

Process Framework for Development of Performance Management System

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This paper proposes a new process framework to develop a performance management system aligned to the context of knowledge based teams. Synthesis of literature and conceptual integration is the approach adopted to develop the framework. Firstly, the unique characteristics and the resulting work requirements of knowledge based teams are discussed. Secondly, based on these requirements the most suitable theoretical model for knowledge based teams is identified from literature. Finally, based on the fundamentals of the theoretical model, a new conceptual framework is proposed. The attributes of commitment based human resource management are argued to be the most suited theoretical model for knowledge based teams.

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Introduction

Examples from industry suggest that a paradigm shift is happening in the way organizations are thinking about Performance Management System (PMS) for knowledge based teams. Instead of asking what rating to be given, managers and team leaders are asked what they would do with the team members in future and how to improve the performance of each member (Buckingham & Goodall, 2015). This reflects an orientation for long term employee growth and development. Further, the reliance on cascading objectives, yearly reviews, retrospective assessments and 360 degree tools were questioned alike by the employees and managers. Organizations have found a way out by separating compensation decisions from performance management and bring in per project or quarterly assessments and routine check-ins by managers (Buckingham & Goodall, 2015). This separation of compensation and performance results indicates that the long term development of the employee is more significant for the firm in comparison to the short incentive based motivation.

The purpose of this paper is to propose a new framework for PMS devel-

opment suited to the context of knowledge based teams. By combining established interventions, a new PMS development framework is proposed. The framework includes a modeled approach for developing strategy, the process of communicative rationality for deriving success factors and developmental orientation to strengthen performance. Considering the unique characteristics and work requirements of knowledge based teams, it is argued that commitment based human resource management (CBHRM) is the appropriate theoretical model for such teams. Human Resource (HR) attribution theory and knowledge based theory of firm are used to provide theoretical support to the proposed framework. This paper makes significant contribution to the body of knowledge by integrating the concepts of CBHRM and PMS to align with the unique context of knowledge based teams.

Background

A PMS is fundamentally a system to convert the task objectives into a set of measures and then assess the organization performance using those measures (Vieira, O'Dwyer & Schneider, 2016). The objective of a PMS is to achieve high performance and not merely to prevent poor performance (West & Blackman, 2015). In doing this, the effectiveness of a PM system depends on multiple environmental factors but mostly rely on the performance indicators and the psychological reaction of employees to the whole system (Deschamps & Mattijs, 2015). Performance measurement is defined as the task of evaluating and rating

employees based on an accepted and communicated performance indicators. The event of executing performance measurement is defined as performance appraisal. This may or may not include a formal developmental feedback. But, a PMS encompasses all the activities a firm undertakes to improve employee performance including evaluation, feedback, reward and development (Denisi & Smith, 2014; Sumelius et al., 2014). Thus, a PMS can help in developing a learning organization culture by being an enabler of learning, execution, assessment and development (Amaratunga & Baldry, 2002).

The challenge for any organizational practice is not execution but creation of a positive shift experienced by the employee as a consequence of the practices (Boxall & Macky, 2009). Every organization requires an appropriate performance management system (PMS) to measure and manage performance because what an organization gets is what it can essentially measure (Stivers & Joyce, 2000). Effective management of performance including poor performance thus becomes an important aspect of good management practice (West & Blackman, 2015). In the larger context, human resource management practices as a stable source of competitive advantage is still a concern (Posthuma et al., 2013) and the plausible answer to this concern is a performance management system aligned to the strategic objectives and business goals.

Professionals in knowledge based teams (KBT) are highly inclined to receive

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ing feedback through performance management system and development of knowledge expertise (Kinnie et al., 2005). Such teams are characterized by the constant re-alignment of work teams and the dynamic nature of projects executed. It is highly challenging to conceptualize performance in project management scenarios (Taticchi, Tonelli & Cagnazzo, 2010), in team scenarios (Denisi & Smith 2014) and in inter-group collaborative work (Poocharoen & Wong, 2016). Any PMS for knowledge based teams should assimilate team scenarios and augment collaborative work. But, the scenario of each knowledge based team in terms of project management and team structure will be varying from the other. Hence, a one size fits all PMS might not be the best option and would need an appropriate framework that can help develop customized PMS for knowledge based teams.

