

The effect of performance measurement implementation: The case study of a Malaysian Service Organization (MSO) from BSC learning and growth's perspective



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ARTICLE INFO

Article history:

Received 7 December 2016

Received in revised form

20 September 2017

Accepted 20 October 2017

Keywords:

Organizational performance

Employee attitude

Performance management System

Balanced-score card

ABSTRACT

The objective of this research was to evaluate the impact of the employees' attitude derived from the usage of Balanced Scorecard (BSC) learning and growth's perspective as the performance measurement system (PMS) in a Malaysian Service Organization (MSO). A total of 1000 respondents were surveyed and the data was analyzed using Pearson Correlation Analysis and Regression Analysis. Analysis of results indicated that there was a positive relationship between the implementation of BSC learning and growth's perspective and Employee Attitude in MSO. The implication of this research would benefits the organization in terms of employees' effectiveness and the pervasiveness of the performance metric implementation.

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1. Introduction

Performance Measurement System (PMS) has been used by companies around the globe to enhance the efficiency and the productivity of the employees. Methods commonly used are Six Sigma, Balance Scorecard (BSC), Social Return on Investment (SROI) and others. Hence, it is critical for the employer to analyze the effects and the implication of the measurement towards the attitude of their respective employees. The organization needs to raise the performance and productivity to generate the desirable profits. Based on past literature, employee attitude have been identified as one of the indicators of performance and thus, the examining of the level of employees' attitude in determining the overall performance of the organization is crucial. This research has two main objectives. First, to identify the effects of implementing PMS on employees' attitude in pursuit for better performance. Secondly, to investigate the pervasiveness of Balanced Scorecard (BSC) Learning and Growth's perspective approach in the development of effective performance measurement system (Messersmith et al., 2011).

Balanced Scorecard has emerged as one of the common tool to measure the performance of the employees (Bourne and Bourne, 2007). The role of performance measurement system is to evaluate the level of performance of the employees in the organization. The difference between the desired and actual performance will be evaluated and thus, organization must play the active role to perform the corrective action if the performance deteriorates from the desired performance. The emergence of new technology and the stiff competition in the market would be the factors that would block the organization to achieve the competitive advantage. This research evaluates the impact of the implementation of the PMS towards the employees' attitude, which has been identified as the yardstick of actual performance from past literature.

2. Literature review

The traditional management control systems have been obsolete because of the inability to provide the relevant information for decision-making (Johnson and Kaplan, 1991). Hence, a new performance measurement system (PMS) which could be relevant, timely and able to produce the necessary information has been found to be critical in this information era. However, Otley (1999) proposed that there are two major roles for the Performance Management (PM) as follows. Firstly, PM must ensure that the employees usually follow the policies and procedures at all times in order to

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<https://doi.org/10.21833/ijaas.2017.012.031>

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protect the interests of the organization all the time. Secondly, the new PM must have the ability to motivate the employees to act in accordance with the organizational goal.

Moreover, some scholars have claimed that performance management has been found to involve some processes of quantifying action that should lead to performance (Neely et al., 1995). The limitation of the top down approach was discovered and suggested that the PM should include conscious reflection of the strategy, objective and the organizational culture (Smith and Goddard, 2002).

2.1. BSC as a strategic management system

Strategy and vision are situated at the core of Balanced Scorecard. The necessary action or behavior must be taken by the employees in order to achieve the agreed goals. Kaplan and Norton (1996) have highlighted four important processes in linking BSC with the strategy through overcoming the vision barriers through the translation of strategy. The mission, vision and core values of the organization would only be established if the organization took a necessary action or behave accordingly and thus, BSC acts as a tool to transform vision based on the management's strategy (Saudi, 2016).

Kaplan and Norton (2001) stated that 95% of the workforce did not understand the organization's strategy. BSC elaborates on the mission and the strategy by providing "line of sight" from the director's office to the front line (Azhar, 2009). Thus, employees would be able to know specific functions and contributions to the overall outcome of the organizations. Hence, the employees could agree to emphasize on the performance drivers that could lead to the desired outcomes by the management.

The resources and processes are the two critical elements that BSC could assist in ensuring the success of managing the organization (Kaplan and Norton, 2001). The missed opportunity on recruitment and the inability of the firm to realize the processes would affect the final outcome. This research will identify the processes carried out in the course of implementing the performance management system by MSO. Lack of information had caused the obtained knowledge to be short term in nature and obsolete. Hence, it is critical to gain the accurate information combined by the vision, resources and people's barriers in the organization (Saudi, 2014).

2.2. Employee attitude

Employee attitude play a vital role in determining organizational performance in the long run. It could lead to the desired employees' behavior and attitude that are needed in order to achieve the objective, mission and vision of the organization (Moorhead and Griffin, 1992). Kreitner and Kinicki (1992) stated that attitude could be defined as 'a learned predisposition to respond in consistently favorable and unfavorable manner with respect to a given

object'. Moreover, Moorhead and Griffin (1992) outlined that attitude could arise from three major factors namely organizational factors, group factors and personal factors.

