

## **Contribution of Performance Management System to Myanmar Corporate Performance**

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### **Abstract**

Performance management encompasses both individual and corporate performance. The introduction and implementation of a performance management system carries profound implications for both employees and organisations and thus, many organisations tended to spend much on such system. Generally, organisations invest huge amounts of financial and non-financial resources on performance management systems, and it is important that such systems are owned and used effectively by all concerned. However, the effectiveness of such performance management system is mixed and thus, there is a need to conduct such a study especially within the context of Myanmar as the country is growing in a dynamic manner and the performance of the corporations are of importance to ensure continued growth to sustain the growth of Myanmar as a country and the corporations specifically.

### **Keywords**

Performance management; Corporations; Myanmar

### **Introduction**

Performance management systems are the formal, information-based routines and procedures that managers use to maintain or alter patterns in organisational activities (Simons, 2000) whereby the system would serve as the data point inputs to evaluate the performance of the organisation as well as the individuals working within the organisation. The introduction and implementation of a performance management system has profound implications for both employees and organisations as it provides the impetus for continuous improvement for both the organisation and the individual, hence, it is of importance to the organisation. However, many of the studies (Ahmad, Kattara, & Weheba, 2015; Carr & Walton, 2014; Jena & Pradhan, 2017) on performance management are based on the perspective of individual performance management as it was averred that when individuals perform, the organisation would also perform well.

Therefore, accordingly, performance management systems are still used largely in managing human resources and such system contributes to organisational strategy effectiveness in terms of growth and performance (Matlala, 2011). It is through these systems that organisations place emphasis on the strategic direction, ensure accountability, create value for customers and ultimately realise profits (Jena & Pradhan, 2017). Organisations also

develop performance management systems to motivate, engage and retain the most important assets, which are the employees.

Performance management systems include employees' performance appraisals which is one of the most commonly used management tools in organisations (Dessler, 2016). Many organisations invest huge amounts of financial and non-financial resources on performance management systems, specifically for the evaluation or appraisal of employees and thus, it is important that such systems are owned and used effectively by all concerned (Matlala, 2011). For a country like Myanmar, as the economy continues to grow, corporations also need to understand how it is performing, but, in order to know this, it is imperative that the individual employee's performance is first understood and measured. This research therefore, aimed to examine employees' perceptions of performance management systems in various organisations and how performance management systems, or the lack thereof, influence performance in the Myanmar organisational context.

### **Problem Statement**

Existing research has highlighted increasingly the importance of performance measurement and performance management, whether of organisations, products or processes, specifically for individual performance (Bipp & Kleingeld, 2011). According to Bilal, Mateen, Shah, et. al. (2015), the survival and continuity of an organization depend on its performance and thus, it has been asserted that the way in which an organisation manages people can influence its performance. Therefore, the need to study the factors that influences individual performance is still of importance, especially in a growing country like Myanmar.

The reason for focusing on corporations in Myanmar is because there is still an inadequate availability of performance management literature in Myanmar. In consideration of the deficient performance management practices in Myanmar, this research will generate information that would be useful to the Myanmar business organisations in effectively implementing performance management for the individual employees.

### **Literature Review**

The concept of performance denotes specific scalable actions, behavior and outcomes that employees engage in or bring about that are linked with and contribute to organizational goals (Ones & Viswesvaran, 2002). The definition above emphasizes that the concept of individual performance is a multi-element construct which includes dimensions to the construct that relates to effective performance, including behavioral elements. The behavioral element refers to the actions people demonstration to achieve the work assigned to them while the outcome element states the consequences of such actions (Jena & Pradhan, 2017). Similarly, these elements can be expanded to *task performance*, *contextual performance* and counterproductive performance where task performance is defined as: the expertise with which individuals perform the core practical or technical tasks central to their jobs while contextual performance is defined as behaviors that enhance the organizational, social, and psychological atmosphere in which the technical core functions and plainly the counter-productive work is any behavior that harms the well-being of the organization (Koopmans, et. al., 2014). Performance could also be viewed as the proficiency of individual in altering behavior in responding to the demands of a new task, event, situation, or environmental constraints (Huang, Ryan, Palmer, et. al., 2014).

On the other hand, performance management system can be defined as the evolved formal or informal mechanisms, processes, systems and network adopted by the business firms in order to convey the goals and objectives which elicited by the management, for assisting the strategic process and ongoing management through analysis, planning, measurement, controlling, rewarding and broadly handling performance as well as for supporting and facilitating organisational change (Aguinis, 2013). This was supported by Sharma, Sharma, and Agarwal (2016) who have also denoted that performance management is an ongoing process of communication that conducted between the employees and the direct supervisor with the objective of accomplishing the strategic aims of the organisations. For many organisations, the performance management system often embraces a performance appraisal system which could be traditional or contemporary in nature.

