:206) also explained the implementation of team-oriented performance management through four stages as: reviewing customer feedback, determining customer requirements, developing the strategic plan, and providing organisational directives for developing the performance management systems, and conclude that in organisational environments with a TQM orientation, "a team-based perspective that focus on process improvement and personal development could improve effectiveness of performance evaluation as well as TQM objectives" (p.210). Furthermore, in order to support team process improvement, White and Nebeker (1996) suggest to assess individual contributions through multisource assessment appraisal (see, Lutsky *et al.*, 1993; Murphy & Cleveland, 1991) to process improvement and individual skill development (see, for further details, section 8.2.1).

8.4.1.6 Managers with Broad and Cross-Functional Skills

With regard to this criterion, which was rated the sixth highest measure by the respondents, it is assumed that appropriately conducted performance appraisal through

well-trained supervisors benefits both TQM organisations and employees (see also, Murphy & Cleveland, 1995; Hauenstein, 1998). From quality management viewpoint, in particular, supervisors training, especially for feedback purposes, become less of a performance evaluation issue and more of a management development issue.

Supervisors / raters training programmes are based on the notion that accurate rating and honest feedback are in the best interests of the organisation and the overall development of employees. Hauenstein (1998) in a chapter of the book *'performance appraisal: state of the art in practice'* edited by James W. Smither (1998), organised the chapter on 'training raters to increase the accuracy of appraisals and the usefulness of feedback' into two major issues. First, is the traditional issue of the training raters to increase the accuracy of their evaluations. The second major training issue is training raters to give feedback. Put simply, it deals with what types of feedback are most effective and maintaining procedural fairness in the process.

According to Ilgen, (1993) performance appraisal accuracy is not always the goal of appraisers, and there are many situations where providing inaccurate appraisal data is sound management (Murphy & Cleveland, 1995). Latham and Wexley (1994) use the example of an athletic coach to drive home this idea. Any coach who waited to give feedback until after the season would probably be fired in short order. Coaching is an ongoing activity that requires informal evaluation and feedback within fairly short performance cycles. Further, Hauenstein (1998) argues that although training employees in terms of performance management is a broader issue, formal rater training is consistent with the performance management perspective in that it reinforces the day-to-day nature of monitoring performance and providing feedback. Empirical studies of individual firms by different researchers also provide evidence consistent with the above criterion. Perhaps the most obvious expectations of a manager in doing a performance evaluation are to (Hauenstein, 1998):

- Translate organizational goals into individual job objective
- Communicate management's expectations regarding employee performance
- Provide feedback to the employee about job performance in light of management's objectives

- Coach the employee on how to achieve job objectives / requirements
- Diagnose the employee's strengths and weaknesses
- Determine what kind of development activities might help the employee better utilize his or her skills improve performance on the current job

In closing, Hauenstein gives a summary of recommendations that were discussed widely in the literature. In terms of training for rating accuracy, the more important prescriptions include (1998: 437):

“The need to structure training programmes to include performance dimension training, practice ratings, and feedback on practice ratings, and the point that traditional rater error training is not theoretically justified and its usage should therefore stop. In addition, it is desirable to promote greater utilisation of rater accuracy training and behavioural observation programmes, and to make sure that rater training programmes are consistent with the rating format and purpose of the appraisal. With regard to the feedback rater training, feedback training should always orient rates toward task-level and motivational solutions to performance problems and attempt to minimise rater interpretation of feedback in terms of self-images of success and failure. Furthermore, raters should be trained to encourage participation from ratees to facilitate perceptions of procedural justice”.

8.4.1.7 Situational / System Performance Factors

System factors as the main source of variance in performance by TQM gurus (e.g., Deming, 1986) was rated the seventh highest measure of a quality-focused HR performance evaluation (see, for further details, 8.3 Situational / System Performance Factors).

8.4.1.8 Focus on Behaviour

Assessment of behaviour or the process dimension as a performance measure was rated the eighth highest criterion by the organisations surveyed. In an attempt to produce a tool that was psychometrically sufficient (valid, reliable, discriminating and useful) Smith and Kendall (1963) emphasised the issue of behaviour in assessing employee performance and devised the Behaviourally Anchored Rating Scales (BARS). This tool replaced numerical or adjective anchors, which are used in the graphic or trait-rating scales, with behavioural examples of actual work behaviours.

Many writers such as Wiese and Buckley (1998), Fisher *et al.* (1996), Ghorpade *et al.* (1995), listed a number of advantages for behaviour-based performance evaluation. Wiese and Buckley (1998), for example, point out that BARS allow supervisors to rate employees on observable behavioural dimensions. Besides, they add, behaviour measures are appropriate when it is very important how a job is done. In behaviour-based appraisal, employees are assessed on what they do on their job. Moreover, such assessments are more acceptable to the courts than trait-based appraisal. As Fisher *et al.* (1996:471) stated, "behaviour measures can be very useful for feedback purposes because they indicate exactly what an employee should do differently". Similarly, Ghorpade *et al.* (1995:36) maintain, "in quality-based organisations the focus of appraisal should be on behaviour". They also talk in terms of the consistency of behaviour-based appraisal in quality-focused settings, discussing that behaviour, the process dimension, would be most compatible with a quality orientation. They explain the advantage of this approach to performance evaluation in quality organisational context and argue that as a performance criterion, behaviour is observable, inherently job related and relatively more controllable by the worker. In addition, behaviour-based systems are also likely to be viewed as fair by parties affected. Moreover, Murphy and Cleveland (1995) agree with the aforementioned arguments by focusing on behaviourally based measures as a means of identification and correction of employee performance problems which could lead to failure when two or more parties depend upon each other to complete the job. Compared to traits, they argue, ratee behaviours are less subject to interpretation. Thus, as Cardy (1998:151) put it, "behaviourally based appraisal systems are often recommended by appraisal researchers". Deficiency, however, may be a problem with some behaviour-based appraisals since they often will not include all behaviours that could lead to job effectiveness. Even though the most recent studies are strongly attracted towards behaviour as a performance dimension, some writers acknowledge that there may be circumstances in which other dimensions of performance may be relevant. Further, there may also be situations in which a combination of dimensions would make sense. Output or result, for example, as a performance dimension which measures the results of work behaviour and deals with bottom-line issues can be highly attractive in simple job situations where workers produce

single products that are tangible, important to job success, and, most important, traceable directly to individual workers (see, for further details, Fisher *et al.*, 1996; Ghorpade *et al.* 1995; U.S. Department of Labour, 1991).

8.4.1.9 Judgement by Absolute Standards

In quality management context, absolute standards which link to absolute count of outputs (e.g. sales, piece of work), compared to numerical relative rankings which inevitably result in classifying many workers as average or below average, might result in accurate placements of individuals relative to their peers. As Table 8.3 shows, this criterion was rated as the ninth highest measure for a quality-focused HR performance evaluation. On the contrary, Ghorpade *et al.* (1995:37) chronicle 'how inconsistent is relative standards in a quality-driven performance evaluation' and argue that when these rankings are used as parts of subjective rating scales that are not linked to explicit performance standards, they can result in inaccurate and even unfair judgements against individuals. Further, they argue, if such subjective ratings are assigned often, and if they are also linked with promotion and pay, the individual classified as average or below may cease trying to improve. Instead, they find a safe rate of output and coast along without much involvement in their work or desire to improve.

The main problem with relative standards that classify employees according to relative rankings, particularly subjective, forced distribution ratings by supervisors, is the tendency to equate 'average' with 'unsatisfactory'. There is nothing wrong with this as long as the standards for satisfactory work are specified. Otherwise, good performance might be denigrated simply because it is low relative to others in the group. Conversely, bad performance might be judged acceptable simply because it falls in the middle. Ghorpade *et al.* (1995:34), for instance, posed the example of a class of honour students and maintained that when graded on a curve would appear 'normal' since the grade distribution would be similar to those of all other classes that used the same scale. On the other hand, if the honour students were mixed with the general student body, it is possible that they would be at the top.

This review of literature highlights that relative standards that use the average as a basis of discrimination are not sufficient for assuring quality output. In addition, focus on relative performance standards tends to put workers against each other, impairing effective teamwork and cooperation. Absolute standards, on the other hand, direct workers toward the levels needed to assure quality output. Furthermore, such standards provide definite goals for individuals without their having to worry about their competitive position with their peers (see, for further details, Deming 1986; Yoshida, 1989; Ghorpade *et al.* 1995).

8.4.1.10 Performance Appraisal: A Management Task

Yet, this is what the evidence of practice forces us to do: responsibility for appraisal, as the tenth highest measure rated by the respondents, should continue to rest with the manager. Although, it is tempting to suggest that appraisal activity be opened up to all those affected by it, however, this position was taken by a number of writers relative to efforts to modify the existing system. Further, a blanket commitment to broad-based involvement, say Ghorpade *et al.* (1995), should not be exaggerated towards allowing everybody to pass judgement of the performance of everybody else that they come in contact with at work (see also, Mahew, 1983). Put it in another way, no matter how the appraisal system is structured, it is the superior who is ultimately responsible for making this evaluation. In addition, closer inspection of the literature also suggests that broadening the base of appraisals by including persons other than the managers does not automatically bring about better appraisals.

It is widely agreed that inclusion of co-workers increases the types and amount of information that become available about individual performance for decision making. Further, each level contributes a different perspective on performance, enriching the data, and enhancing the possibility of arriving at a more complete and accurate assessment of the individual's contribution (see, for further details, Kingstrom & Mainstone, 1985; Ghorpade *et al.*, 1995). There is, however, a political connection. In more accurate language, it appears that co-workers are not necessarily more impartial than supervisors. Peer ratings, for example, have been found to be more useful when they are anonymous and used for developmental purposes than when used for administrative decisions. In

politically charged contexts, as Ghorpade and others (1995:38) comment “friendships can lead to inflation of peer ratings”. Further, self-ratings, as an another alternative to immediate supervisor, can tend toward leniency when the rater has a direct interest in receiving high ratings and if the ratings are not to be checked against an objective criterion (see, for further details, McEvoy & Buller, 1987; Murphy & Cleveland, 1991). Literature confirms that dissatisfied subordinates (with their supervisors) tend to withhold positive ratings by assigning neutral ratings (see, for example, Ghorpade & Lackritz, 1981). It can be argued that this is especially so as there is little hard evidence to demonstrate that performance evaluation function as a responsibility of employees could benefit both organisations and employees at most.

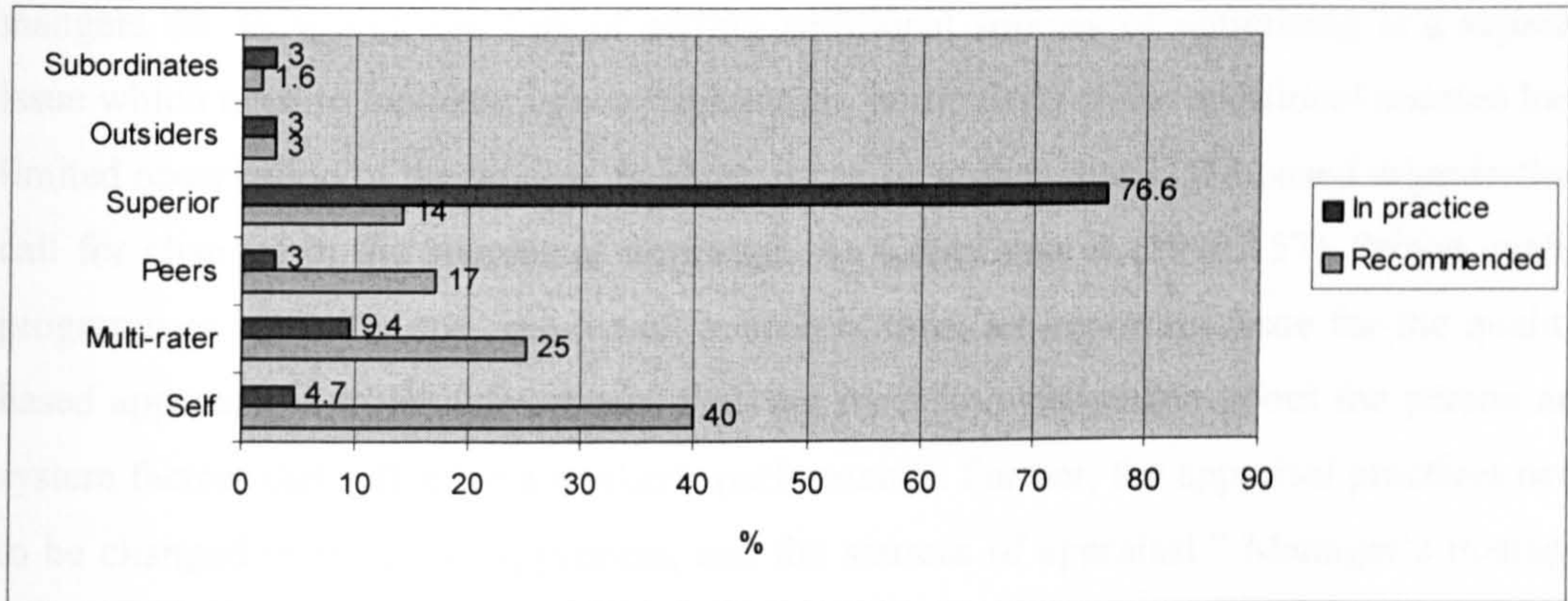
8.5 Sources of Evaluation

Another important issue in performance management is the source of appraisal. To emphasise the vital role of sources of appraisal in effectiveness of the process, Cardy (1998: 157) summarised this issue this way: “Judgement can be more or less meaningful and important due to the vantage point of the evaluator.

Having examined the effectiveness of the methods used to conduct performance evaluation, it was of interest to discover among different alternative raters, which one was the most effective and congruent with a quality management context. As a result of the survey, the most effective method for conducting performance appraisal was ‘self-appraisal’ - suggested by 40 percent of respondents, compared to ‘multi-rater’ and ‘peers evaluation’ which were the second and third most effective alternatives for implementing employee performance evaluation accounted for 25 percent and 17 percent, respectively. Further, over 14 percent of the organisations studied maintained that ‘superior / immediate supervisor’ could be the most relevant method for conducting performance appraisal in quality-focused organisations. However, less than 5 percent of those organisations surveyed maintained that appraisal by ‘outsiders’ and ‘subordinate’ appraisal were most consistent with quality management contexts. A summary of the most common alternatives for conducting performance evaluation in a quality management context recommended by the respondents (see, Chapter 7, Table 7.15) as well as the main practical

sources of appraisal among organisations studied is presented in Figure 8.1. Further, examining this Figure allows comparisons of different sources of appraisal and shows the gap between what is recommended to use and what sources were actually conducted in the organisations studied.

Figure 8.1 Alternative Sources of Performance Evaluation



The source of appraisal has traditionally been the employee's immediate supervisors. As it is shown in Figure 8.1, approximately, 77 percent of organisations were using employee's 'immediate manager / supervisor' as their main source of human resource performance assessment. Further, nearly 10 percent maintained that they had applied 'multi-rater or 360-degree appraisal' as the main source of performance evaluation. In contrast, in recommended effective sources of performance appraisal by organisations studied, 'self-appraisal' was suggested as the most congruent source of appraisal in quality environmental organisations. As it is shown above, most appraisals were carried out by the employee's immediate manager. The advantage of this method, according to Torrington and Hall (1998), is that the immediate supervisor usually has the most intimate knowledge of the tasks that an individual has been carrying out and how well they have been done (see, for further details, Fletcher, 1993a; Beardwell & Holden, 1997; Wexley & Klimoski, 1984; Williams, 1989; Zobel, 1998; McEvoy & Buller, 1987; O'Reilly, 1994; Cardy & Dobbins, 1993; London & Beatty, 1993; Garavan *et al.*, 1997).