Conceptual Development

Process for developing a PMS has three distinct stages (Flapper, Fortuin & Stoop, 1996; Vieira, O'Dwyer & Schneider, 2016). First stage is to develop PMS strategy aligned with organization strategy. Second is to derive success factors and performance indicators and the final stage is to create a process for intended purpose.

There are several approaches to developing a PMS strategy (Bourne et al., 2003). Firstly, it can be needs led approach with a top down procedure or an audit led approach with bottom up procedure. In addition, there can also be a model led approach with the design rational based on a theoretical model suitable for the context. The needs of KBTs change very frequently and hence a needs led approach is not considered appropriate, whereas a model led approach would ensue that the theoretical model would reflect the broad context of organization even when the short term needs changes.

The next stage is to derive organization success factors. The process of communicative rationality (Broadbent & Laughlin, 2009) by which discussion and consensus on the ends and means are achieved is proposed. Traditional transactional type PMS is implemented top down, whereas, the process of communicative rationality by which the ends and means are subjected to discussion between stakeholders is implemented with consensus (Broadbent & Laughlin, 2009).

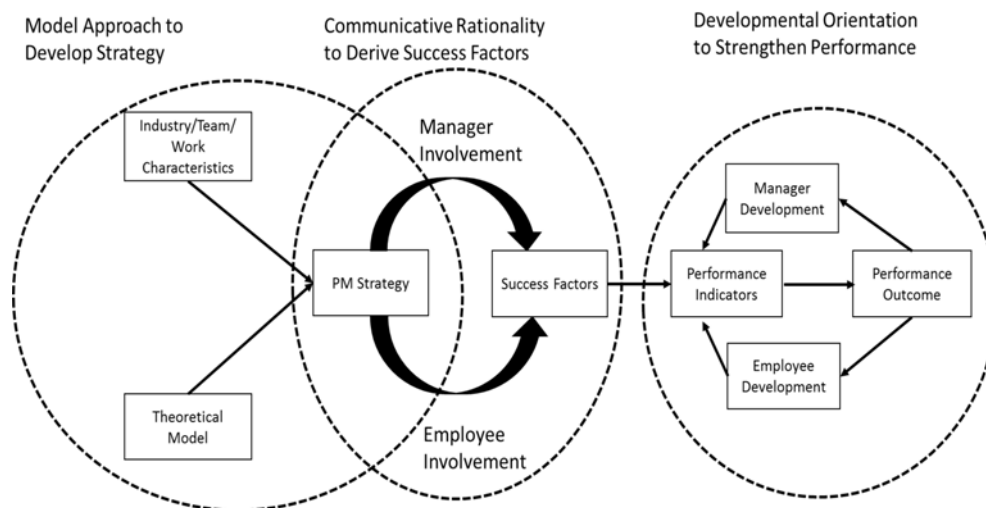
The final stage is to strengthen performance through development of employees. To ensure the same, recognizing performance and addressing the shortcomings of employees through feedback and developmental activity is crucial (Buckingham & Goodall, 2015; Denisi & Smith, 2014; Lepak & Snell, 2002; Qiu et al., 2015). Unlike an evaluative PMS, which focus on salary levels and promotion list, a developmental PMS gives

thrust to identify the shortcomings and to rectify the same. CBHRM enables development of employees by focusing on the commitment level of employees (Chadwick, Super & Kwon, 2015) and creating conducive environment for employee involvement in training and socializing activities (Arthur, 1994).

Combining all the three steps, a framework for developing PMS is proposed as given in fig. 1. This framework incorpo-

rates a model led approach, the process of communicative rationality and a developmental orientation. In addition to the linkages and contextualization, the framework requires sound theoretical explanation to ensure grounding in logic and continuation to the existing research. The process of communicative rationality is substantiated using existing theories and the developmental orientation is substantiated using appropriate example from industry, as delineated in the next section.