According to Naeem, Jamal & Riaz (2017), performance appraisal is a systematic assessment of employee performance, with the purpose to understand the employee's ability for further development and growth. On the other hand, Padmaja & Rao (2015) stated that, performance appraisal can be known as an "annual review," in which the main purpose is to generally review or evaluate employees, including their skills, achievements and growth, or lack of performance. Under most circumstance, a company with performance appraisal is able to provide employees with comprehensive feedback on the employees' work and to explain the reasons for salary increases and bonuses as well as the termination decision (Stuti, 2015). Though literature (Naeem et. al., 2017) have found that traditional performance appraisal does more harm than good, however, in general, performance appraisal is still effective in helping the company to determine how to allocate development and rewards related funds and is usually only applicable when the company has enough funds for rewards and bonuses (Selvarajan & Cloninger, 2012). Regardless of whether traditional or contemporary performance management system is adopted in the corporation, the emphasis is the same and the evaluation of employees is still needed to provide a clear view of the level of performance of the individual employee to gauge the performance of corporations. Therefore, this study is undertaken in Myanmar to explore the extent of adoption of performance management system in Myanmar corporations and the effectiveness of such execution.

### **Research Objectives and Research Questions**

The aim of this research is to provide clarity by scrutinising employees' perceptions of performance management systems, or lack thereof, and how these perceptions can potentially influence employees' performance in the Myanmar organizational context. The overarching objective of the research is to generate insight that can provide organisations with information that is considered successful in implementing performance management practices, including performance appraisal and goal setting practices. Hence, the following research questions are developed to guide the study as follows:

1. What is the relationship between the implementation of a performance management system and organisational performance of Myanmar corporations?
2. What is the role of feedback and goal setting in organisational performance in Myanmar corporations?
3. What is the perception of employees toward the performance management system in Myanmar corporations?
4. What are the key factors in the performance management system that influences organisational performance of Myanmar corporations?

### **Research Methodology**

The research design and methodology of an investigation guide the research process and ensures that the analysis conducted meets the aims of the study (Sekaran & Bougie, 2016). The approach adopted for this study is qualitative in nature and involves case study research. Considering the type of data to be collected and the issues being investigated, the case study methodology is more appropriate as the phenomenon under study could be more effectively understood. Hence, for the purpose of this study, six (6) Myanmar corporations are selected to be studied to ascertain the research questions could be answered in depth in order to further understand the contribution of performance management system to the corporation's growth and sustainability.

The case study approach is based on the multiple case study methodology whereby the unit of analysis will be the organisations and in this context, six (6) corporations in Myanmar are selected for the study. These corporations or cases are Myanmar Brewery Ltd, AYA Bank, UMG Group, Max Energy, Victoria Hospital, City Mart. These six (6) corporations were selected as the corporations were representative of the key industries in Myanmar and are relatively large corporations in Myanmar.

The total population for the study consisted of 1981 employees from these six (6) corporations at the time research was conducted. The study sample consists of fifty-six (56) respondents to questionnaires and twenty (20) participants who were interviewed. The total sample is, therefore, seventy-six (76) participants. Participants were aged between 20 and 60 and were selected randomly from the list provided by the corporations.

The research data was collected via semi-structured interviews in order to delve deeper into understanding the contribution of performance management system on the corporations in Myanmar. The information obtained from the interviews were then categorised into appropriate themes in accordance to the research questions. Thematic categorization will then provide clarity to ascertain whether the assumptions are accepted or rejected.

## **Results and Discussion**

Although seventy-six (76) participants were randomly identified for the interviews, only twenty (20) participants were interviewed as the other participants had either decided to withdraw or to abstain from the interview. Out of the twenty (20) participants interviewed, more than 74% were from senior management while the others were professional level employees working in the corporation. Of these, twelve (12) were males, and the others female.

With reference to the research question "*What is the relationship between the implementation of a performance management system and performance?*" it has been repetitively reported by the interviewees that effective implementation of performance management systems is positively associated with performance enhancement that leads to overall organizational performance, productivity and profitability. All the participants agreed that it is important for corporations to implement an effective performance management system in order to support the corporations' growth.

With regards to the research question relating to the role of feedback and goal setting, the participants unanimously agreed that having goals or targets are critical to provide direction to employees to facilitate performance. However, majority of the participants (80%) concurred that corporations in Myanmar needed to improve the goal setting processes. In terms of feedback, the participants agreed that consistent and frequent feedback on performance will help the individual employee to continually improve the performance level, but, the

participants felt that at the moment, in the corporations of Myanmar, there is no formal feedback system in place and majority of the managers are also not providing adequate feedback to help improve performance of the employees.