Another important and central issue for the quality-based approach is to include sources who are most knowledgeable about the person and system factors that influence a worker's performance (Cardy, 1998: 157). Within Cardy's argument, customer is a critical

source of appraisal from a quality perspective. In particular, customers of the worker, whether internal or external, need to be included in the appraisal process. Further, the standards, or anchors, for assessing performance need to be set with the involvement of customers. Compared to immediate supervisors, peers may have more observational opportunities and better insight into the operation of the system factors than a worker's managers do. However, the cost of adding additional sources of appraising is a separate issue which need to be taken into consideration, particularly if the additional sources have limited observation of the worker. In short, it can be argued that TQM-based organisations call for changes in the sources of appraisal. As Cardy puts it (1998:157), "since quality programmes are not a one-size-fits-all approach, thus, an important issue for the quality-based approach is to include sources who are most knowledgeable about the person and system factors that influence a worker's performance. Further, the appraisal practices need to be changed in the content, process, and the sources of appraisal." Manager's manager appraisal, customer appraisal, member of the personnel department as the source of evaluation, assessment centres, and evaluating employees by computers are other sources of performance evaluation (see, for further details, Berry & Parasuraman, 1991; Angel, 1989; Fisher *et al.*, 1996; Torrington & Hall, 1998). No information, however, was given about these sources by the respondents. In other words, these sources seem to be of no use in the surveyed organisations.

8.6 Performance Evaluation System and Effectiveness of TQM Programmes

Respondents were asked to give their views about the impact of the lack of consistency between performance appraisal system and TQM requirements on the effectiveness of TQM programmes. As Table 8.4 shows, over 81 percent of the organisations surveyed believed that lack of consistency between performance management system and quality management practices would result in lack of effectiveness of quality management programmes, whilst the remaining accounted for less than 19 percent replied that this inconsistency would not affect the effectiveness of TQM programmes.

Table 8.4 Lack of Consistency between Performance Evaluation System and TQM Results in Lack of Effectiveness of TQM

	Frequency	Percent
Yes	52	81.3
No	12	18.8
Total	64	100.0

This reveals that to be successful, TQM organisations should re-examine their performance management practices in order to meet both TQM and employee requirements. Accordingly, Scholtes (1993:360) draws attention to the role of performance management and notes “management should change the way they think about performance appraisal practices. Until managers let go of their obsession with the individual worker and understand the importance of systems and processes, they will not enter the quality era. Without this change in mind-set, managers will continue to look for alternatives that are no different from what they are trying to replace.”

8.7 Effectiveness of HR Performance Evaluation System

The respondents were also asked a series of further questions to establish the effectiveness of their employee performance evaluation in meeting and obtaining the following objectives:

- Identifying training needs
- Impact on employee motivation towards quality programmes
- Useful guidance for improvement future performance (e.g., feedback)
- Overall performance of the organisation

A brief description of these issues is given below.

8.7.1 Identifying Training Needs

Of all respondents, over 26 and 51 percent gave replies that related to identifying training needs, their performance management systems were ‘very effective’ and ‘moderately effective’, respectively. The remaining organisations surveyed, on the other hand, believed that their performance management systems were ‘neither effective nor ineffective’, ‘ineffective’ and ‘very ineffective’ accounted for 11 percent, 6 percent and 5 percent, respectively (see, Figure 8.2).

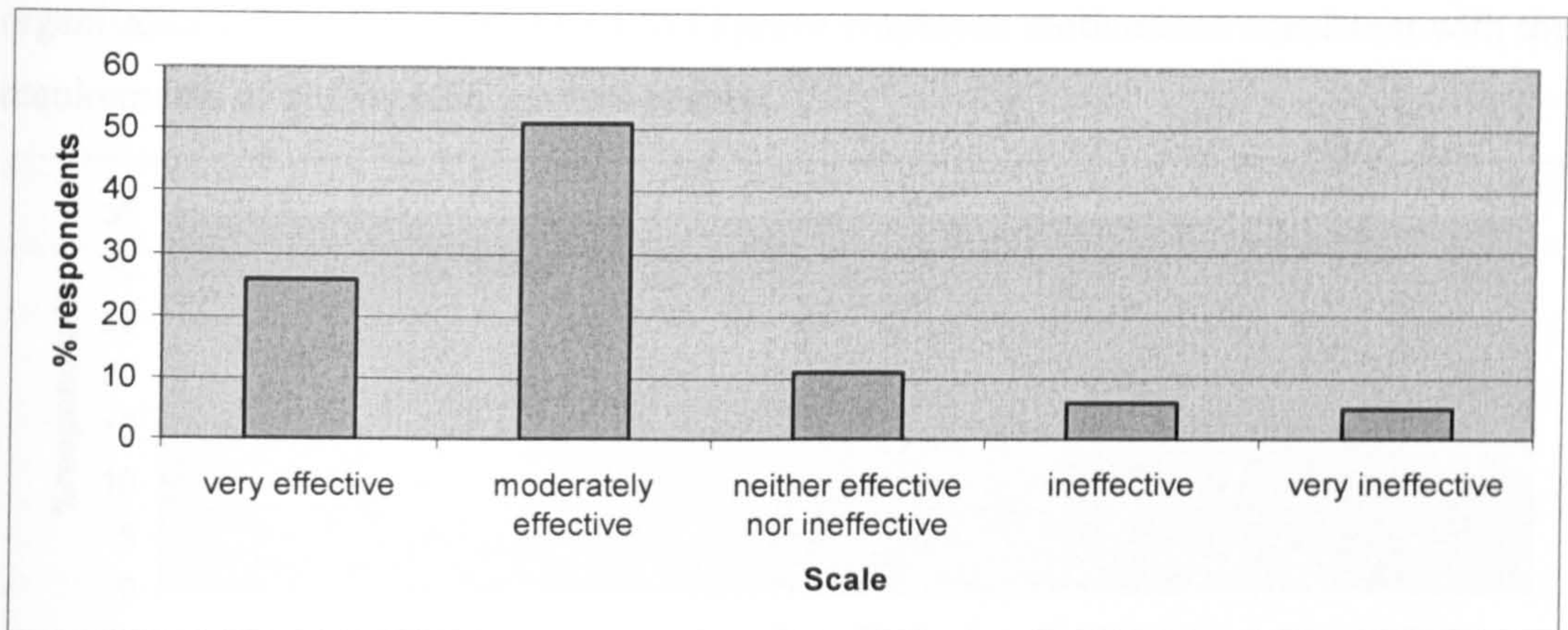


Figure 8.2 Effectiveness of HR Performance Evaluation in Identifying Training Needs

As Figure 8.2 shows, the low percentage of respondents with ‘neither effective nor ineffective’, ‘ineffective’ and ‘very ineffective’ was not particularly surprising as identifying training needs to many organisations is the most critical output of a well-designed, properly administered performance appraisal system. In other words, if there was an area of broad agreement amongst research participants it was that ‘identifying training needs’ is the most wanted output of performance management systems.

8.7.2 Impact on Employee Motivation towards Quality Programmes

Turning to the impact of performance evaluation system on employee motivations towards quality programmes, the survey found that less than 30 percent of the organisations surveyed indicated that their performance evaluation system in relation to having a positive impact on employee motivation in successful implementation of quality programmes were ‘very effective’ (3 %) or ‘moderately effective’ (27%). In contrast, as Figure 8.3 shows, the remaining 70 percent assessed their performance management systems ‘neither effective nor ineffective’ (27%), ‘ineffective’ (33%), and ‘very ineffective’ (11%).

The survey and analysis of the responses provided by the participants showed that attempts to design and administer the current performance evaluation systems to resolve the problem of employee motivation towards quality programmes had not been successful. Also, it can be concluded that the performance evaluation systems used in QSF

organisations, at least in part, failed to improve employee motivations consistent with the requirements of quality management context.

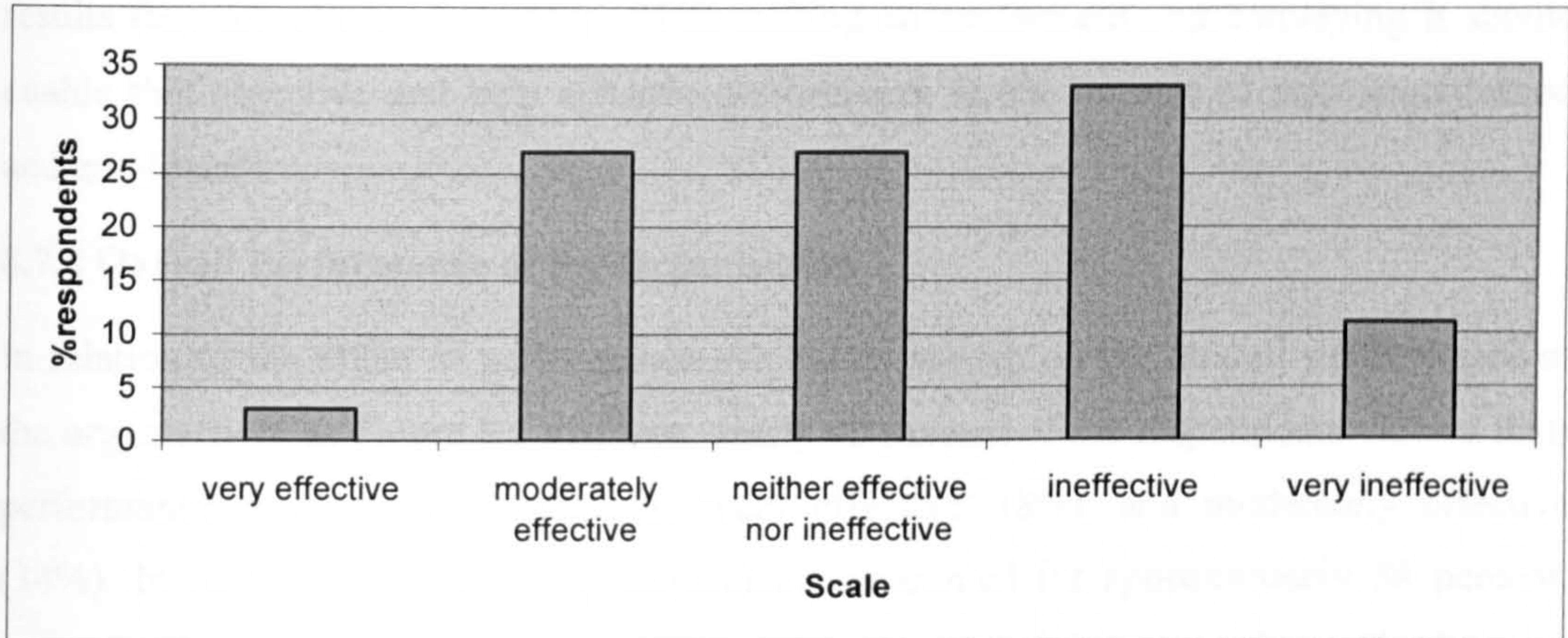


Figure 8.3 Impact of HR Performance Evaluation on Employee Motivation Towards Quality Programmes

8.7.3 Useful Guidance for Improvement Future Performance (Feedback)

With regard to the effectiveness of performance evaluation system in providing useful guidance for improvement future performance (e.g., feedback), as Figure 8.4 shows, approximately, 66 percent of all respondents rated their performance evaluation systems as having been ‘very effective’ and ‘moderately effective’ accounted for 19 percent and 47 percent, respectively, compared with over 34 percent of the organisations studied who measured their performance management system ‘neither effective nor ineffective’ (16%), ‘ineffective’ (14%), and ‘very ineffective’ (5%).

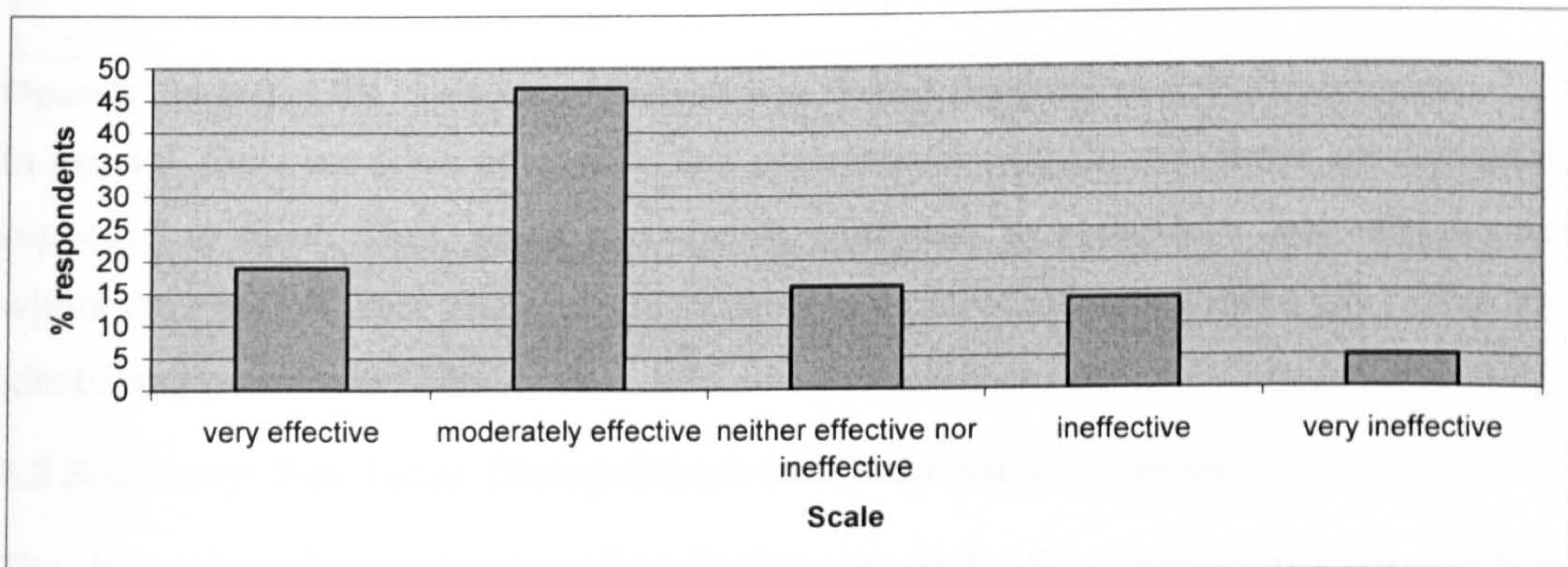


Figure 8.4 Effectiveness of HR Performance Evaluation in Providing Useful Guidance for Improvement of Future Performance

One of the basic principles of human learning, as Fletcher (1993b: 5-6) points out, is that “to improve performance, and as a result, people need to have some knowledge of the results they are already achieving. Thus making an assessment and conveying it should enable this objective and help enhance performance in the interest of both organisation and employee”.

8.7.4 Overall Performance of the Organisation

In relation to the effect of performance evaluation system on the overall performance of the organisation, as Figure 8.5 displays, nearly 42 percent of the respondents viewed their performance management systems as ‘very effective’ (8%), and moderately effective (34%). In contrast, the remaining respondents accounted for approximately 58 percent, maintained that their performance appraisal systems had been ‘neither effective nor ineffective’, ‘ineffective’, ‘very ineffective’ accounted for 28 percent, 20 percent, and 10 percent, respectively.

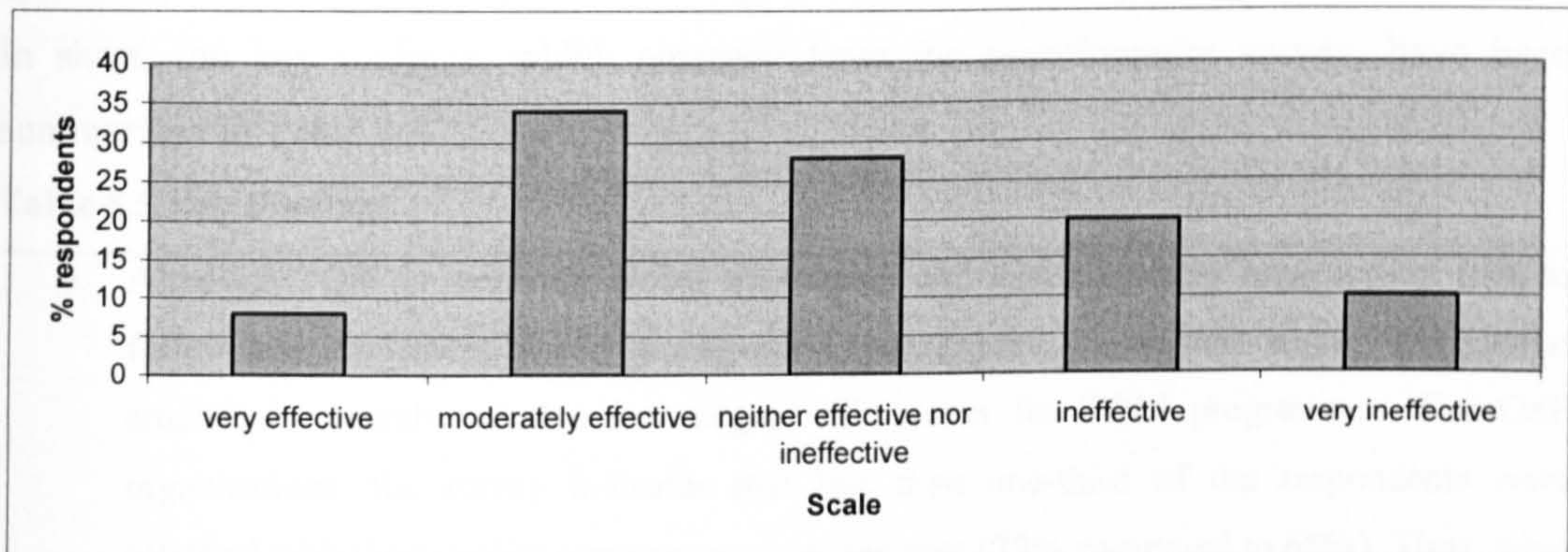


Figure 8.5 Impact of HR Performance Evaluation on Overall Performance of the Organisation

In general, there are some other aims that performance evaluation systems are commonly supposed to meet. Thus, some participants confessed to experience low effectiveness within their performance management systems in terms of allocating merit pay (77%), and identifying promotion (72%).