Fig. 1 Framework for PMS Development



Discussion

A developmental performance management system should focus on improvement of performance (Denisi & Smith, 2014) by focusing on the context (Kloot & Martin, 2000). Context of Knowledge based teams (KBT) deals with management of intangible assets. KBT works to realize the best values of knowledge assets

(Wiig, 1997) and is characterized by constant re-alignment of work teams and the dynamic nature of projects. In addition, receiving feedback through performance management system and development of knowledge expertise (Kinnie, Hutchinson, Purcell & Rayton, 2005) holds utmost importance. These form the unique context of KBT, which leads to very different work requirements from a PMS perspective.

The most significant intangible assets are tacit knowledge, differentiated expertise and career capital.

The most significant intangible assets are tacit knowledge, differentiated expertise and career capital. Tacit knowledge is an intangible asset that has considerable importance. Tacit knowledge is defined as the knowledge embedded in the action and context, which is difficult to be transferred (Zaim et al., 2015). Tacit knowledge is often the opposite of codified knowledge and at times used interchangeably with implicit knowledge. This is embedded in the context and in the person involved with the context. The second intangible asset is differentiated expertise. Employees in knowledge based teams often encounter novel and divergent demands from clients leading to improvisation of existing methods. This creates a differentiated expertise, which can be operationalized in multiple ways like, extending existing frameworks, creating and applying new frameworks or using differentiated practices (Anand, Gardner & Morris, 2007). The third intangible asset is career capital, which improves career mobility of knowledge workers (Sutherland et al., 2015).

Intangible assets are nurtured by several aligned practices (Kloot & Martin, 2000). Knowledge creation initiatives and practice of discovery at work place (Premlatha, 2016) along with exploratory learning (Reyt & Wiesenfeld, 2015) are crucial for fostering intangible assets. Among these, exploratory learning en-

ables to adapt in dynamic contexts (March, 1991). Further, value is created in organizations when employees act to transfer knowledge, which lies in both internal and external domain (Sveiby, 2001). Knowledge sharing among employees is crucial to exploit the knowledge repository (Taylor & Wright, 2004; Willem & Buelens, 2007). Interestingly, a great deal of the management research focus is only on knowledge creation and knowledge sharing but in practical terms equally important is knowledge application (Cervenka, 2012), which is a source of competitive advantage (Alavi & Leidner, 2001). Thus, for any KBT, the aligned practices of exploratory learning, discovery at workplace, knowledge creation, knowledge sharing, and knowledge application become important.

A theoretical model for KBT context should account for work requirements like collaborative work, team realignment and regular feedback with a focus on employee development and long term commitment. Literature suggests that CBHRM is focused on internal development of employees, with the primary purpose of augmenting the commitment level of employees (Chadwick, Super & Kwon, 2015). Features of CBHRM like employment security, job flexibility, social climate of trust, innovation activities, employee trust and managerial autonomy will also enhance employee commitment (Ceylan, 2013; Collins & Smith, 2006, Kim & Wright 2010, Lepak & Snell, 2002). In the process, it impacts the willingness of employees to put in extra effort and motivate employees to contribute in addition to the basic requirement

for better overall performance (McClean & Collins, 2011). Further, CBHRM also incorporates participative decision making (Batt, 2002) that creates outcomes like employee involvement in group problem solving and socializing activities (Arthur, 1994). Thus focus on development of employees and increased commitment will result in more effort and better involvement from employee side. These will support the contextual work needs of KBT like collaborative team work, feedback and team realignment. Moreover, employee participation and involvement in groups are keys to enabling the aligned practices like exploratory learning and discovery at workplace. Finally, the other aligned practices like knowledge creation, knowledge sharing, and knowledge application are also enhanced by group problem solving and socializing activities. Thus, by supporting the work requirements and enabling the aligned practices, CBHRM ensures the development of intangible assets like tacit knowledge differentiated expertise and career capital. Finally, CBHRM also ensures participative decision making and collaborative team work, which enables a social exchange between manager and employees that can help in deriving mutually acceptable success factors (Aguinis & Pierce, 2008).

