

A TQM Approach to HR Performance Evaluation Criteria

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In contrast to previous research on HR performance evaluation in quality organisational environments, which is mainly confined to the literature and theory-based studies, this paper provides a partial answer to the question: 'what is a typical quality-oriented HR performance evaluation system'? In this study, an attempt is made to highlight the key generic criteria of a quality-driven HR performance evaluation system through a questionnaire survey of Scottish-based quality-driven organisations. It allows the reader to map the most important issues in HR performance evaluation in a quality management context. In addition, the study analyses the degree of effectiveness of the currently conducted HR performance evaluation in identifying training needs, employee motivation, improvement in future performance and overall performance of the organisation. Finally, suggestions are offered for moving towards a quality-based HR performance evaluation.

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Introduction

Despite the large body of published work on the subject of performance evaluation (e.g. Randell, 1994; Smither, 1998; Long, 1986), there are still gaps in empirical investigations of the nature and magnitude of performance evaluation impacts on successful implementation of TQM programmes. A review of the literature shows that performance evaluation systems are criticised for failing to achieve both TQM

demands and employees' expectations. In particular, the main components of a quality-driven HR performance evaluation are even less widely researched. According to the majority of quality management gurus, namely Deming (1986); Juran (1989); Ishikawa (1985), further research on designing a TQM-based performance evaluation is needed. Deming (1986); Scholtes (1993); Cardy (1998); Waldman (1994), and Ghorpade *et al.* (1995) also point to the shortcomings of the traditional performance evaluation in quality organisational environments. In a similar vein, Seddon (2001); Segella (1989), and Strebler *et al.* (2001) open up the debate with a closely-reasoned critique of the idea of performance evaluation currently conducted in different organisations. The Institute of Employment Studies, as Strebler *et al.* (2001) report, finds evidence that, although performance evaluation is nearly ubiquitous, it fails both employees and organisations. There are at least two reasons why HR performance evaluation cannot meet TQM requirements and demands:

1. It holds the worker responsible for errors that may be the result of faults within the system i.e. it disregards the existence of a system.
2. The purpose of HR performance evaluation systems is largely to ensure that the minimum standards for the job are being maintained and some measure of control is being exerted over the employee i.e. performance control.

The literature contains few references to empirical studies on performance evaluation in the context of quality management. Moreover, the number of theoretical articles is not impressive (e.g. Moen, 1989; Cardy and Carson, 1996; Cardy, 1998; Ghorpade *et al.*, 1995; Scherkenbach, 1985; Scholtes, 1995; Waldman, 1994; Simon and Schaubroeck, 1999; Bowman,

1994; Cardy *et al.*, 1998). Although the majority of these articles confirm the disadvantages of HR performance evaluation practices in a TQM context, some of them (e.g. Deming, 1986; Scholtes, 1993) argue that performance evaluation and quality management precepts are not compatible. The findings of Cardy (1998); Scholtes (1993), as well as Ghorpade *et al.* (1995), for instance, criticise performance evaluation function and support Deming's view in 1986 that TQM and HR performance evaluation are incompatible. As Scholtes (1993) puts it, 'organisation managers can choose to promote either of these approaches but not both'. In particular, the attack on HR performance evaluation in a quality management context was spearheaded by Deming (1986) since he lists 'performance evaluation, merit rating and annual review' as the third of his 'seven deadly diseases' and comments that the effects of this disease are devastating industries. Moreover, attempts to redesign and administer current performance evaluation systems so as to resolve this problem have, so far, been unsuccessful. This, in turn, was followed by other TQM researchers critiques in the 1980s and 1990s, in which they observed the central problem of performance management was an incorrect understanding of variation in performance phenomena, including the work performance of employees. It is noteworthy that none of these studies attempted to explore empirically the issue of HR performance evaluation in a TQM organisational environment. However, performance evaluation practices seems to have survived these opposing points of view since the majority of organisations surveyed (over 95 per cent) continue to apply a formal HR performance evaluation system, and various studies continue to be published in this area.

Thus, identification of the main criteria of a quality-driven HR performance evaluation as an important issue for measuring HR contribution is widely and frequently emphasised by the above researchers who also express concern about the high rate of failure among TQM-driven organisations due to such deficiencies. In addition to these theoretical approaches to performance evaluation in a quality-based organisation, further investigation may be necessary in order to bridge the gap between current performance evaluation and a TQM-based HR performance evaluation, and identify those criteria and measures of employee performance that could benefit both organisations and employees.

A literature review shows little empirical treatment of HR performance in a quality management context. There is considerable scope for research.

The research described in the remainder of this paper reflects the results of empirical research on identification of the main criteria of performance evaluation in a TQM context. The first research to be undertaken in this study can be summed up in the following way: 'what are the main criteria of a typical TQM-

focused HR performance evaluation?' Next, the paper explains the 'consistency of sources of evaluation with TQM precepts', 'the relationship between HR performance evaluation function and TQM effectiveness', and 'the effectiveness of the current HR performance evaluation systems in meeting and obtaining individual and organisational objectives'. Finally, 'the main disadvantages of the current HR performance evaluation in the TQM-driven organisations' will be discussed.

Research Objectives and Design

The research domain for this study is Quality Scotland Foundation (QSF) members. The QSF was selected by the European Foundation for Quality Management (EFQM) as its National Partner Organisation for Scotland with a membership in excess of 200 organisations, the majority of which feature among the top companies in Scotland.

Results reported in this article are derived from an analysis of a sample of 64 cross-section organisations, all applying the European Foundation for Quality Management (EFQM) Business Excellence Model as their approach to quality management. A profile of the organisations studied showed that 61 per cent of the respondents were from the public sector and 39 per cent from the private sector, with enough experience of quality management practices such as BS/ISO Series (64 per cent), MBNQA (5 per cent), HP (25 per cent), Best Value (5 per cent), Chartered Mark (8 per cent), and customised quality (42 per cent). Further, the survey found that nearly 85 per cent of the respondents were UK-owned, while US-owned organisations and continental-European-owned accounted for 12.5 and 3.1 per cent of the respondents, respectively.

Underpinning the research is an assumption that is now widely accepted as axiomatic, as Murphy and Cleveland (1991) put it: 'the system that is used to appraise performance needs to be consistent with the culture and principles that guide the conduct of the organisation. Unless consistency is retained, anything that is developed is liable to be rejected'.

Questionnaire Analysis

The Questionnaire was designed to illuminate the following main issues:

- ❖ The main criteria of a quality-focused performance evaluation system
- ❖ The consistency of different methods of conducting HR appraisal with a TQM-driven context
- ❖ The relationship between performance evaluation systems and TQM effectiveness

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