8.8 Summary: Key Issues Emerged from the Questionnaire Survey

The discussion of the outcomes offers further support for the conclusions emerging from the analysis of the literature to date. Regrettably, after two decades of extensive

application of TQM, few changes are taking place in HR performance evaluation systems of the organisations with a TQM orientation. As research shows, it may even be appropriate to talk about a remarkable inconsistency between the current HR performance evaluation and TQM demands and expectations. The reality in respect of quality-focused HR performance evaluation is that, for the majority of the organisations surveyed, the experience of HR performance evaluation practices over the last two decades, is more like the performance appraisal that it was many years ago i.e. traditional HR performance evaluation. The findings indicate what Deming (1986) has said many years ago that performance evaluation practices are a root cause of quality management problems. Attempts to redesign and administer the current performance evaluation systems in such a ways to resolve this problem have, so far, been unsuccessful. The conclusion, unpalatable though it may be, is that HR performance evaluation in the majority of surveyed TQM-based organisations is locked into a vicious circle of individual performance, control approach, HR dissatisfaction, and a low degree of success for TQM programmes. In short, the key findings, which emerged from the questionnaire survey, have been summarised in Table 8.5.

Table 8.5 Key Findings

-
- Although TQM is receiving global acceptance and virtually every organisation tries to follow and implement quality management programmes, the current survey and similar empirical research reveal a low degree of success for TQM programmes. For QSF organisations, the survey indicates that less than one-third of the respondents were satisfied with their quality management programmes (32% compared to 68%). Thus, what are the main barriers and difficulties faced in implementing a TQM programme?
 - Nearly two-thirds (63%) of the respondents thought that their current HR performance evaluation system had not had a positive impact on the achievement of TQM objectives. Furthermore, very few organisations (only 5% of all respondents) mentioned that their HR performance evaluation systems were 'very effective' in achieving TQM objectives. Now, the question is: why does HR performance evaluation not play a more effective part in the drive towards TQM?
 - Examining the data allows comparisons of different sources of appraisal and shows the gap between what sources for performance evaluation were recommended and what

sources were actually used in the organisations studied. 'Self-appraisal' was most often recommended as the best source of appraisal in a quality-focused organisational environment, followed by 'multi-rater' evaluation. In contrast, more than three-quarters (77%) of respondents were actually using employee's 'immediate manager / supervisor' as their main source of HR performance evaluation. So, does this gap go some way towards explaining the lack of effectiveness of HR performance evaluation in TQM programmes?

- Only 42% of respondents viewed their HR performance evaluation systems as 'very' or 'moderately effective' in relation to the overall performance of their organisation, whereas 58% thought that such systems had not had a positive impact. But the question remains: how did the organisations concerned measure the impact of HR, or is there any other evidence to support this link?
- The data indicates that just 30% of the organisations surveyed felt that their HR performance evaluation system had had a (very or moderately effective) positive impact on employee motivation towards successful implementation of quality programmes. Then, why HR performance evaluation cannot have a more positive impact on employees' motivations towards the success of TQM?
- The vast majority (81%) of the organisations surveyed believed that a lack of consistency between the performance evaluation system and TQM assumptions would result in a lack of effectiveness of TQM programmes. Then, why does such a lack of consistency appear to be widespread among the survey respondents?
- The survey also clearly indicates that the majority of the organisations surveyed are not using performance evaluation to understand the main reasons for variance in the performance (system factors), and therefore to help employees in improving their performance. Instead, the role of performance appraisal is primarily seen in the context of organisational functioning through feedback and administrative decisions. Thus, why system factors are excluded from HR performance evaluation in the context of TQM?

To sum up, the findings of this survey confirm the results of a review of other research that most HR performance evaluation systems fail to meet quality management expectations, and that they contradict the TQM assumptions about individual and system performance. Attempts to redesign and administer the current performance evaluation systems in such ways as to resolve this problem have, so far, been unsuccessful. HR performance evaluation, however, is still a vital necessity in the quality management

context, but it needs to be adapted in important ways so that the practice maximally contributes to the quality efforts. To this end, in order to tease out and illuminate the above issues - emerged from the questionnaire survey - the next chapter presents more in-depth evidence from 10 organisations that participated in the questionnaire survey of the research study. The aim here is to present tangible examples and illustrations through semi-structure interview survey of 10 organisations, and ultimately to bridge the gap between organisational reality and the theoretical literature surrounding HR performance evaluation in the context of quality management.

CHAPTER 9

INTERVIEW SURVEY

9.1 INTRODUCTION

This chapter draws on the analysis of the data gathered through a semi-structured interview - complementary to the questionnaire survey - to gain not just answers but a range of insights and reasons on the specific issues emerged from the questionnaire survey. To this end, the chapter begins by providing an overview of the combination of methods chosen for this piece of research which made, in Jankowicz's (1995:151) words, "the valid handling of complexity" in management research more achievable. Next, it describes the key methods for analysis of interview data including content analysis and cognitive mapping techniques. Then, profile of the organisations surveyed will be discussed, followed by a detailed analysis of the main interview topics. Finally, the chapter provides an overview of the findings and considers the way forward in light of the most updated data from the TQM organisations surveyed for establishment of a more consistent and adapted performance evaluation system compatible with the context of quality management.

9.2 An Overview of the Interview Technique

As mentioned earlier, the empirical research in this study incorporated two separate but linked methods: a questionnaire survey and follow-up semi-structured interview. The first consideration in determining which research methodology to engage was the nature of the research questions, which were formulated and refined after a comprehensive review of relevant literature pertinent to TQM and performance management. In order to answer the research questions, a questionnaire survey was conducted, initially utilising mail questionnaires (see, Chapters 7 & 8). Further - consistent with the current literature on research methodology emphasising using mixed methods (see, for example, Jankowicz, 1995; McCracken & Wallace, 2000) - in order to develop a deeper understanding, obtain feedback, gather in-depth information, and explore the key findings emerged from the questionnaire survey in greater detail, the researcher

conducted a number of semi-structured interviews which allow the researcher for focused, conversational, and two-way communication. Interview survey, however, has also weaknesses. Among the usual sources of error are: interviewees feel embarrassed when observed or tested; Interviewees' supposed or real roles; Effect of the process on interviewees; Dominating stereotypes and preferences; Interaction between interviewers and interviewees. Even peculiar or inappropriate clothing, profession and gender of interviewer or interviewee, may affect the quality of interview (see, for further details, Hartmen & Hedblom, 1979; May, 1997; Denzin & Lincoln, 1994).

Consequently, a key question to be answered is whether combination of different methodologies can overcome or at least minimise the problems with different approaches. Jankowicz (1995:151), summarises the position by referring to "the valid handling of complexity" in management research, and therefore, the combination of methods chosen for this piece of research made such valid handling more achievable. In other words, the trade off between the strengths and weaknesses of each approach was considered carefully and a conscious decision taken to employ methodological triangulation. A combination of extensive, generalist quantitative methods, as McCracken and Wallace (2000) report, with those that were intensive, particular, and qualitative, was considered to be taking the best from both worlds. Clearly, the interview survey data - supportive to questionnaire survey - was an important source of information for this research. In more accurate language, the main purposes of semi-structured interviews in this research project were to:

1. Obtain specific quantitative and qualitative information from the sample of the population (to probe for what is not known)
2. Gain a range of insights on specific issues (not just answers, but the reasons for their answers in questionnaire survey)

Thus, a major method for accomplishing this kind of reflective evaluation was the conducting of follow-up semi-structured interviews in order to answer some of the 'why?' and 'how?' questions and to help enrich, interpret and understand the quantitative data emerged from the questionnaire survey. Back to the content of the current research project, a particular aim here was to explore some of the issues

surrounding a TQM-driven HR performance evaluation, which, because of space and time constraints, were not included in the questionnaire.

9.3 Interview Survey: Analysis Methods - Content Analysis and Cognitive Mapping

Field research in general, and qualitative data collection, in particular, frequently lead to the production of large amounts of textual materials, which according to Denzin and Lincoln (1994), their analysis can be very time-consuming. In the past, for analysis of these texts, Denzin and Lincoln (1994) report, researchers had been limited to perusal of the text and simply deciding what it meant. Or, at its most complex, the analysis might involve transcribing onto note cards passages of texts deemed pertinent to a given topic. The note cards could then be filed in separate card files, each for a different topic or theme. These primitive methods have given way to a flock of new methods for more rigorously examining text, counting words, and deducing the theme they contain. They involve the use of computer programmes - with multiple text management applications - that assist in the analysis of qualitative materials. Richards and Richards (1994) analysed the most influential programmes in this field. In using any of these programmes, however, they recommend the user not to let the computer (or the software package) determine the form and content of interpretive activity. In a similar vein, Lee and Fielding (1991:12) highlight the danger that the transcription of field notes may be turned over to persons who lack intimate familiarity with the field setting and the processes being studied. Seidel (1991:100) speaks of a form of analytic madness that can accompany the use of these methods, followed by Akeroyd (1991) who identifies the possible ethical problems as the potential loss of personal privacy - due to developing a confidential database of an individual or group.

Such problems - stem from a lack of precise or agreed-on terms which can describe varieties and processes of qualitative data - led Boyatzis (1998:7) to raise the issue of the ability of the researcher to use thematic analysis through a number of underlying competencies. One competency, Boyatzis points out, is termed pattern recognition. It is the ability to see patterns in seemingly random information. In short, this cautionary

discussion needs to be balanced with a treatment of the positive features and uses of these methods, which were thoroughly developed by Richards and Richards (1994).

Historically, content analysis and cognitive mapping, or in Manning and Cullum-Swan's (1994) classification, narrative, content, and semiotic analysis, have been the major social science approaches to textual-discourse analysis, each associated with a long theoretical and research tradition (see, for more detail, Manning & Cullum-Swan, 1994). Although, in the current research, content analysis was the research technique for systematic examination of the interview data, before analysing the interview data, each of these techniques will be briefly discussed.

9.3.1 Content Analysis

Content analysis is a research technique for systematic examination of descriptive data, which also refers to any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings. In particular, there is a trend of taking it as a technique that the researchers who apply such technique can design it into a qualitative, a quantitative, or a combination of both qualitative and quantitative data analysis methodology. Patton (2002) summarises the core meanings found through content analysis as 'pattern or themes'. The term *pattern* usually refers to a descriptive finding, for example, 'almost all participants reported feeling fear when they rappelled down the cliff', while a theme takes a more categorical or topical form: *Fear* (see, for further details, Patton, 2002: 452-3). Others have proposed various format definitions of content analysis. Stone *et al.* (1966:5), for instance, state: "Content analysis is any research technique for making inferences by systematically and objectively identifying specified characteristics within text". More specifically, the traditional, classic content analysis is back to 1952, marked by Bernard Berelson's classic *Content Analysis in Communication Research*. This text and its influences are still felt today. In it, Berelson offered a rigorous quantitative approach to the content analysis of media messages. Others immediately challenged this work calling for qualitative content analysis techniques drawing on hermeneutical, textual procedures (see, for example, Denzin & Lincoln, 1994).

Content analysis can be used for many purposes. Few notable examples adapted from Berelson (1952) by Weber (1990:9) are:

- Code open-ended questions in surveys
- Identify the intentions and other characteristics of the communicator
- Describe attitudinal and behavioural responses to communications

A central idea in content analysis, summarised by Weber (1990) - adapted from Krippendorff (1980) - is that many words of the text are classified into much fewer content categories. In the content analysis, however, due to the ambiguity of word meanings, category definitions, or other coding rules, consistency or reliability problems usually grow. Krippendorff (1980) gives a very useful account of content analysis reliability in which the author reports three types of reliability pertinent to content analysis: stability, reproducibility, and accuracy. Validity, on the other hand, exists when the research findings based on content analysis does not depend upon or is generalisability beyond the specific data, methods, or measurements of a particular study (Weber, 1990). Put it in another way, a content analysis variable is valid to the extent that it measures the construct that the investigator intends to measure.

Weber further recognised the advantage of the computer-aided content analysis compared with human-coded and concludes that in computer-aided analysis the rules for coding text are made explicit. In particular, having explained various methods of manipulating text such as: word-frequency counts, key-word-in-context (KWIC) listings, concordances, classification of words into content categories, content category counts, and retrievals based on content categories and co-occurrences, Weber suggests that researchers must, of course, tailor their methods to the requirements of their research by selecting specific techniques and integrating them with other methods, substantive considerations, and theories (1990: 41).

9.3.2 Cognitive Mapping

Cognitive mapping is a technique used to structure, analyse and make sense of accounts of problems. These accounts can be verbally, for example, presented at an interview, or documentary. Cognitive mapping can be used as a note-taking method during an

interview with the problem owner and provide a useful interviewing device if used in this way. Alternatively, it can be used to record transcripts of interviews or other documentary data in a way that promotes analysis, questioning and understanding of the data. This technique was founded on George Kelly's theory of personal construct (Kelly, 1955) and was translated and simplified by Ackermann *et al.* (1993) in the form of 12 principles.

Cognitive mapping, however, like any other technique has some difficulties. Being time-consuming, difficulty in both listening and understanding what is being told the researcher, and repeating the same idea by the interviewee are among the main problems with this technique by novice mappers. To counteract such problems, from observation gained from teaching cognitive mapping, Ackermann and others (1993) propose some advices to those who are willing to use this technique to structure, analyse and make sense of accounts of problems. Among these are, to try practicing mapping in environments where the outcome is not important, feeding back the ideas to the client/interviewee to catch up with the map and validating process to ensure that the views have been captured correctly, and finally, linking all the strands into the one issue when the researcher fails to elaborate an issue correctly and mentions the issue itself several times.

9.4 Interview Survey: Themes

As discussed earlier in the chapter on research methodology (Chapter 6), the main objective of interviews was to gather information on 'why' particular responses had been chosen on the questionnaire survey. The interview structured was therefore predetermined by the findings of questionnaire survey and the completed questionnaire was used as an *aide-memoire* in the interviews. In particular, the interviews were structured for developing a deeper understanding over the following main themes emerged from questionnaire survey (Table 9.1):

Table 9.1 Main Themes Emerged from the Questionnaire Survey

- Effectiveness (success) of TQM programmes, and the main barriers to be overcome
- The rationale for current approach to employee performance evaluation
- The degree of consistency between HR performance evaluation system and the precepts of TQM

- The relationships between performance evaluation system, the effectiveness of TQM programmes, and the level of employee satisfaction
-

These issues were then formulated and refined after a comprehensive review of the questionnaire data in order to clarify the main themes to be raised during the semi-structured interview survey. Great care was also taken in designing and administering the final interview questions to produce clear and unambiguous answers. To this end, the main themes emerged from the questionnaire survey was piloted with 2 of 10 interviewees. Having incorporated the comments and feedback, the following final interview topics were designed and discussed during the survey (see, Table 9.2).