Employee attitudes are associated with many vital aspects of organizational behavior such as job performance. Nevertheless, despite the increasing attention among scholars on employee attitude, the research by Mowday et al. (2013) shows a negative relationship between job satisfaction, absenteeism and turnover. However, positive attitudes should occur when the workers have high job satisfaction (Misener et al., 1996) towards job factors such as opportunity for promotion and recognition (DuBrin, 2005). Saari and Judge (2004) stated that management must be able to understand the relationship between business performance and work environment through the employee attitude. The internal and external factors that affect the work situation or working environment that include cultural influences would enhance the employees' capabilities to the fullest.

2.3. Hypothesis for this research

To achieve the objectives of this research, the following hypothesis was tested in the course of this research. The hypotheses analyzed the effect of the Performance Management System on the employees' attitude in MSO.

Hypothesis 1: There is evidence of a positive significant relationship between the BSC Learning and growth Perspective and the Employees' Attitude in MSO.

3. Methodology

This research uses a positivist paradigm, which is a quantitative approach because of the main strengths: generating precise, quantitative, numerical data from large survey sizes (Kitchenham and Pfleeger, 2002). Furthermore, the findings are reliable and can be generalized and replicated on many different populations (Maxwell and Delaney, 2004).

Research design must be suited with the purpose of the research (Cavana et al., 2001). Thus, hypothesis testing, exploratory, descriptive are some of research designs that have been used in social science research (Neuman, 2006). The type of investigation, time horizon, researcher interference and unit of analysis could be the elements in research design depending on the purpose of the research. Sekaran (2000) stated that critical choices, point to each component of the research design.

A research is conducted as a quantitative research due to the application of a more quantitative design for well-known subjects (Ward et al., 2002). Furthermore the research was conducted in a natural environment of the organization thus the interference could be minimized by the researcher. Moreover, this

research is concerned with the statistical significance and effect size for an overall model. Hence, the correlation and regression analyses were appropriate to be implemented.

The social science research could be made available through case research, exploratory, descriptive or hypothesis testing (Cavana et al., 2001). However, Morgan et al. (1999) comment that if there is no or little information available about the subject, the researcher must perform an exploratory research so that the grasp of the phenomena or interest on the subject matter could be obtained. Hypothesis testing is applicable to establish and understand further the relationship between variables (Cavana et al., 2001; Morgan et al., 1999).

4. Research sampling

From a total of 1000 questionnaires distributed, 507 of them were collected out of which only 400 (response rate of 40%) were usable. Of the 400 respondents, 256 (64%) were males and 144 (36%) were females. In terms of age composition, 150 (37.5%) of them were found to be less than 30 years, 127 (31.7%) were between the age of 30 to 40, whilst the remaining (30.8%) were of the age of 40 and above. In the context of educational background, a total of 150 or 37.5% of the respondents were degree holders, another 187 or 46.8% were diploma holders, 49 of them or 12.3% hold school certificates, whereas 10 or 2.5% were post-graduate and 4 or 1% of the remaining respondents hold professional qualifications. The breakdown composition of respondents in terms of positions was as follows: 226 (38.2%) constitutes of junior level, another 150 (37.5%) represent middle level and the remaining 24 (6%) were from upper management level. In terms of working experience, a total of 153 (38.2%) had less than 5 years, another 172 (43.0%) were between 5 to 15 years and the remaining 75 (18.8%) were senior staff with more than 15 years.

5. Statistical analysis

The application of Correlation Test and Regression Analysis were to show the level of

correlation variables that being applied in this study. Pearson Correlation test normally being used when there is normal data distribution (Cavana et al., 2001). In this study, the correlation coefficient between important parameters has been tested.

Testing the reliability of the questions that used Likert Scale showed that data from this research was reliable with Cronbach’s alpha value of at least 0.70 as shown in Table 1. Sekaran (2000) states that the closer the alpha value to 1 means the data is more reliable. In general, reliabilities less than 0.60 are considered to be poor or not good, those in the 0.70 are acceptable, and those over 0.80 are considered good. Therefore, we can conclude that the data collected in this research was reliable and acceptable.

Table 1: Cronbach’s alpha analysis

Questions Category	Cronbach’s Alpha	No of Items
Learning and Growth Perspective	0.701	5

The Cronbach’s alpha for the 5 items in BSC Customer perspective components was 0.701 in this research. According to Hair et al. (1998), ‘the generally agreed upon limit for Cronbach Alpha is 0.70 although it may decrease to 0.60 in exploratory research’. Thus, all components in BSC Customer perspective have been found reliable in this research.

Referring to Table 2 and Table 3, the PCA evaluated the BSC Learning and Growth perspective and was not significant with a p value > 0.001 (0.627) and with Pearson’s R value as 0.02. Thus, BSC Learning and Growth was not a significant predictor of EA because the R value was 0.02 and R square was 0.001 with p value more than 0.001.