The findings from the interview for the research question on “*What is the perception of employees toward the performance management system in Myanmar corporations?*” indicated that the participants in general agreed that having an effective performance management system is of importance to the corporation’s growth and performance and that corporations need to strengthen the performance management system to cater to such effect. The same perception is obtained on the role of feedback and goals whereby participants are positive about the adoption of such strategies, however, the participants raised the concern that Myanmar corporations are still relatively weak in setting relevant and appropriate goals and are not adept at providing feedback to enhance performance.

In relation to the last research questions on the factors that influence the effectiveness of the performance management system, the participants had provided four (4) key factors as relevant to strengthen the effectiveness of the performance management system in Myanmar. The four (4) key factors are:

- a) Rewards and incentive – participants found that when rewards and incentives are tied with the outcomes of the performance appraisal, the subsequent improvements and performance level will be enhanced. However, the rewards and incentives provided must be relevant to the needs of the employee and should not be too low to be meaningless
- b) Employee motivation – participants informed that when effective performance management system is in place, the perception of the employees will be that the system is fair and objective and thus will be motivated to perform better in the future. However, when the performance management system is bias and perceived as unfair, employees will not be motivated to perform
- c) Effective communication – participants stated that corporations need to effectively communicate the performance expectations and the goals established to the employees in order to allow the employees to know better the direction of the corporation as well as to understand what is expected of the employees in terms of performance. It is preferred even if clear key performance indicators are established and communicated to everyone so that there is better alignment. Without the alignment from effective communication, performance could drop.
- d) Management support – the participants also stipulated during the interview that the management must show appreciation, recognition and support when employees perform and that management must also ensure that relevant tools and equipment are available for the employees in order to support performance as at times when there is a lack of such resources, performance could be affected. This is a common challenge in many Myanmar corporations as the corporations are in the process of growth in a fast growing country.

In summary, the findings in Myanmar corporations showed that the employees perception about performance management system is positive although there is still extensive room for improvement as the actual execution of performance management system is not aligned with the needs and perception of the employees in Myanmar.

Consequently, from the results of the interviews, it is recommended that organisations communicate and manage the goals more systematically and adequately and to ensure that these goals are effectively trickled down and communicated to all employees in the corporation. Research findings have revealed that participants agree to specific challenging

goals being more motivating than easier goals, and thus, corporations in Myanmar need to set more challenging goals in order to motivate the employees to perform better.

On the other hand, corporations in Myanmar was found to still have a long way to go in establishing supporting supervisor-subordinate relationship, where feedback is continuously provided and constructively received. Currently, many participants reported that no performance feedback was received and had emphasized the desire for such information and are of the opinion that if performance feedback is received more regularly, performance expectation would be better understood and met.

In all organisations interviewed, the participants have raised concerns about fairness of rewards and have highlighted the need for improvement because employees' performance is negatively affected by unfair practices. Participants have therefore recommended a more objective appraisal process using evidence based performance management systems like the key performance indicator system or 360-degree approach or newer systems like objective key results. Research findings also revealed that corporations without PMS in place give bonuses regardless of how employees have performed. This practice has not only demoralized high performing employees but it is encouraging a culture where commitment to performance is not appreciated and recognized. With this view, corporations in Myanmar are thus highly recommended to actively invest time and effort to ensure that the performance management systems are fair and that employees are satisfied with the process.

The research has been conducted only in Yangon, the business capital city of Myanmar and is the central business platform of the country. Although four of the six organizations have branches across the country, there is no guarantee that employees in smaller "less developed" towns share the same perceptions as those at Head Offices in a more "developed" city. Further research is therefore also recommended in other parts of the country to validate the results of this study.

## **Conclusion**

Performance management systems are increasingly important for many, if not most, corporations. The effective development and implementation of performance management systems can fuel the value created by organisations. However, the mechanisms through which these systems create value are not yet well understood. Therefore, a better understanding of the role of internal factors within the implementation process of performance management systems might improve the effectiveness.

Results of the findings indicate that PMS implementation is difficult to master. Key challenges such as inadequate communication and feedback, amongst others, contribute to the ineffectiveness of PMS operations. In spite of the difficulties, performance management is an essential tool for high performing organisations, and it is one of a manager's most important responsibilities, if not the most important. Furthermore, if done correctly, performance management can result in numerous important outcomes for an organisation, its managers and employees. Therefore, for corporations operating in a growing economy like Myanmar, the need for an effective performance management system is even more critical and it is envisioned that this study's findings will provide insights to create more awareness for Myanmar corporations.

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