Table 9.2 The Interview Topics

- Some general questions on the profile of the organisation: public/ private, manufacturing / service, ownership etc.
 - How do you measure the success (achieving TQM objectives) of your TQM programmes? And what kind of evidence do you have?
 - What are the main barriers and difficulties faced in implementing TQM programmes in your organisation?
 - To what extent, your HR performance evaluation system is consistent with TQM assumptions?
 - Have any changes in your HR performance evaluation resulted from TQM programmes to date? If 'yes' explain the nature of the changes, if 'no' why?
 - Why does HR performance evaluation not play a more effective part in the drive towards acceptance of TQM?
 - How do you explain the gap between 'recommended' and 'actual' sources of performance evaluation?
 - Does the above gap go some way towards explaining the lack of effectiveness of HR performance evaluation in TQM programmes?
 - How do you measure the impact of HR performance evaluation on overall performance of your organizations, and what kind of evidence do you have?
 - Why do you believe that a lack of consistency between performance evaluation system and TQM assumptions results in a lack of effectiveness of TQM programmes? Why is it true?
 - Why system factors as the main reasons for variance in the performance (from TQM perspective) do not have a place on HR performance evaluation systems in the surveyed organizations?
 - Do you think the inconsistency between HR performance evaluation and TQM assumptions has a negative impact on HR and TQM effectiveness? If so, in what way?
-

In the pages that follow, participants' responses to these issues were presented and content analysed. The main purpose of the analysis was to organise the data in such a way that overall patterns would become clear.

9.5 Interview Survey: Pilot Study and Sample Size

As mentioned earlier, this chapter aims at developing a deeper understanding of the main findings of questionnaire survey, through a semi-structured interview survey. Precisely, the objective of the interviews was to gather information on ‘why’ the particular responses had been chosen on the questionnaire. The interview structure was therefore predetermined by the structure of the questionnaire and the completed questionnaire was used as an *aide-memoire* in the interviews. This highly adaptable semi-structured format allowed issues to be followed up, clarified and developed during the discussion. The interviews were initially piloted with the first two interviewees and refined slightly for subsequent interviews (this mainly entailed cutting down on the number of questions).

In total 10 interviews in 7 different organisations were conducted during September to December 2002. All interviewees were membership organisations of Quality Scotland Foundation (QSF) - as one of the National Partner Organisations (NPOs) of European Foundation for Quality Management (EFQM) in the UK - and were respondents to the questionnaire. In particular, the interviewees as the most senior TQM or HRM specialists in their organisations were key informants about TQM and HR performance management issues. The companies participated in the follow-up interviews were representative of the questionnaire respondents in terms of business activity, quality award, and company size, and were selected on the basis of the following criteria:

- The respondent to the questionnaire had agreed to be interviewed (respondents were asked this at the end of the questionnaire).
- The respondent showed interest in the research by requesting an executive summary

The interviews constituted a representative sample of approximately 16 percent of the final usable returns from the questionnaire (64 in total). The average interview took one hour, lasted between 50 to 75 minutes. Each was tape recorded and transcribed afterwards, thus assisting in the accurate interpretation of the respondents comments. The interviews were analysed using *content analysis* creating categories to classify the meanings expressed in the data. In short, Jankowicz (1995:151) refers to “the valid handling of complexity” in management research, and the combination of methods -

mail questionnaire and semi-structured interview - chosen for this piece of research made such valid handling more achievable.

9.6 Interview Survey: Data Analysis

9.6.1 Characteristics of the Surveyed Organizations

The organisations participated in the interview were representative of the questionnaire respondents in terms of economic sector, size, and quality awards, as shown in Tables 9.3 and 9.4. Of the 10 interviewees, 50 percent fell into the private sector, and within this, manufacturing organisations were the largest group represented, and then hospitals and telecommunication were equally represented. Within the public sector, higher education, police, and fire brigade were equally represented. Of voluntary sector, childcare and economic development were also equally represented. The companies participated in the interview were broadly representative of the respondents to the questionnaire in terms of different organisational profile. There were relatively few organisations with less than 100 staff amongst the respondents and the largest proportions were in the 1000-4999 and 500-999 staff categories, as shown in Table 9.4.

Table 9.3 Interview Respondents by Economic Sector

Economic sector	% of total
Private	50
Public	30
Voluntary	20
Total	100

Table 9.4 Interview Respondents by Organisation Size (No. of Employees)

Number of staff	% of total
24 or less	10
25-49	-
50-99	10
100-499	-
500-999	20
1000-4999	40
5000-9999	10
10000+	10

Respondents were also asked about whether they were received any quality award. As Table 9.5 shows, 40 percent of the interviewees were Investors in People (IIP) recognised, with a further 30 percent were recognised different local and national quality

awards. Further, 20 percent of the interviewees were also received European Quality Award (EQA).

Table 9.5 Interview Respondents by Quality Awards

Quality award winner	% of total				
	IIP	Charter Mark	EFQM / QSF	BQA/ SQMS	Other national and local quality awards
Private	XX		X	X	XXX
Public	X	X	X		
Voluntary	X			X	

As discussed earlier, the interviews were structured for developing a deeper understanding of the main topics emerged from questionnaire survey (see, Table 9.2). In the pages that follow, participants' responses to these issues were presented and content analysed.

9.6.2 Indicators and Evidence of TQM Success

When the interviewees were asked how did they measure the effectiveness of their TQM programmes they referred to several indicators and key measures of TQM success. A summary of the key measures used by the interviewees for measuring the TQM success is given in Table 9.6.

Table 9.6 Key Indicators of TQM Success

Business sector	Indicators of TQM success				
	Customer satisfaction	Cost per unit	Financial benefits	Internal customers	Business Excellence Model, Balance Scorecard,...
Private	XXX		X	X	XX
Public	XXX				
Voluntary	XX	X		X	

Evidence from current practices amongst the surveyed organizations had established that measurement was the weak link in the majority of quality management programmes. However, it is a fact that measuring TQM is not easy. Within the last decades quality has been measured by a variety of methods and techniques such as percentage of failure, SPC, sampling techniques, FMEA (Failure Mode and Effects Analysis), Taguchi

methods, and Pareto analysis to name just a few. However, the weakness in all of these methods is that a company-wide picture of progress is not achieved.

Later, the holistic nature of TQM in the 1990s requires that customer, shareholders, and competitors are also important to assess TQM success (Capon *et al.*, 1995). Techniques such as cost of quality (Stebbing, 1991), auditing compliance to company procedure (Reynolds, 1990), customer perception (Barry, 1992), and finally employee commitment (Capon *et al.*, 1995) were among the key measures for success of TQM as a whole. Although these measures consist of both hard and soft factors of TQM and are company-wide indicators that measure TQM success as a whole, however, they have got their own weaknesses. Cost of quality as a valuable guide of short-term effectiveness, for example, gives no guide to likely long-term results of a TQM programme and provide limited guidance on how to achieve improvement. Compliance to company procedure which aims at consistency of administration as the cause of the majority of quality efforts, on the other hand, can become a built-in procedure for avoiding progress (Schonberger, 1986). There is also a risk that audits can be based on suspicion rather than an opportunity to improve (Tsuda, 1991). To overcome the weaknesses of different measures of TQM success, two attempts have been made to combine these various aspects of measurement of TQM success. One is the Baldrige award, launched in 1987, in which seven categories are used, subdivided into 89 areas of assessment, with varied weightings allocated to the categories in order to reach a final score out of 1000 (see, for further details, US Department of Commerce and Technology, 1993). More recently the European Quality award was launched in 1992, which covers the same area as Baldrige plus two extra – impact on society and business results (see, for more detail, EFQM, 1999).

Back to the interview survey, although many techniques are available at a detailed level through the organizations surveyed, excluding customer satisfaction, few measured the success of their TQM programme as a whole. Nearly 80 percent of the interviewees, for instance, were used customer satisfaction, through customer survey, as the main indicator of their TQM success. As shown in Table 9.6, for over half of the organizations using a company-wide approach to measuring TQM success was the weak

link in their TQM programmes. The data here also supports the work of Claret (1993), and Cottrell (1992) who found little evidence, in reality, of important role of measurement in many TQM programmes in the UK. In line with these findings, excluding 'customer satisfaction' as the most common indicator of TQM success, comment such as "We probably did not measure the outcomes" (from a large public organization) was common. Other interviewee - a voluntary sector organization - reported that as a result of the current economic situation they changed their approach to measuring TQM success, as the interviewee commented: "As a result of economic situation we have to think in business way or much business thinking". However, this argument made by the interviewee clearly indicates that such temporary approach to measuring TQM success is not enough in the face of limited resources and continuous and competitive world. For two of the interviewees, one from public sector, the other from private sector, the signs of using a company-wide holistic approach to measuring TQM success were positive in some ways. Despite this, for one international manufacturing company, the signs of possessing an integrated measurement system of TQM success were positive, when the interviewee remarked: "We have got a programme called 'Signature of Quality' and internal quality fairly close to Baldrige Quality Award which look at quality in a quite holistic way in terms of what customers are looking for". One medium-sized organisation, however, commented that due to the small size of their business TQM success was not measured at all. Instead, they just reviewed their quality management system using the ISO9001 approach.

The issue of key measures of TQM success was also backed up by asking the interviewees to provide evidence of success. When the interviewees were asked whether they had any evidence of TQM success, the majority of them reported that the certificates and awards given to them by external assessors were their main evidence of TQM success. One public sector - also EQA winner - responded to this question this way: "The ultimate level is the accreditation that our organization receives from a number of external agencies like Charter Mark, IiP, European Quality award, awards given for management styles". Others - an international manufacturing organization -

talked in terms of customer satisfaction surveys and employee surveys as the evidence of quality success.

In short, though the survey revealed some evidence on using some of the key measures of TQM success by the surveyed organizations, however, for the majority of organizations, there were few indications that such measurement went beyond the single customer satisfaction as the most common indicator of TQM success. For one of the organization, a private medium-sized, this fact was demonstrated by the following comment: "Customer is the easiest thing to think". However, whether this evidence provides back up for continuous improvement rather than simply measures customer satisfaction is questionable. Further, using an integrated company-wide approach to measuring TQM success has been ignored and without this factual foundation, Cottrell (1992) reports, the initial enthusiasm of a TQM programme has lacked direction and failed to achieve results. Finally, despite of existing various alternatives methods including both soft and hard indicators for measuring TQM success available to organization management, lack of a clear and straightforward guidance on the most appropriate system to use could compound this problem.

9.6.3 Barriers to TQM

When the issue of barriers to TQM was discussed in the interviews, most respondents reported that the obvious barrier was the lack of complete top management commitment from the start, and through the process. As a result, this problem was compounded by lack of support of other senior management team. While the majority of organization cited the lack of strong leadership as the major barrier to TQM success, others also attributed other factors to TQM failures. A list of these factors is summarized by business sector in Table 9.7.

Table 9.7 Factors Contributing to TQM Failures

Business Sector	Barriers to TQM
Private	<ul style="list-style-type: none"> • Lack of drive by management / low senior management commitment / lack of commitment of CEO • Skill shortage / Lack of qualified personnel • Limited resources

	<ul style="list-style-type: none"> • Difficulty of implementation • Low engagement of employee
Public	<ul style="list-style-type: none"> • Lack of strong leadership • Convincing staff to take ownership of quality • Employee resistance
Voluntary	<ul style="list-style-type: none"> • Low commitment of top management • People resistance • Lack of an integrated performance measurement • Lack of enough knowledge of TQM practices • Lack of continuous monitoring of TQM process

As Table 9.7 shows, there was a common agreement among all the interviewees on low degree of commitment of top and senior management to TQM programmes, and finally followed by negative consequences. This issue well summed up by one of the interviewees - a large public sector organization - in the following comment:

“The obvious barrier is the lack of complete top management commitment from start, and as a consequence, some of the other senior management do not particularly support the process”. In search for the reason for such a low commitment, the following issues were revealed: lack of knowledge about what TQM is, ineffective internal communication, and low engagement of different level of management within the organization. Again, when asked about the nature of commitment and what kind of commitment did they expect from top management, the interviewee answered: “For TQM or any initiative to be successful, the top management would require to be fully committed and all require to sign up it and understand the reason for introducing it, be quite keen to see its success, and understand why it should be successful”. A large manufacturing company gave a very clear picture of the major role that top management could play in improving TQM programmes: “Leadership is the key to both success and failure. That is, employees see management as absolutely committed to quality. Leaders must have the drive towards TQM”. The following comment, from a very large service sector organization, was also typical of the feelings expressed: “TQM is not something

separated and taught separately from system. It should be integrated in the management style”.

People resistance due to lack of enough knowledge of TQM practices was also reported by two of the interviewees, one from public and the other from voluntary sector. The issue of employee resistance to change could be correlated to the inability of the organization to engage the employees to recognize why the change (introducing a quality management system) was important, and what were the benefits of the change to both the organizations and the people, as remarked by a manufacturing private company. This, in turn, also supports the comments of other interviewee, a medium-sized voluntary organization: “Lack of training which makes people being incapable of the job, and again could make people resist to any change would result in TQM system to failure”. The issue of employee resistance to change was well explained by one of the interviewee from a medium-sized voluntary sector, as the interviewee comments: “There is a suspicious that TQM is a management tool that won’t benefit people in the organisation”. In other words, in case of introducing a TQM system to an organization, people should have a certain amount and degree of autonomy. The major reason for people resistance, the interviewee said, was the lack of enough understanding of quality management practices. That is, low degree of understandability of TQM affects employees’ commitment to TQM programmes followed by negative consequences. Further, limited resources, tight budget, and lack of continuous monitoring of TQM process through a proper performance management system were also reported as the other barriers to TQM success. In two of the quality winner organizations - one public and the other private - however, the main source of problem was related to employee engagement. Furthermore, as mentioned earlier (see, Chapter 2), TQM has been advocated as universally applicable to organisations and organisational activities (Crosby, 1979; Deming, 1986; Juran, 1986). This is, however, in sharp conflict with the work of contingency theorists (e.g., Woodward, 1965; Lawrence & Lorsch., 1967; Perrow, 1967). According to a contingency perspective, TQM principles should be congruent and consistent with the situational requirements. Such universal orientation – as opposed to contingency perspective - may explain some of the failures of TQM over

the last decades (see, for example, *The Economist*, 1992; Fuchsberg, 1992; Peters, 1992; Kearney, 1992; Smith *et al.*, 1994; Wilkinson *et al.*, 1998).

In sum, the research revealed a number of evidence for TQM failures, but raised doubts about why top management and senior management team did not really consider TQM programmes as their first priority? All interviewees acknowledged that leadership and management commitment was the key to both success and failure - consistent with the previous studies (see, for example, Wilkinson *et al.*, 1993). This difficulty, in turn, results in lack of commitment of employees. There was also clear evidence of inability of organization to engage the employees to recognize the TQM philosophy and its benefits. The results are very much consistent with the literature of quality management concentrating on requiring employees to understand the process of continuous improvement (see, for example, Crosby, 1979; Deming, 1986; Ishikawa, 1985), as Wilkinson *et al.* (1998: 49) put it, “the emphasis is on autonomy, creativity, active cooperation and self-control for employees, with employee involvement a key theme”. Although this part provided strong evidence for TQM failure, but the evidence for ‘why’ such barriers exist was less clear.

9.6.4 Consistency of TQM and HR Performance Evaluation

The need for consistency and congruity between HR performance evaluation and TQM requirements in quality organisational environments has been stressed by many commentators in both areas of TQM and HRM (e.g., Deming, 1986; Waldman, 1994; Cardy, 1998; Wilkinson *et al.*, 1998). Many of the same researchers, however, would question whether in reality such consistency actually exist. Accordingly, in 60 percent of the organisations interviewed there was a very low consistency between TQM requirements and HR performance evaluation systems. For these organisations, the following comment may have voiced what was a general, though not readily acknowledged, underlying concern: “ I would have to say that it is not consistent. One reason for this inconsistency in my organisation is that system factors are not included in performance evaluation system”. When the issue of inconsistency was probed during the interviews, a recurring theme emerging was that although the organisations surveyed

had a formal performance evaluation system in place, the nature and focus of these systems were in conflict with TQM precepts. Comments such as “we have an individual-based performance appraisal”, and “a control-based approach to appraisal” were common. One interviewee - a public sector organisation - remarked on the fact that the majority of people responsible for designing and conducting HR performance evaluation did not realise a direct link between what they were doing, and how effective the service delivered to the customer was, and in several other companies this lack of enough knowledge of a TQM-based HR performance evaluation was also hinted at, if not explicitly stated. Most interviewees themselves appeared to be very aware of this incongruity, accordingly of the negative implications of this inconsistency for both the TQM organisations and the employees.