The suitability of the process of communicative rationality can be explained using HR attribution theory, which states that employees make differential attributions about the purpose of every HR practice. These attributions have strong association with employee attitudes. Also, attributions for the same HR practice by

different employees differ from each other (Nishii, Lepak & Schneider 2008). The varying level of employee participation in the process could be a plausible reason for such differential attributions. Hence any PMS process for knowledge based teams should ensure employee participation in the decision making by incorporating the process of communicative rationality and especially on those matters that affect the employees directly. Additionally, knowledge based theory of firm proposed by Grant (1996) also gives a plausible explanation to the rationale for incorporating participative decision making through communicative rationality. The conventional core of decision making in organizations is centralization and delegation. But, knowledge based theory of firm argues that neither centralized decision making nor delegation is applicable in knowledge based teams for two reasons. Primarily, the ownership of the firms' bulk resources reside with the employees since knowledge, the productive resource, resides in individual employees. Secondly, the relevant knowledge required for most decision making lie decentralized and hence a decentralized decision making based on tacit and idiosyncratic knowledge may be more appropriate (Grant, 1996). Thus, the process of communicative rationality becomes the core of the framework and can be explained using HR attribution theory as well as knowledge based theory of firm.

Implications

The implications of the proposed model are manifold. On the theoretical

front, application of principles of an HR system of a specific practice with respect to a unique set of workers is rare. CBHRM as a coherent bundle of HR practices has been the dominant stream of research for some time. This study deviates from the popular thought process and attempts to identify unique elements of CBHRM that are relevant to knowledge based teams and utilize them to propose a PMS framework. In addition, this application also adds to the theoretical repertoire of PMS scholarship. Research on PMS should evolve with the contextual changes in the internal business as well as external industry. The proposed framework is an attempt in this direction to contribute to specific requirement of knowledge based teams.

In practice, this paper makes significant contribution to the needs of knowledge based teams. One of the major difficulties in knowledge management is to determine the type of knowledge to be measured and justify the use of resource for enhancing the same (Ruggles, 1998). Based on extensive scrutiny of literature, a set of characteristics most relevant and common to any knowledge based team are listed. This new PMS framework based on common characteristics will enable firms to adopt and apply this framework. This study is not an incremental one and hence the disadvantages of the existing frameworks will not be a concern. This framework can be applied to a wide range of firms that has knowledge based teams by adding new success factors and following the same process used for developing this framework.

Conclusion

There are a few limitations for this paper. Firstly, the characteristics of knowledge based teams used for developing the PMS framework are not exhaustive. Firms are embedded in society and thus the idea of knowledge and its importance to the organization may vary based on external factors. This study does not take into consideration the external factors that may affect knowledge development of a firm. Another variable, which is not factored in the study but, that may have an effect on the importance of knowledge management is the stage of organizational life cycle. Firms at a growth stage in lifecycle may give more importance to knowledge management compared to firms in maturity stage. Also, firms in declining stage may have a different requirement of knowledge that is more aimed at diversification and radical change. Further, this paper does not provide any all-encompassing definition for knowledge and knowledge based teams. Finally, knowledge structure and knowledge infrastructure in a firm are also important factors to be considered, which have been omitted to bring parsimony to the proposed framework.

In spite of these limitations, the proposed framework offers much scope for future research. PMS specific for type of teams is a relatively lesser treaded path among research scholars. Such efforts are required more and even for different type knowledge based teams. CBHRM served as the foundation for the proposed framework. In future, many other concepts in HR can be analyzed for strength-

ening the current framework and making it more comprehensive. One of the purposes of research is to find appropriate application situations for the existing theories and systems and this paper is an attempt in this direction. Further, past research suggests that PMS based on CBHRM can create an environment that can foster growth of knowledge (Ruggles, 1998) and enhance organizational commitment (Sharma, Sharma & Agarwal, 2016). To facilitate the same, the communicated purpose (Qiu, et al., 2015), the effectiveness perception, justice perception (Farndale & Kelliher, 2013) and the execution capability of line manager (Sumelius et al, 2014) play very important role. All these constructs can be studied within the scope of the proposed framework and these can lead to new direction of research for future scholars.

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