Each component of BSC Learning and Growth perspective had no significant proportion of its variance explained by Employee Attitude components. Hypothesis 1 states that there is evidence of a significant positive relationship between the BSC Learning and Growth and Employees’ Attitude in MSO was not supported in this research.

Table 2: Summary of result of Pearson correlation analysis

Variables	R Value	R-Square	F-Statistic	Standard Error Estimate	P-Value
BSC Learning and Growth	0.02	0.01	0.24	0.34	0.627

Table 3: Pearson correlation analysis

Perspectives	Pearson’s R	R ²	F-Statistic	P-Value
BSC Learning and Growth	0.02	0.001	0.24	0.627

Referring to Table 4, a standard regression was performed between employee attitude as the dependent variable and BSC Learning and Growth as the Independent variable. The correlation coefficient (R = 0.24) was significantly different from zero, F(1,398) = 0.236, p > 0.001 and 0.1% of the variation in the dependent variable was not explained by the sets of independent variables (R² = 0.001). BSC Learning and Growth, β = 0.008, t = 0.48, p > 0.001

was found not to significantly contribute to prediction of Employee Attitude.

The overall result of the regression model is significant as p = 0.627, is more than the threshold of 0.05. This indicates that BSC Learning and Growth as the independent variable does not significantly affect the dependent variable, the Employee Attitude (EA). The result also indicates that R square for 4 BSC Perspectives is 0.0001, which means the

independent variable contributes only 0.01% towards the dependent variable (Employee attitude)

and the significant value more than the alpha value of 0.05.

Table 4: Summary of regression analysis

Variables	R Value	R-Square	β	Standard Error Estimate	P-Value	Conclusion
BSC Learning and Growth	0.02	0.01	0.008	0.34	0.627	Not Significant

The value of standardized coefficient also indicates the relative importance of this independent variable in the Regression analysis. Referring to Table 4, for BSC Learning and Growth, it is a negative relationship ($\beta = -0.24$). The result of the standardized coefficient (beta) reveals that BSC Learning and Growth ($\beta = -0.08$) is relatively not an important predictor towards Employee Attitude (EA) as the variable is significant. Therefore, Hypothesis H1 is not supported.

6. Conclusion

In Malaysia, the use of BSC Learning and Growth's as the Performance Measurement tool is gaining attention in line with the global push towards performance management systems as a means to evaluate the performance of the employees. It is a necessity especially for larger organizations such as MSO which has outgrown more informal means of managing resource allocation and goals. Thus, the challenge is in the implementation. However, the literature was silent on these research Hypotheses especially on several key issues on policies and practice pertaining to this research.

Examining the relationship between BSC Learning and Growth and employee attitude, it was revealed that BSC Learning and Growth is not significantly related to the employee attitude. Based on the path coefficient (standardized regression weight), BSC Learning and Growth has no positive significant relationship with EA. The insignificant relationship of the BSC learning and growth found in this research proved that MSO would need to improve its organizational development (OD) drastically. The career development of the employees as well as the talent management in the organization should be enhanced in order to improve the level of productivity of the agency. This research found that the level of teamwork should need to be enhanced as well as staff mentoring and coaching.

The on-job training for MSO employees was seen important, and thus the communication and teamwork among the employees should be enhanced. The expectation of the management should be realized by the employees, and thus the rapport building among the supervisors and subordinates. The leadership in MSO was found not to fully understand the working conditions and the work situation in using the BSC as the yardstick to determine the performance of their subordinates. Ilgen et al. (1979) noted that feedback could enhance performance due to the fact that it would serve as a determinant of appropriate work behavior. This research also found that the employees in MSO

favoured a more cognitive orientation that focused on informational value rather than reinforcement value. The result of this research also indicates that the Job Descriptive Index model of employees' attitude have been found to provide useful information in order to predict the various facets of job performance. Furthermore, the JDI model could represent a significant variance of the employees' attitude in valuating work performance. However, the research methodology and design of this research did not authorize for any statements of causality to be made in this research.

Furthermore, empirical studies reveal that the work-related attitude is vital and contributes significantly to increase the level of performance and productivity in the organization. The Customer's perspective in BSC has affected the attitude of the MSO employees. This finding shows that this perspective has been neglected or overlooked by the management.

Overall, the universal perspective which provides the empirical basis for the behavioral-based theory has been supported in this research. The PMS practices were found to be significantly related to the work related attitude which consisted of job satisfaction (Smith et al., 1969) and the organizational commitment (Meyer and Allen, 1991). The results of this research underlines the values of creating enriched and challenging activities such as open communication and power sharing to change the firms' management (Aldag and Kuzuhara, 2002) style in order to improve the effectiveness of Human resources practices and consequently performance. This research has also prescribed that the work related attitude or employees' attitude could positively influence the performance of the workers.

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