However, the evidence for the remaining four organisations was slightly different. Of these, in only two, there was enough confidence of applying a performance management system tailored to TQM context. One of these companies - private manufacturing - remarked: “Clearly, there is a link between overall organisational strategic goals and cascade those goals down through departments and through individual performance objectives on an annual basis. Obviously, we do performance review not just of the business but also of individual and teams through drawing up a scorecard at the end of year to show how well we performed as a business against objectives. This is linked to the performance bonus in terms of monetary and rewards for individual, in terms of how they delivered to those objectives”. The other interviewee - a public sector and winner of EQA - said they were in totally agreement with TQM because of the active involvement of the employees in the process of designing the performance management system as well as investing enough time and money in employee training. This was not, however, the common state for the other two and overall, there was therefore some, but not strong evidence for the existence of a reasonable consistency.

9.6.5 Ineffectiveness of HR Performance Evaluation in the Drive towards Acceptance of TQM

In order to examine the inability of performance management systems in playing a more effective part in the drive towards acceptance of TQM, the interviewees were asked to

explain the main reasons for ineffectiveness of HR performance management in meeting quality management objectives. Interviewees' responses to this issue were summarized in Table 9.8.

Table 9.8 Ineffectiveness of HR Performance Evaluation

Business sector
Public <ul style="list-style-type: none"> • Ignoring individual and team objectives • Being treated with a degree of suspicious • External recruiting • Subjective measures
Private <ul style="list-style-type: none"> • Recognizing of individual seems to be lost to some great • Performance evaluation outcomes as an indicator to employee's pay raise or not • Inefficient management (lack of enough knowledge by management on providing feedback) • Lack of a company-wide integrated performance management system • Unqualified management in providing feedback to employees
Voluntary <ul style="list-style-type: none"> • HR performance evaluation has not come from a quality agenda • A trial-like approach to performance evaluation from employee's perspective • Lack of relevant performance indicators • Lack of clear target

A brief overview of the reasons mentioned for ineffectiveness of HR performance in improving TQM objectives clearly shows that for the majority of organizations, lack of an integrated and company-wide performance management to cover the key performance measures and indicators was a main reason for ineffectiveness of HR performance evaluation systems. One of these companies - a voluntary sector organization - remarked: "Our HR performance evaluation has not necessarily come from a QM agenda which aims to provide an equitable method of linking payment to performance". In the interviewee's view, however, QM agenda helps an organization measure an employee contribution in the final output as well as define the performance indicators.

As Table 9.8 shows, using subjective measures and management preconception about employees was cited by one of the public sector organization as a reason for the system failure. The major problem with ineffectiveness of performance evaluation comes from where, in this interviewee's words, "we get subjective measures and opinions due to

manager's preconception about a certain individual, and without independent assessment it is going to be extremely difficult in any type of organization". This is consistent with the literature, which emphasizes that organizations - whether using Balance Scorecard, HR Scorecard, some other form of scorecard, or no scorecard at all - should avoid subjective assessments at all costs, and every metric they devise has to have a numerator and a denominator, no matter how trivial (see, for further details, Becker *et al.*, 2001). Thus, similar problems such as 'lack of clear target', 'lack of relevant performance indicators', could be tackled by using an integrated performance measurement system to increase its chance in improving TQM programmes. As Capon *et al.* (1995) pointed out, a performance measurement system that covers different aspects of organizational issues, could have the particular benefit of highlighting areas where the design of the TQM programme may need strengthening.

Other, a public sector organization, referred to the big gap between the priorities set by senior management against departmental and individual priorities. As a consequence, in the interviewee's words, "Performance evaluation has always been treated with a degree of suspicion". Further, the interviewee revealed frequency of evaluation on an annual basis, external recruiting, and finally existence of a trial-like approach and suspicious towards performance evaluation, as other key barriers to effectiveness of performance evaluation systems towards acceptance of TQM programmes. In a similar line, one medium-sized private organization remarked on the fact that recognition of individual seems to be lost on performance management agenda, which believed to be a barrier to effectiveness of the performance management. The reason, according to the interviewee, is a complex issue. Having compared private sector organizations with public ones, the interviewee comments that private sector organizations are being asked to deliver a higher standard service or product, which requires them to tighten their cost control in order to increase the revenue. Public sector organisations, however, are not under such pressures. Besides, the interviewee adds, private sector organisations cannot look after the staff by paying them less compared to public sector that their colleagues would get. Central to the interviewee's problem was the budget limitation, which directly affects

the way an organization approaches employee and indirectly affects satisfaction of employees.

Despite a number of reasons provided by the interviewees on the inefficiency of performance management systems (see, Table 9.8), few respondents reported either having an effective or reasonably effective performance evaluation systems in the drive towards acceptance of TQM. For one of the organizations, - a public sector organization and winner of EQA - this was demonstrated by the following comment:

“Our performance evaluation is really a performance management because we manage performance not the individual. Remember, we close the loop: individual objective, next, this must reflect team objectives, then, it must reflect organisation objectives including TQM plus operational objective, and finally, it must lead to the development plan. That is the loop. There is also no bottom-up approach in our organization”. The main barrier to effective HR performance, as the interviewee said, was that the majority of current HR performance evaluation systems were designed based on the organizational objectives ignoring individual and team goals. Furthermore, in reply to the question: are employees happy with HR performance evaluation? The interviewee answered: “Yes, we do employee survey through employee / customer satisfaction questionnaire”. The interviewee’s reasoning was based on the employee involvement and participation in the process of setting objectives and then cascade down those objectives across the departments directly, since employees are the customers of a number of teams in the organization.

In conclusion, although in most organizations there was certainly some identification of performance evaluation ineffectiveness in the context of TQM but there was less firm evidence of taking major correction action to remove these barriers. It is of no surprise that the results of the interviews are in line with the literature on performance evaluation. Lawler summarized the ineffectiveness and as a consequence the dissatisfaction this way (1994:16): “the problem – and it is well documented – is that most performance appraisal systems do not motivate individuals nor guide their development effectively”. It should be noted that, however, recognizing the main reasons for ineffectiveness could have the particular benefit of highlighting where the design of performance evaluation

system may require attention and strengthening. Further, identifying these areas behind the ineffectiveness of HR performance evaluation could be considered as encouraging indicators that the surveyed organizations were adapting to the TQM requirements and perhaps also becoming more involved at an integrated level across organization.

9.6.6 Source of Evaluation: Gap between 'Recommended' and 'Actual' Sources of Performance Evaluation

The need for a relevant source of appraisal consistent with the context of organization has been stressed by many commentators (see, for example, Cardy, 1998; Dalessio, 1998). The empirical data from questionnaire survey showed that for the majority of the organizations surveyed, the main source of performance evaluation was the immediate supervisor whilst they suggested that self appraisal or multi-rater evaluation would be more consistent within a TQM context. To find out the reason for such a gap, this issue was discussed with the interviewees, and overall, the majority of the interviewees were supporting self-appraisal and multi-raters as the most relevant sources of evaluation in the context of TQM. Although this enthusiasm is in line with the current literature (see, for example, London & Smither, 1995), however, there was generally less emphasis on its application in these organizations for a variety of reasons (see, Table 9.9). Put it in another way, the TQM organizations support for self-evaluation as well as multi-raters as the most relevant and consistent sources of evaluation in a quality-driven context, as revealed in the interviews, was also much less positive than expected.

Table 9.9 Interview Evidence on Difficulty with Self-Appraisal

- Self-evaluation is not rigorous.
 - Time and effort are important issues.
 - Time matters.
 - We will not trust employees.
 - It is not accurate.
-

In spite of these problems with self-appraisal, which are also consistent with the current literature (see, for example, Atwater, 1998), for one public sector organization although self-evaluation is not rigorous but in the interviewee's words, "when you define a clear, figure-based target for individual it may make sense". In particular, one interviewee set two requirements for using this source of evaluation including: a degree of maturity of self-reflection in the organizations, and a degree of knowledge of quality.

Further, with regard to multi-rater as the second highest rated source of performance evaluation congruent with a quality management context, one public sector organization, however, commented that, "it is expensive and difficult to implement". Other - a private sector organization – remarked, "time and effort to do it properly are important issues". In contrast, the interviewees remarked on the fact that immediate supervisor is the easiest source of appraisal to do. For two of the medium-sized organizations, immediate supervisor as the main source of appraisal was working well. The other private sector organization recognized the importance of multi-rater as a relevant source of evaluation to TQM context as the interviewee remarked: "I know it is probably core to what I need to appraise employees and to retain the staff, but time and cost matter". Further, the interviewee said, "we still got immediate supervisor in place but it is better than nothing". Accordingly, other public sector organizations found multi-rater as the most consistent source of appraisal, however, in line with the above argument, the interviewee said, "It is expensive and difficult to implement. More importantly, it requires a lot training as well". One public organization reflected on what was a common theme for most organizations, with the comment, "we know that multi-rater is the source that we need, but although staff evaluation tends to suffer from such subjectivity from immediate supervisor, however immediate supervisor is an easier option. It saves time and other resources". In addition, one private sector organisation was strongly in favour of self-appraisal and made some recommendations in placing this source on performance management agenda saying that self-evaluation will increase the level of engagement of employees. According to the interviewee, the majority of employees are disengaged with the company. To use self-evaluation as the main source of appraisal, the interviewee suggests to provide empowerment and engagement to employees.

Others - a medium-sized voluntary sector - attributed the gap to the kind of attitudes towards the organization. In the interviewee's words, "Is it an organization that learns to learn or is it an organization to control?" The fact, in the interviewee's opinion, is that managers only appraise for controlling whereas learning approach is a quality approach which results in continuous improvement. Such a gap, for the majority of respondents, go some way towards explaining the lack of effectiveness of HR performance evaluation

in TQM organisations. Two others - large manufacturing organisations - further believed that this gap would affect the effectiveness of TQM programmes and could be a reason for inconsistency between TQM and performance evaluation. Finally, one of the two, remarked, "because TQM says to empower employee, to engage employee and we do not, so self-appraisal does not work".

In conclusion, there was some evidence - consistent with Dalessio's (1998) study on the major implications for practice - to suggest that the organizations surveyed realized the importance and relevancy of multi-rater or self-appraisal as some useful sources of appraisal in the context of TQM. There is also a fairly common agreement on the necessity of understanding the concept of quality and more specifically customer care by all employees. Clearly, self-assessment, as Dalessio points out, can provide valuable information in some applications and should not be discarded as unreliable or biased for all purposes. In addition, as organizations continue to adopt upward and 360-degree feedback processes, the use of self-assessment and self-other comparison will increase. Analysis of the interview data also showed that the best system in place would fail if employees do not understand what the organization expects of them. Further, in many cases supervisors do not understand the process. As a consequence, the evidence for adopting and using these sources was rather less positive and it would appear to remain. Accordingly, Dalessio has strongly suggested that the extent to which the process is successful in an organization depends to a large extent on how well it fits with the strategy and culture of the organization and is supported by a set of mutually reinforcing HR practices (1998:322).

9.6.7 The Impact of HR Performance Evaluation on Organisational Performance

Interview respondents were also asked whether their HR performance evaluation had impact on overall performance of their organisations, and if so, what kind of evidence they had. All the organisations surveyed reported that HR performance evaluation practices had a strong impact on the organisational performance. In the interviews, one large public sector organisation showed evidence of such link and impact. According to the interviewee, indicators such as staff absence rate, staff illness rate, customer

complaints, and employee satisfaction have come down dramatically within last 5 years. It means, the interviewee says, the policies and strategies taken by the organizations have not had a negative impact on the individual. There were also some encouraging indicators of realising this link, when a private sector organization remarked: "HR performance has got a very strong impact on overall performance of the organization. However, the interviewee added, "we have not established a proper performance management system to measure such a relationship which, in turn, is a disadvantage of the current performance management system of the organisation". Although, the interviewee did not provide any clear evidence on the impact of HR performance evaluation on overall performance of the organization, but stressed the existence of a strong link. Given the link between individual performance, departmental goals, and organizational objectives, one interviewee from voluntary sector reported: "Providing an integrated review and performance evaluation system to individual and team evaluation means that people are aware of the organization mission, how to make contribution, and how to improve the overall performance of the organization". Other evidence cited by one of the interviewee - a voluntary sector organization - concentrating on the impact of HR performance on overall performance of the organization was, in the interviewee's words, "It is quite easy to demonstrate this impact in terms of how to use and allocate resources when we have a finite amount of money. If we are not managing the resource allocation based on the real contribution of department or individual it is not going to work". To precisely illustrate the impact of HR performance evaluation on overall performance of the organization, the interviewee cited an example in area of health and safety context and concluded that: "Spending resources on individuals in an inefficient way, means less resources for group activities, leads to low effectiveness of group performance, and results in low overall performance of the organizations".

In one medium-sized manufacturing organization, there were also positive signs of this impact when the interviewee referred to the employee satisfaction – done through employee survey - as an indicator of overall performance. Put it in another way, as the interviewee reported, the main idea and objective of employee survey is to improve the performance of the system. In line with the above data, to support the impact of HR

performance evaluation on overall performance of the organisation, one international manufacturing private organisation made a very reasonable comment to explain the link between performance management and improving organisational objectives: "Many organisations have set up performance evaluation for setting objectives and assessing employees' performance against those objectives". Other contributions of HR performance evaluation towards overall performance of the organisation, in the interviewee's opinion, were: discussing improvement and development of employee performance, and setting some sort of reward mechanism.

In short, the empirical evidence for the impact of HR performance evaluation on overall performance of the organization was relatively strong, lending support to the view of those who doubt whether such a link and impact is clear or not. The data provided some encouraging indicators that the organizations surveyed confirmed this impact and perhaps also becoming more involved in quantifying this link. It could be argued that, however, the lack of such evaluation of this impact is a real gap in performance management system of the surveyed organizations (see, Becker *et al.*, 2001). In addition, there was even less convincing numeric evidence for the impact of performance management on overall performance of the organizations.

9.6.8 Lack of Consistency between Performance Evaluation System and TQM Requirements: Low Effectiveness of TQM Programmes

Each interviewee was asked whether they believed that the lack of consistency between performance evaluation and TQM requirements would result in low effectiveness of their TQM programmes. Overall, the answers were interesting and convincing. One interviewee - a large public sector organization and winner of EQA - simply commented, "Yes, because it is people / human capital in a company that makes it different from its competitors". That is, the interviewee added, decisions on employees in an organisation (e.g., promotions, demotions, pay raises, rewards trainings, etc.) are normally achieved through performance evaluation outcomes. To put it in another way, in case of inconsistency, anything that is developed is liable to be rejected (see, Ghorpade *et al.*, 1995:35). The other, again a large public sector, maintained that lack of knowledge of TQM philosophy would result in designing a poor performance evaluation

system. In this case, the interviewee also believed that such a system would not communicate the TQM objectives across the organization efficiently. One interviewee, a private medium-sized organization, referred to the lack of knowledge of TQM precepts by commenting: "I think we do not really know what we expect from TQM and how to implement it correctly and properly. Having said that, designing any performance management system without sufficient knowledge of TQM does not meet the TQM requirements. Under such system, employees as the most beneficiaries of performance management system will be dissatisfied and disgruntled".

In the interviews, it was frequently pointed out that employees are the key core for the success of TQM programmes. In other words, the interviewees emphasized on the right staff as an integral part for successful implementation of TQM programmes. One interviewee from voluntary sector, for example, stressed that without a clear and explicit link between people performance indicators, through a well-designed performance management system, TQM would not be successful. People, the interviewee said, join the organizations to do a great job. To help them to excel, in the interviewee's words, "recognition of employee capability can be done through a performance management system tailored to TQM context". In addition, one public organization talks in terms of the negative consequences of such inconsistency by arguing that inconsistency between performance evaluation and TQM requirements would make employees lose confidence in the system. The interviewee clearly articulates this link by saying, "quality is a part of people's work. It is not something separate and extra. Such inconsistency is one of the main reasons of TQM failure, which in turn, makes employee to perceive quality something different from what they are doing". Also, a private sector manufacturing company summarizes the impact of inconsistency on effectiveness of TQM by saying: "Because inconsistency means lack of effective implementation and lack of commitment and these will result in low effectiveness of TQM programmes". In other words, at the end of the day, the interviewee says, people will associate performance with pay and rewards. If they do not get reward they do not try to excel and participate genuinely in the system. Finally, the interviewee summarised his argument this way: "if HR performance evaluation is not well structured it will give the TQM a bias".

In sum, the interview data revealed some evidence of the link between performance evaluation system and TQM effectiveness, but raised doubt about the extent to which these arguments really considered in designing the performance management systems. Most interviewees acknowledged that the implications of the inconsistency could be negative for both employees - reported as the most important factor in creating value in a 2003 GMJ (*Gallup Management Journal*) paper - and TQM organizations. Further, in case of any inconsistency, the data showed that people would automatically see and feel it. This, in turn, will cause people not to try to excel. Deming (1986) elaborates on these points and argue that such problems fundamentally impede the transition to a stable TQ environment, or they actively encourage regression to traditional ways.

9.6.9 Inclusion of System Factors in Performance Evaluation Systems

The need for inclusion of system / situational factors in HR performance evaluation has been stressed by many of TQM and organizational commentators (see, for example, Deming, 1986; Cardy, 1998; Waldman, 1994; Wilkinson *et al.*, 1998). The majority of these researchers, however, have questioned whether in reality such factors are included in performance management systems. The empirical data for this study showed that for the majority of interviewees these factors are not taken into account for measuring HR performance. For the few remaining, these situational factors were also partially included. Of companies, 80 percent for example, have not considered the system factors as a part of their approach to measuring HR performance, and the last 20 percent maintained that they have included some aspects of system factors in their HR performance evaluation. For these 20 percent, however, the evidence of this inclusion was much more limited and implicit. A summary of the main reasons for ignoring system factors in the HR performance evaluation are summarized in Table 9.10.

Table 9.10 The Reasons for Ignoring System Factors in the HR Performance Evaluation

- Lack of system thinking
- Thinking in a linear way
- Getting used to thinking in a routine and usual way
- Focus on individual
- Lack of awareness of system factors
- It is human nature to take easy route
- Lack of knowledge of quality precepts by top management

- It makes the performance management system more complicated

The interview data also revealed a lack of knowledge about quality management, which in turn could be an obstacle to inclusion of system factors into performance evaluation systems. One of the companies - a public sector organization - remarked:

“I do not think the majority of people especially in managerial functions understand it. They might see their area of work as a small system but they do not understand the interrelates with organization broader system. So lack of system thinking is quite obvious in the organization”. Ignoring system factors, sometimes, is due to the lack of proper training. As one of the interview from public sector comments: “One problem is training. Training sessions are very informal, sometimes one day or more per year. Thus, is it enough to know TQM and understand TQM job and system thinking in a TQM way?” One of the problems that many of the TQM organizations are facing, in the words of a voluntary sector organization, is because “they think in a linear way for solving and tackling problems”. The interviewee explained this situation this way: “One of the problem that the majority of organizations are facing is because they think in a linear way or think ‘either’ ‘or’, which results in ignoring a system-oriented appraisal to work”. Thus, looking at the individual performance in a systematic manner, the interviewee comments, is a key issue in a TQM context, and see how the two interact with each other.

The other voluntary sector organization - a medium-sized one - reflected on what was a common theme for most 80 percent interviewees, with the comment, “ the main reason for ignoring system/situational factors is because that is the way we usually do. We like to think in a routine and usual way. ‘A’ happens and leads to ‘B’ and results in ‘C’. We have a culture of not thinking in a systematic way, and we have a culture of organizing in a hierarchical non-systematic way”. Similarly, the majority of performance evaluation systems within the surveyed organizations were designed for an individual-based evaluation. That is, the main focus is on individual, although in TQM context system factors do influence the individual performance. Further, the interviews revealed that lack of active management of staff could be an obstacle to ignoring system factors. To explain the impact of employees on the success of TQM, one interviewee pointed out,

“Systems are only as good as the people who operate within them. It is vital therefore that staff are empowered to complete the task with complete autonomy”. Put it in another way, underpowered employees are not in a position to affect the system factors, but they are subject to the system influence. Ignoring system factors in performance evaluation systems means that the system tries to make the people to meet the system requirements and adapt themselves to the system.

Conversely, in the remaining two organizations - one private, manufacturing and the other public - there were a number of positive signs of considering system factors into their HR performance evaluation systems and yet the respondents appeared to be unsure and doubtful of its existence. One of these two, for example, reported, “We take into account the system factors and we make adjustment of the system. We also have standards for each part of job done, perhaps what we do not do is probably insufficient note taken of such activities as product flows, poor equipment, machine down time and a number of these similar issues which are actually putting constraints on the system. I guess that what we do now is probably insufficient”.

In short, although all organizations agreed on the importance of system/situational factors, there was less firm evidence that they would modify their systems for taking these factors into account. In only two cases - a private manufacturing, and a public organization - were there specific mention in the interviews of modification of performance management systems for inclusion of system factors. In the majority of organizations, as the interview data showed, were much more vague about the nature of the system factors and their impacts on employees performance. As mentioned earlier, although very few organizations categorized themselves as having a fairly TQM-based HR performance management system, but is quite positive - if not yet revealing conclusive evidence - of understanding the influence of system factors on individual performance in a quality-driven context. This conclusion is also consistent with Deming’s (1986) arguments and other organizational researchers (e.g., Scholtes, 1993, 1995; Waldman, 1994; Wilkinson *et al.*, 1998; Cardy, 1998).

9.6.10 Implications of Inconsistency between HR Performance Evaluation and TQM Assumptions for Employees

When this issue was researched during the interviews, a recurring theme emerging was that although the management was certainly aware of the employee's role in successful implementation of the system, the results of such awareness was not translated into HR performance evaluation practices. In addition, the majority of interviewees confessed to dissatisfaction of their employees with HR performance evaluations. Comments such as "I think this inconsistency removes the morale in the workforce" and "it has a strong negative implications for employees" were quite common in their responses. Taking a TQM approach, one interview explained this negative implication this way: "Employees will see different measures which are inconsistent with TQM activities and will be confused in fulfilling a particular quality job". Another interviewee - a large public sector organization - argued that in the vast majority of organizations performance evaluation is only good for a certain category of people. The interviewee defined these categories as good and bad performers. According to the interviewee, those who are good performers and like to get promotion within the organization, and those who are bad performers and management want to do something about them. The vast majority of employees, however, fall between these two categories. Thus, the conclusion that the interviewee came to was "the staff performance evaluation is completely irrelevant". HR performance evaluation as a once-a-year issue has been criticized due to the poor management, in one of the surveyed organization. Such problems with performance evaluation led the interviewee to identify a link between employee dissatisfaction and failure of TQM programmes. Further, the interviewee comments: "Lack of understanding of TQM leads to a lack of effective communication of TQM practices, which in turn, may lead to a lack of commitment to TQM programmes". As a consequence, the bottom line is clear: TQM failure.

The negative implications of TQM and performance management inconsistency was also compounded by the fact that employees engagement in designing and implementing the HR performance evaluation system, in the majority of organizations, was quite low. These findings are consistent with the most recent survey on employee engagement

reported in *Gallup Management Journal* (2002). According to the report (see, for further details, gmj.gallup.com): “More than half of the employees may not be engaged with their work. That should be more alarming to you right now than plummeting stock prices or accounting scandals. But, unlike the stock market, you can actually do something about non-engaged workers”. Having discussed the results of the Gallup’s survey, one interviewee - a private manufacturing organization - articulates this issue precisely this way: “There is something fundamentally wrong with the assumption we have in the company in terms of how we engage our employees. One of their assumptions, including ourselves, is that we focus more on the people weaknesses as oppose to plain the strengths and encouraging them to work on the strength”. In other words, what all the performance management do is to look for weaknesses and start working on them, fill up the weaknesses gap, skill gaps, rather than focusing really on where the strengths are and helping employees to succeed in those strengths. Besides, the interviewee adds, if an organisation has a much more engaged personnel then it would have a mechanism to establish a link between HR performance and TQM requirements. As a footnote, the Gallup surveys (2002, 2003) showed those organisations who had focused more in strengths were considerably more productive and more engagement of employees and vice versa. Such mechanism, in turn, may create a consistent linkage between HR performance and TQM in terms of how to reward, pay, and help employees to improve their performance.

Accordingly, in another interviewee’s opinion - a voluntary sector - this was demonstrated by the this comment: “If you have a performance evaluation consistent and congruent with TQM framework, you are automatically empowering the people to make decision, make choices, take risk, make new contribution, and as a result, their motivations and attitudes will be improved”. The above arguments and comments were also backed up in the interview with a public sector organization, a winner of EQA, while the interviewee felt that without employee engagement any system was subject to failure, as the interviewee put it: “In our organisation, self-evaluation is the key for bringing the two together”. Without this, as the interviewee maintained, any TQM initiative is doomed to failure. In the interviewee’s organisation, employees required to

conduct a self-evaluation of their performance and submit this to the line manager prior to Performance Management Review. This approach, in turn, ensured that the review was conducted in an effective and appropriate manner.

Overall, the interview survey revealed far more evidence for designing a performance management system supporting employees rather than an evaluation system which ignores the employee demands and expectations. When the evidence for all 10 organizations was summarized after the interviews, the results would point towards a slightly supporting rather than a tight control approach for performance evaluation. As shown above, for nearly all interviewees, HR practices and people issues domain and being cascaded into the management line. In particular, they found this shift very rapid and huge. Despite these very positive evidence, however, the nature and position of people in both HR performance evaluation and TQM was by no means clear in terms of the degree of engagement, empowerment, and contribution.

9.7 Summary

The discussion of findings of the interview survey further support for the conclusions emerged from the analysis of the questionnaire survey. Although the main aim of TQM is, in Wilkinson *et al.*'s (1998:41) words, "to develop a quality culture", in only a small number of cases, however, is this transformation in the direction of a 'TQM-based organisation' which so many pundits have proclaimed. Rather, at least in area of HRM practices - performance evaluation - it appears to be the form of the personnel management, which is much look like that it was a decade ago. As well as the lack of management commitment which enveloped the TQM programmes in the early stages of implementation, a key part of the explanation for this failure lies - as revealed in the interviews - in the inconsistency between distinctive features of a quality-driven HR performance evaluation with those of a traditional one. Despite of this inconsistency, for whatsoever reason, it seems that there has been little pressure on management to adapt the performance evaluation system with the context of quality management.

The findings in respect of the main themes of the interview survey such as, effectiveness of TQM programmes, the rationale for performance evaluation, the degree of

consistency between performance evaluation and TQM requirements, and the effect of such inconsistency on employees, are very important: they confirm – what an increasing number of commentators have recognized – namely a low internal consistency among the surveyed organizations in terms of integration of TQM requirements into the HR performance management practices. That is to say, although all respondents acknowledged the importance of an HR performance evaluation system tailored with quality management precepts and assumptions in the interest of both employees and organizations, the conclusion, unpalatable though it may be, is that performance evaluation in the majority of organizations surveyed is locked into a vicious circle: low consistency, low engagement, low satisfaction, and low contribution to the TQM.

CHAPTER 10

CONCLUSION

10.1 INTRODUCTION

This chapter focuses on the key research findings and challenges pertaining to evaluation and managing the employee performance in the context of quality management derived from the literature survey, questionnaire survey, and semi-structured interview survey. Topics include the generic criteria of the current HR performance evaluation systems, the main criteria of a quality-driven HR performance evaluation system, and the extent to which HR performance evaluation systems have been adjusted to integrate TQM requirements. Thus, the goal is to review the published literature and highlight the actual practices and trends in the HR performance evaluation in organisational environments with a quality orientation. It concludes that by highlighting where we have made progress, acknowledge critical gaps, and attempt to stimulate additional research.

10.2 Key Findings

The followings are derived from the literature and empirical surveys conducted on the TQM-driven organisations registered with QSF. Since the details of the findings were discussed in depth throughout the previous chapters - chapters 2 to 9 - this section only highlights the key findings from the surveys.

10.2.1 Literature Survey

Although the theme of this research project is an examination of HR performance evaluation in the context of TQM, the researcher wants to close by emphasising that TQM-driven HR performance evaluation must be an organisational imperative if TQM objectives and customers - internal and external - expectations are to be met and satisfied. Having considered the crucial role of other TQM issues - systems, tools and techniques or 'hard aspects' - what is being emphasised here is that the measurement of performance is the foundation on which performance management is built. In Randell's (1994:237) words, "If the foundation is flawed, the whole structure is suspect".

The literature survey provides an insight into the issues involved in the development of a quality-driven performance evaluation that complements TQM requirements. It has contrasted TQM precepts and HRM approaches to HR performance evaluation in the workplace. In particular, the quality contention that HR performance evaluation should be eliminated was examined in detail. As a result, it was revealed that for measuring the real contribution of employees into quality programmes certain criteria should be used. To this end, the literature survey highlighted the main difficulties with traditional performance evaluation (see, Table 10.1):

Table 10.1 The Main Difficulties with Traditional Performance Appraisal Systems: a General View

-
- A focus on the past
 - Use of quantifiable measures
 - Traits are inputs to work, not outputs
 - Traits are subjective
 - Conservative use of performance appraisal rating scale
 - Pay awards 'unrelated' to performance appraisal
 - Annual performance appraisal emphasising formal procedures
 - The limits of only two performance appraisal views
 - Performance appraisal forms can impede wider discussion
 - Performance appraisal objectives are not always measurable
 - Different performance appraisal schemes for different employees
-

Furthermore, the basis for rejecting employee performance evaluation from TQM perspective was also explored (see, Table 10.2):

Table 10.2 Performance Evaluation in the Context of TQM: A Critical Review

-
- Holds the worker responsible for errors that may be the result of faults within the system
 - Promotes worker behavior that compromises quality
 - Creates a band of discouraged workers who cease trying to excel
 - Robs the workers of their pride in workmanship
 - 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 organisation
 - Creates losers, cynics, and wasted human resources
 - Seeks to provide a means to administer multiple managerial functions
-

The literature survey revealed that low integration of performance evaluation criteria with the context of the organisation appeared to occur frequently enough to justify designing a

TQM performance evaluation to knit the pieces of the performance evaluation and TQM requirements back together into a coherent whole called 'TQM-driven HR performance evaluation'.

But what exactly a TQM performance evaluation should be? As described in the literature survey, guidance from the literature appears to be largely sparse. Guidance from academic practice is also few and without objective evidence. While the majority of today's organizations have made progress toward delivering a quality product or service via adoption of different quality management approaches, however, their performance evaluation systems continue to focus on individual differences in the management of performance rather than emphasizing on the system factors and system improvement and finally removing system barriers to performance. Not only this focus is insufficient but also is in sharp contrast to the approach taken by TQM. As a first step toward filling this void, the literature survey has described theoretical foundations that believe may enable effective performance evaluation in the context of TQM, and highlighted the following criteria most compatible with a quality-oriented HR performance evaluation (see, Table 10.3):

Table 10.3 Performance Evaluation Criteria Compatible with the Context of Quality Management

-
- Link between level of individual performance, rewards, and organisational financial performance
 - Employee involvement, acceptance and trust of the performance review system
 - Multi-rater as the main source of appraisal rather than immediate supervisor
 - Improving of employee's performance rather than a control approach to appraisal
 - Objective measures rather than subjective measures
 - Inclusion of system factors
 - Customer care
-

Not only the findings from the literature survey revealed that performance evaluation is still a vital necessity in a quality-driven context, but also it has built the foundation for the complementary empirical work. To this end, the empirical work - complementary to the literature survey - considered the 'TQM and HR performance evaluation' integration issue within a sequence of three interrelated research questions. (1) What are the generic criteria of the HR performance evaluation systems that are currently used in organisational environments with a quality orientation? (2) What, if any, should be the key criteria of a

quality-driven HR performance evaluation system? (3) What is the degree of consistency between the systems in current use and the key criteria of a quality-driven system? That is, to what extent, are the currently applied HR performance evaluation criteria in line with TQM demands and expectations?

10.2.2 Questionnaire Survey

Data was collected on performance evaluation from a sample of over 150 TQM registered organisations of QSF in different economic sectors of different sizes and with enough experience of quality management approaches to reflect the widest possible range of characteristics of HR performance practices in the context of TQM. While on the whole, the data point to an increase in performance evaluation usage amongst the surveyed organisations, however, there is relatively low consistency between TQM requirements and the performance evaluation systems in the sample organisations. This means that the current HR performance evaluation systems are unlikely to meet the needs of both TQM-driven organisations and employees.

There are two logical extensions to the literature survey that have been covered in the questionnaire survey. The first extension was to develop the generic criteria of the current HR performance evaluation that would aid in establishing a TQM-based HR performance evaluation. To this end, the main findings of the questionnaire survey were given in Table 10.4.

Table 10.4 Generic Criteria of HR-Performance Evaluation System

Highly used criteria (57% to 72%)

- Individual-based responsibility versus collective responsibility for quality management programmes
- Providing feedback
- Emphasis on both personal and job-related training
- Customer orientation
- Participation in determination of work objectives
- Precise employee performance standards and objectives

Low used criteria (less than 28%)

- Emphasis on intrinsic motivators of employees
- Upward appraisal
- Contribution to the department goals
- Meeting demands and expectations of both quality management and employees
- Monitored by both HR and Quality staff
- Team-based compensation system

The second extension would be to integrate these performance measures and TQM assumptions and precepts to develop empirically a set of criteria of performance evaluation for quality-focused organisations. This system would aid in examining the fit between HR performance evaluation and TQM assumptions in quality organisational environments. To this end, as the result of the questionnaire survey the following measures identified to be the main criteria of a quality-driven HR performance evaluation – ranked in order of importance (see, Table 10.5)

Table 10.5 Main Criteria of a Quality-Focused HR Performance Evaluation

1. Improvement of employee performance
2. Customer orientation
3. Involvement of employees
4. Performance evaluation as a quality effort
5. Collective responsibility
6. Qualified supervisors
7. System factors
8. Focus on process
9. Absolute standards
10. Management-driven

Overall, the data gathered point to an increase in performance evaluation usage amongst QSF organisations; however, there is low consistency between performance management systems and TQM requirements. As it has shown in Table 10.4, low-used criteria are those which are TQM requirements. Further, the highest rated indicator of HR performance, individual-based appraisal, is in sharp conflict with TQM philosophy.

Other key results and issues emerged from the questionnaire survey are reiterated as follows:

Table 10.6 Success of TQM Programmes

Very successful	Reasonably successful	Neither successful nor unsuccessful	Unsuccessful	Very unsuccessful
6%	26%	47%	16%	5%

Although TQM is receiving global acceptance and many organisations try to follow and implement TQM, the current survey, as shown in Table 10.6, and similar empirical research, however, does indeed reveal a low degree of success for their quality management programmes. With regard to QSF organisations, the survey indicates that less than one-third of the respondents were satisfied with their quality management programmes (32% compared

to 67%). Thus, what are the main barriers and difficulties faced in implementing your TQM programmes?

Table 10.7 Effectiveness of HR Performance Evaluation in Improving TQM Objectives

Very effective	Moderately effective	Neither effective nor ineffective	Ineffective	Very ineffective
5%	32%	45 %	13%	5%

Overall, it seems from Table 10.7 that the perception of nearly 63% of the organisations responding was that the current HR performance evaluation system had not had a positive impact on the improvement of TQM programmes. Further, very few organisations (only 5% of all respondents) mentioned that their HR performance evaluation systems were ‘very effective’ in improving quality management programmes. Thus, it can be argued that in majority of the organisations surveyed the current HR performance evaluation systems are not effective in achieving TQM objectives!

Table 10.8 Sources of Performance Evaluation: R = Recommended; P = In Practice

Self		Multi-rater		Peers		Superior/supervisor		Outsiders		Subordinates	
R	P	R	P	R	P	R	P	R	P	R	P
40%	5%	25%	9%	16%	3%	14%	77%	3%	3%	2 %	3%

Examining Table 10.8 allows comparisons of different sources of appraisal and shows the gap between what was recommended to use and what sources were currently conducted in the organisations studied. As it is shown above, 77% of the organisations were using employee’s ‘immediate manager / supervisor’ as their main source of HR performance evaluation. In contrast, in recommended effective sources of performance appraisal by the organisations studied, ‘self-appraisal’ was suggested as the most congruent source of appraisal in quality organisational environments, followed by ‘multi-rater’ as the second most consistent source of appraisal. So what does this gap imply? Why immediate supervisor, as the traditional source of employee appraisal, is the main source of employee performance evaluation in the majority of QSF organisations, however, not being suggested as the most consistent source of appraisal with TQM assumptions for conducting HR performance evaluation?

Table 10.9 Impact of HR Performance Evaluation on the Organisational Performance

Very effective	Moderately effective	Neither effective nor ineffective	Ineffective	Very ineffective
8%	34%	29%	20%	9%

In relation to the effect of performance evaluation system on the overall performance of the organisation, according to Table 10.9, 42% of the respondents viewed their performance evaluation systems as ‘very’ and ‘moderately effective’, compared to 58% who maintained that their performance management systems had not had a positive impact on the overall performance of their organisations. Thus, the question is: how the organisations surveyed measured this impact, or, is there any evidence to support this link?

Table 10.10 Impact of HR Performance Evaluation on Employee Motivation towards Quality Programmes

Very effective	Moderately effective	Neither effective nor ineffective	Ineffective	Very ineffective
3%	27%	26%	33%	11%

Accordingly, as Table 10.10 shows just 30% of the organisations surveyed indicated that their performance evaluation system in relation to having a positive impact on employee motivation towards successful implementation of quality programmes were ‘very’ and ‘moderately’ effective.

Table 10.11 Lack of Consistency between Performance Evaluation System and TQM Assumptions Results in Lack of Effectiveness of TQM Programmes

Yes	81%
No	19%

As Table 10.11 shows, 81% of the organisations surveyed believed that lack of consistency between performance management system and quality management practices would result in lack of effectiveness of quality management programmes, whilst the remaining accounted for 19% replied that this inconsistency would not affect the effectiveness of TQM programmes. The survey also clearly indicates that many of the organisations studied are not interested in the role of appraisal for understanding the main reasons for variance in the performance (system factors), and as a result aiding employees to improve their performance, but for the role of organisational functioning through feedback and administrative decisions.

To sum up, the discussion of the outcomes offers further support for the conclusions emerging from the analysis of the literature to date. Regrettably, after two decades of extensive application of TQM, few changes are taking place in HR performance evaluation in the TQM context. In more accurate language, it may even be appropriate to talk about a remarkable inconsistency between the current HR performance evaluation and TQM demands and

expectations. Further, the survey and analysis of the responses provided by the participants showed that attempts to design and administer the current performance evaluation systems to resolve the problem of meeting TQM requirements and employee motivation towards quality programmes had not been successful. Thus, organisations must re-evaluate their HR performance evaluation systems and eliminate any confusion arising from inconsistency and incongruity of the HR performance evaluation system with TQM principles and philosophy. In conclusion, HR performance evaluation is still a vital necessity in the quality management context, but it needs to be adapted in important ways so that the practice maximally contributes to the quality efforts.

10.2.3 Semi-Structured Interview Survey

The interview survey, as the second stage of the study, was set out to investigate the main issues emerged from the first stage of this research project - a questionnaire survey - on the degree of consistency between HR performance evaluation and TQM requirements including: effectiveness (success) of TQM programmes and the main barriers to be overcome; the rationale for current approach to employee performance evaluation system; the degree of consistency between HR performance evaluation systems and the precepts of TQM; and the relationships between performance evaluation system, the effectiveness of TQM programmes and the level of employee satisfaction. In a similar line to the questionnaire findings, overall, the interview results suggest that there is a low internal consistency among the surveyed organizations in terms of integration of TQM requirements into HR performance management systems (performance appraisal). All respondents acknowledged the importance of an HR performance evaluation system tailored with quality management precepts and assumptions in the interest of both the employees and the organizations. In addition, there was universal consensus as to the need for adoption of a TQM-driven HR performance evaluation in quality organizational environments. There are, however, certain barriers highlighted through this survey in relation to quality management practices as well as HR performance evaluation systems that must be removed for the benefit of all organizational stakeholders.

Overall, the survey findings give no clear evidence of existence of an integrated and well-structured measurement system for assessing the TQM success in the majority of surveyed organisations. Customer service, as a key success measure for TQM programmes, as commented by the majority of respondents, 'is the easiest measure to use'. Yet, a number of key success factors should have been included in the key success measures of TQM for assessment the holistic nature of quality management practices. A company-wide picture of such key indicators was presented in Baldrige award and more recently EFQM Business Excellence model. What is surprising here is that the surveyed organisation have already been registered with QSF as one of the National Partner Organisations of EFQM in the UK. In addition to the poor measurement of TQM effectiveness through a company-wide framework, lack of complete top management commitment and other senior management team, which result in lack of commitment of employees, proved to be the major barrier to TQM success. Indeed, the survey proved one universal consensus as to the lack of enough knowledge of TQM by both management and employees. The evidence, however, for 'why' such barriers exist is less clear.

With regard to the internal consistency between HR performance evaluation and TQM requirements, the survey found little evidence to indicate a high internal congruity - as proved through the questionnaire survey - although the majority of the organisations appeared to be very aware of this incongruity and its negative implications for both the organisations and the employees.

Having accepted customising the performance management system to fit the organisation context, assessment of the effectiveness of performance management (appraisal) was not part of the interviewees' performance evaluation systems. Accordingly, comment such as "we do not measure or assess the effectiveness of performance management (evaluation) in achieving TQM objectives" was very common. In line with these findings, the evidence on issues such as the sources of appraisal, and the nature of changes made into the performance management (evaluation) system at the commencement of TQM programmes were not strong and enough.

Furthermore, the main reason of ineffectiveness of HR performance evaluation was reflected in a number of points namely: subjective measures, ignoring individual

objectives, unqualified management in providing feedback to employees, to name just a few.

As a consequence, impact of the aforementioned findings could have negative implications for both the organisations and the employees. The majority of interviewees believed such inconsistency would make employees to lose confidence in the system and not to try to excel and as a result low organisational performance, as one of the interviewee put it: “employees are not happy with performance evaluation system and as a consequence we do not see tangible outcomes of TQM. Why? Because we say something and we measure another thing”.

However, despite the unwelcomed results of the survey, and a general consensus among the interviewees on a clear link between HR performance evaluation system and TQM effectiveness, the research raised doubt about the extent to which these arguments really considered in designing performance management system. In particular, in case of any inconsistency among different organisational systems, it has been revealed in the survey that, employees would automatically see and feel it. This, in turn, would cause people not to try to excel and would result in low TQM effectiveness followed by low overall organisational performance.

10.2.4 HR Performance Criteria and TQM Assumptions: Consistent or Inconsistent?

What is the degree of consistency between the systems in current use and the key criteria of a quality-driven system? That is, to what extent, are the currently applied HR performance evaluation criteria in line with TQM demands and expectations?

The survey was intended, in part, to explore whether HR performance evaluation systems are congruent with quality management philosophy and practices. Looking at the overall percentages (% respondents), it can be argued that the most relevant and highly emphasised quality management precepts as a part of employee evaluation systems received least attention among the respondents (see, Table 10.4). Put it in another way, the current HR performance evaluation systems in the majority of QSF organisations focused mainly on the measures which were entirely appropriate for a non-TQM context i.e. traditional performance appraisal. With regard to a few criteria such as: participation in

determination of work objectives, providing feedback, emphasis on personal training and development used by 58 to 64 percent of the organisations, it can be argued that such measures are generally part of an effective HR performance evaluation system rather than a TQM-focused HR performance evaluation. The evidence also shows that the greatest emphasis of the performance evaluation in the surveyed organisations is on the individual responsibility for performance and the least on teamwork performance accounted for approximately 72 percent and 6 percent, respectively. Application of the other quality-focused measures consistent with TQM context varied between 14 to 28 percent. This again seems to confirm the inconsistency of performance evaluation systems with TQM precepts and assumptions, given that a relatively small proportion of the surveyed organisations were applying quality-focused measures for assessment of employee performance.

Further, the survey provides some more evidence that may cause concern, but of little surprising, given that a very low proportion of the respondents considered system factors to be inappropriate as a measure for evaluation of HR performance. Ignoring system factors contradict the fundamental TQM requirements. Despite the high emphasis on situational / system factors, inclusion of these measures in performance evaluation received the lowest attention among the respondents. As mentioned earlier, the main reason for supporting this issue is the belief that HRM can be utilised in the implementation of TQM through the management of individual performance. Similarly, the survey results found 'management of individual performance' as the most agreed criterion of the performance evaluation systems in place; however, this is entirely appropriate for a non-TQM context. The difficulties encountered with the use of assessing 'individual performance' rather than 'system performance' have been highlighted as long ago as 1986 by Deming and others (e.g., Scholtes, 1993; Cardy, 1998; Carson *et al.*, 1991; Wilkinson *et al.*, 1998; Cardy *et al.*, 1998; Seddon, 2001). In short, the results demonstrate remarkable incongruity between performance evaluation practices with those of measures consistent and required by quality management. More precisely, Deming (1986) argued that system factors account for up to 95 percent of the variance in performance. From such argument, Masterson and Taylor (1996) conclude that while TQM admirably draws

attention to the systems and processes within an organisation, it virtually ignores the role of the individual, thereby overlooking a potential source of quality improvement or in Mak's (2000) words, competitive advantage in the new millennium - people. Consistent with Masterson and Taylor's (1996) argument, Wilkinson *et al.* (1998:4) summarised the gap this way, "TQM has often failed to fulfil its promise, and reports suggest this might be due to a lack of attention to such HRM issues". At the same time, performance appraisal, is the case with most human resource systems, has focused primarily on the individual sources of variation in performance (Dobbins *et al.*, 1991). Accordingly, Cardy's (1998) view is against the Deming's argument discussing that if performance is largely due to systems-level features, then it makes little or no sense to assess the workers since they contribute such a small amount - 5 percent or less - to the organisational performance outcomes (p. 135).

No doubt many attempts to integrate TQM requirements into HR performance evaluation were widespread in work organizations in the last two decades and probably reached a pinnacle by Deming (1986), and most recently by Waldman (1994), Cardy (1998), Wilkinson *et al.* (1998), and Masterson and Taylor (1996). However, the legacy of measuring the amount of individual contribution versus the lion's share of variance in performance - systems-level factors claimed by TQM proponents - remained. In other words, there is still no data, no research aimed at shedding light on the frequently cited question throughout the literature on HR performance evaluation in quality organizational environments: Are the problems of an organizational performance are attributable to either systems-level features or the individual performance of individual employees? Overall, there is only opinion-based data suggested by a number of TQM gurus (e.g., Deming) and his followers (e.g., Scholtes, 1993), and little hard evidence supporting the notion that the vast majority of performance variation is caused by system / situational performance factors. At present, it is not empirically known whether the variance in organisational performance is either determined by systems-level features or individual. Such arguments appear to occur frequently enough to justify exploring the sources of conflict between TQM and HRM regarding organisational performance through a new research.

The reality in respect of quality-focused HR performance evaluation is that, for the majority of organisations surveyed, the experience of HR performance evaluation practices over the last two decades, is more like the performance appraisal that it was many years ago i.e. traditional HR performance evaluation. The findings indicate what Deming (1986) has said - many years ago - that performance evaluation practices are a root cause of quality management problems. Attempts to redesign and administer the current performance evaluation systems in such a ways to resolve this problem have, so far, been unsuccessful. The conclusion, unpalatable though it may be, is that HR performance evaluation in the majority of surveyed TQM-based organisations is locked into a vicious circle of individual performance, control approach, HR dissatisfaction, and low degree of success for TQM programmes.

10.3 Recommendations and Implications for Future Research

The research findings suggest that HR performance evaluation is still a vital necessity in the quality management context, but it needs revisiting and researching in important ways that are likely to work better where they are in line with the quality management context. To this end, although the researcher agrees with the aforementioned literature (see, for example, Cardy, 1998) that there is no easy recipe for a perfect performance evaluation that fits all aspects and requirements of TQM, thus many of the recommendations summarised in the paragraphs that follow are likely to be useful.

1. An integrated and well-structured performance measurement for measuring the effectiveness of both TQM and performance management will facilitate their success.
2. Continuous monitoring of TQM programmes plus ongoing reviewing and updating of performance evaluation - through a well-structured performance measurement - for meeting constantly changing of organisational and employees needs and requirements are vital.
3. To be successful, TQM must be implemented with a clear sense of the degree to which the context is characterised by uncertainty, nonroutineness, and/or instability. That is, TQM precepts and associated practices should be matched,

customised, and tailored appropriately to meet the individual and situational requirements - opposed to universal orientation of TQM.

4. Top management and senior managers should be fully committed, and should get proper education of TQM which in turn could help them understand a proper performance evaluation congruent with quality organisational environment.
5. The expectations of customers - internal and external – should be integrated in the dimensions and standards of performance that are appraised, thereby eliminating the chance that workers will be rewarded for performance that is valued by their functional area or supervisors but is irrelevant to the customers of the product or service.
6. In the context of TQM, performance evaluation should play a crucial role towards empowerment and trust of the workforce through providing constructive feedback for the purpose of improving their performance, increasing its accuracy, and enhancing individual employee contributions and involvement to designing and implementing the evaluation system.
7. The main approach to performance evaluation should lie in helping employees to improve their performance - rather than a control approach to performance - through improving their awareness to TQM precepts as well as defining clear objective, measures and targets.
8. Situational / system / contextual factors should be included in the performance evaluation, through a set of explicit performance measures.
9. Inclusion of sources who are most knowledgeable about the person and system factors that influence a system factors (e.g. multi-rater feedback, self-evaluation).
10. Understanding and recognition of people as the key to TQM success can be done through a performance evaluation system consistent with the context of the organisation.
11. Employee involvement and engagement in performance evaluation activities through empowerment - central to TQM - can guarantee success of TQM and employee satisfaction.

12. Providing honest, constructive, and quality feedback, will guarantee improving and acceptance of the performance evaluation in quality organisational environments.
13. Outperformers should be rewarded through a set of explicit performance measures.
14. Feedback, training, and compensation should be linked with performance evaluation results.
15. The fit of employees with organisation - staff selection - is the first step towards developing a quality culture and consequently a performance evaluation consistent with the context of TQM.
16. To be successful, team performance as a key to organisational success in the context of TQM should be accompanied by a team-based rewards system.
17. A performance-based pay plan / financial incentives, for the purpose of raising employee awareness of the key quality issues - as one criterion of a broad range of measures of quality improvement - might have a positive role in effective implementation of TQM programmes. It should be noted that such reward and recognition process must be continually improved in order to meet the changing needs of both the employees and the TQM organisation.

Still, the above prescriptions can serve as a road map and a challenge to the practitioners. The research findings have the potential to aid both researchers and practitioners in comprehending the broad and complex mix of performance evaluation practices with those criteria underlying TQM philosophy identified through the research. In any case, progress will be made only when these findings are applied in the real-world settings by practitioners. So when practitioners, Smither (1998) argues, close their eyes to research findings, they have no one but themselves to blame. Hence, it is believed that the empirical research itself is the primary contribution of this research project. The research also contributes in establishing a TQM-driven HR performance evaluation system and attaining acceptance and successful implementation of quality programmes, efficient and cost-effective operation and finally, to increase internal and external customer satisfaction. There are other theoretical and practical contributions and implications of the study's findings for quality-driven organisations. The research project moved beyond the "straw-men" arguments about TQM and performance evaluation through specifying a

generalisable set of criteria and measures under which the researcher believes performance evaluation practices could make important contributions to organisational effectiveness without impeding the success of TQM operations, and many management scholars have suggested this is indeed the case (e.g., Blackburn & Rosen, 1993; Carson, 1992; Graber *et al.*, 1992; Waldman & Kenett, 1990; Cardy, 1998; Wilkinson *et al.*, 1998; Ghorpade *et al.*, 1995; Waldman, 1994). Furthermore, by empirically identifying the components of a quality-driven performance evaluation system in a sample of EFQM-affiliated organisations, the researcher tried to void the “apples and oranges” problems of previous research, and thereby provide a more credible case for the complementarity of TQM and performance evaluation. As a final theoretical contribution that goes beyond simply demonstrating the complementarity of the TQM and performance evaluation system, the research project has come up with not only the main barriers to a successful TQM and an effective performance evaluation but also a number of recommendations which could help the two TQM and performance evaluation systems to add value to each other through clarifying the barriers to designing a performance evaluation system congruent with organisational environment with a TQM orientation.

Now, it appears that few organisations have adopted a relatively TQM-based HR performance evaluation that can be used to in a quality management context for the benefit of both organisations and customers i.e. internal and external. Thus, the infrequent implementation of these attributes for measuring HR performance indicates opportunities that QSF-based organisations in particular, and TQM-based companies in general, might exploit to enhance their operation and, in turn, to improve employee satisfaction, and customer loyalty. It should be noted that these measures and recommendations should not be construed as an exhaustive set of all the factors that a TQM-based performance evaluation system might need. Instead, this list of criteria and recommendations may be thought of as a point of departure for future study into the soft aspects implications of TQM. Clearly, this set of measures contains a diverse set of both hard and soft natures. More importantly, all these criteria have a common thread in that they emphasise a continuous improvement process as the core idea of TQM.

In respect of the generalisability of the research findings, it should be noted that although the criteria developed for measuring HR performance evaluation were collected from QSF membership organisations, they are, however, likely to be generalisable and applicable to other EFQM-affiliated organisations and other organisational contexts with a TQM orientation. Nevertheless, it would be insightful to develop performance evaluation criteria consistent with other organisational contexts in order to clarify the differences, if any. Furthermore, research towards understanding the strengths and weaknesses of each of these performance evaluation measures in TQM-driven organisations and under what conditions each criterion is most appropriate would be of immense value. Assuming that such TQM-driven HR performance evaluation can be successfully applied to other non-TQM firms, there arises yet another research issue of interest.

Besides these issues, contingencies such as those related to economic sector, type of organisations i.e. service or manufacturing, investigating this issue from employees' perspective, a comparative analysis of performance evaluation from TQM and HR managers standpoints could be the subject of future studies. In addition, the scope of future investigations could be expanded to: (1) include other TQM-based organisations in the UK, i.e. British Quality Foundation members; (2) be conducted over time; and (3) explore other issues such as the main barriers to implementing a quality-based performance evaluation; identification of system factors - as the lion's share of variance in performance - across different type of organisations. More importantly, there is still no data, no research aimed at shedding light on the contributions of individual employees towards organisational performance compared to systems-level features. Thus, the question that might be investigated would be: are the problems of an organizational performance are attributable to either systems-level features - claimed to be 95% by TQM scholars - or the individual performance of individual employees, or both? In closing, the researcher believes that the research findings (e.g., criteria of a quality-driven performance evaluation system) provides a systematic start towards empirically investigating the effectiveness of the current HR performance evaluation systems in organisations with a TQM orientation and that it will motivate other scholars and practitioners to pursue this line of inquiry.

10.4 Summary

In closing, of course, the presence of these barriers and other potential problems facing HR performance evaluation does not dilute its vital support, cited frequently in the literature, for improving TQM objectives as well as employees. Rather, it has the particular benefit of highlighting areas where the design of HR performance evaluation may need strengthening. The observed problems and inconsistencies require the surveyed organisation in particular, and other TQM-based organisations in general, to re-think and re-examine some of fundamental ideas concerning HR performance evaluation. These findings suggest resurgence in the value attached to performance evaluation, reflecting the heightened pressures faced by all types of organisations, particularly TQM organisations, in designing an HR performance evaluation congruent with the organisational context in the interest of both the TQM organisation and the employees (see, Ghorpade *et al.*, 1995; Murphy & Cleveland, 1991). A TQM approach to HR performance evaluation, inspired in detail by Deming (1986), appears to be shifting towards a more balanced outlook where all people in any organisational position will be responsible for quality, but that there is still a long way to go.

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APPENDICES

- a) Covering Letter**
- b) The Questionnaire**

a) Covering Letter

To: Quality Management / HRM Department

Dear Sir or Madam,

Total Quality Management-Based HR Performance Evaluation

As part of an ongoing study being undertaken within the **University of Strathclyde**, we have identified a lack of informative research on HR performance evaluation practices in organisations with a quality orientation.

In order to address this we have, in conjunction with **Quality Scotland Foundation (QSF)**, developed the attached three-part questionnaire. This questionnaire forms part of a wider PhD research programme on this subject, and we are seeking the co-operation of as many TQM organisations as possible in establishing which employee performance evaluation criteria are being used and which are seen as most effective and congruent with TQM context.

We hope that you will support us by completing the questionnaire and return it in the enclosed reply-paid envelope directly to the researcher **not later than 15th March 2002**.

A summary of the overall results will be fed back to the QSF and included in the final report of the research project as a whole. This survey is being conducted in the strictest confidence, the identity of the organisation and replies received will remain anonymous, and no individual will be identifiable.

Thank you for your help and co-operation.

Yours faithfully

Ebrahim Soltani

b) The Questionnaire

The importance of a TQM-based HR performance evaluation

Researchers of the quality movement clearly recognise the importance of HR performance evaluation in a quality-driven context. Employee performance evaluation is one of the most significant human resource management (HRM) functions, which shows the quality of employees acquired and retained which, in turn, has a direct impact upon productivity and quality. In this regard, all managers in TQM organisations know how important it is to get the best performance from their staff for a continuous improvement over time. In doing this, they have policies and practices which are designed to help them achieve it. But, what are the key generic criteria of a quality-driven performance evaluation? Does 'best practice' TQM-based employee performance evaluation exist? Do the current performance evaluation systems in TQM organisations meet both TQM demands and employees' expectations in order to maximise customer satisfaction?

It is believed that there is no pre-packaged standard approach to employee performance evaluation or performance improvement that fits all requirements of different TQM organisations. This study aims to identify and develop the most important quality-driven performance evaluation criteria in TQM organisations in an attempt to attain acceptance and successful implementation of quality programmes, and as a result 'efficient and cost-effective operation, and maximisation of internal and external customer satisfaction.'

The Survey Questionnaire

This questionnaire is in three main parts:

Section I: asks about the background information on the organisation; quality: origins & approaches; and employee performance evaluation in a quality-focused context.

Section II: contains questions that reflect the current performance evaluation you currently have in your organisation.

Section III: asks you to rank some main criteria of a quality-driven performance evaluation and to give your opinion on the importance of quality-focused criteria in designing an employee performance evaluation system.

Finally, it includes a few questions about yourself and asks you for any additional comments on TQM and employee performance management.

Definitions of terms used in this questionnaire

Total Quality Management (TQM): Total quality is the application of the quality management principles to all aspects of the business.

Quality programme: This term is intended to refer to any management initiative designed to improve the quality of production, service or management within the organisation.

Employee Performance Evaluation / Appraisal System: Generally, employee performance evaluation / appraisal is the process by which an employee's contribution to the organisation during a specified period of time is assessed.

Quality-driven performance evaluation: An employee performance evaluation / appraisal system that is congruent with quality precepts.

Section 1: Background Information

A) Organisation Details (please provide the following information or tick the appropriate response)

1) Number of years you have been registered with the Quality Scotland Foundation (QSF)?years.

2) Number of Employees:

- a) 24 or less b) 25-49 c) 50-99 d) 100-499
 e) 500-999 f) 1000-4999 g) 5000-9999 h) 10000 plus

3) Ownership:

- a) UK-Publicly owned b) UK-Privately owned c) US owned
 d) Japanese owned e) Continental-Europe owned f) Other North America

Other (Please specify).....

4) In which economic sector does your organisation mainly operate (Please also specify the type of product or service you render):

B) Quality: Origin and Approach

5) In which year did your organisation first begin to implement a programme to improve quality?.....

6) What approach to quality management is used by your organisation?

(i.e. quality standards such as BS 5750/ISO 9000; a particular quality philosophy such as Crosby, Deming, Taguchi, Juran; Customised quality; etc.)

Please give brief details:.....

7) Have you ever been awarded any Quality Award?

- Yes No

If YES, please give brief details (the type of prize, presenter organisation, year, etc.):

.....

8) What is your main criterion for measuring the success of the quality programmes in your organisation?

a) Profitability	<input type="checkbox"/>
b) Market share	<input type="checkbox"/>
c) Quality of service/product	<input type="checkbox"/>
d) Unit cost	<input type="checkbox"/>
e) External customer satisfaction	<input type="checkbox"/>
f) Internal customer satisfaction	<input type="checkbox"/>

9) To date, how successful have your quality programmes been in achieving its objectives?

1= Very successful	
2= Reasonably successful	
3= Neither successful nor unsuccessful	
4= Unsuccessful	
5= Very unsuccessful	

C) Employee Performance Evaluation in a TQM Context: Origin and Approach

10) Does your organisation have some form of formal performance evaluation system?

Yes No

If 'No' what is the alternative (*please specify*):.....

11) How often does your organisation implement employee performance evaluation (i.e. annually, six-monthly, monthly, weekly, daily, etc.)?

Please give brief details:.....

12) Who are the appraisers in your organisation (for example, immediate supervisors, peers, self, subordinates, multi-rater, etc.)?

Please give brief details:

13) Please tick the areas which performance evaluation system normally covers within your organisation? (*Please tick as many as appropriate*)

Past performance	
Salary/reward	
Training/development needs	
Accountability	
Results-based appraisal	
Promotional/potential	

Others:.....

14) Have any changes in your employee performance evaluation system resulted from the TQM programmes to date?

Yes No

If 'Yes', please give brief details on the nature of these changes:

15) Does the personnel manager have a place on the TQM steering committee?

Yes No

16) Where does responsibility lie for driving/owning, and steering performance evaluation?

.....

17) To date, how effective has your performance evaluation system been in improving and achieving TQM requirement?

- 1) Very effective 2) Moderately effective 3) Neither effective nor ineffective
 4) Ineffective 5) Very ineffective

Please give brief details:.....

Section II: The current performance evaluation

1) As a TQM organisation, please indicate which of the following statements, in general or with regard to TQM practices, best describes the employee performance evaluation system you currently have in your organisation (Please tick as many as appropriate).

Attributes	
• Emphasises individual-based responsibility for quality.	
• Emphasises collective responsibility for quality.	
• Evaluates the employees according to their contribution to the department's goals (Links individual and unit level performance as a system-oriented approach and TQM philosophy).	
• Uses team-based compensation system.	
• Incorporates customer care into performance evaluation.	
• Provides employees with a great deal of feedback on the quality of their work.	
• Allows the employees a high degree of participation in the determination of their work objectives.	
• Emphasises personal training and development plans alongside with job-related ones.	
• Emphasises on Performance-Related Pay (PRP)	
• Being evaluated by the organisation in order to meet expectations and demands of both quality management and employees.	
• Clearly defines standards by which to assess employees' performance.	
• Being audited by both HR staff and Quality staff.	
• Emphasises the intrinsic motivators such as desire to succeed, fulfil employees' potential, and to feel competent.	
• Evaluates management periodically by employees on such dimensions as fairness, decision-making, objectivity, and knowledge of the job (upward evaluation)	

2) Which of the following criteria (situational performance factors / system factors) are included in the current employee performance evaluation system? (Please tick as many as appropriate)

a) Amount and relevance of training received	
b) Information, instructions, and specifications needed	
c) Coordination of work activities	
d) Cooperation, communication, and relations between co-workers or others	
e) Equipment and tools necessary to do the job	
f) Process for obtaining and retaining new materials, parts, supplies, and so on	
g) Dependability of equipment	
h) Conditions in which job is performed	
i) Availability of financial resources	
j) Time allowed to produce quantity and quality of work required	

Section III: Main criteria of a quality-focused performance evaluation

1) Below is a list of measures and criteria, which seem to be of importance in a quality-driven context for measuring the contribution of employees in implementing quality programmes. Please identify, to what extent, you agree with the importance of these criteria in a TQM-based employee performance evaluation.

Rating Scale: 1= Strongly agree; 2= agree; 3= Neither agree nor disagree; 4= disagree; 5= Strongly disagree

Criteria	1	2	3	4	5
• In a quality-driven context, the primary purpose of performance evaluation should to help the employees improve their performance.					
• In a quality-driven context, modification of the existing performance evaluation system should be brought about with the active involvement of all those who are affected by the activity.					
• The assessment of the existing performance evaluation system should be approached like any other quality improvement effort.					
• Within a quality-driven environment, the focus of evaluation should be on behaviour, with output and input used for diagnostic and developmental purposes.					
• Workers should be judged by absolute rather than relative standard of performance.					
• Within a TQM context, the emphasis of performance evaluation should be on collective responsibility for quality.					
• Successful TQM implementation requires supervisors with broad, cross-functional skills.					
• Responsibility for evaluation should continue to rest with managers.					
• In a TQM context, performance evaluation should include situational performance factors (system factors) as a key criterion for measuring employee performance.					
• A process focus to performance evaluation feedback combined with results-based feedback positively affect TQM practices as well as employee satisfaction.					
• Customer care should be incorporated into the performance evaluation system as one of the most important practices of quality management.					

Other criteria (please specify).....

2) Which of the following alternative raters are most effective and congruent with a TQM-driven employee performance evaluation system?

a) Superior	
b) Peers	
c) Self	
d) Subordinates	
e) Multi-rater	
f) Outsiders	

Comment.....

3) Do you think that lack of consistency between a performance evaluation system and TQM requirements would result in lack of effectiveness of TQM?

Yes No

Comment.....

