

**A REVIEW OF THE LITERATURE OF QUALITY AND PERFORMANCE
MANAGEMENT**

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ABSTRACT

The meaning of quality and performance are different, however, they related in terms of management activity. In management, the existence of the two activities is unavoidable. Therefore, given the boundaries of success and failure is very thin. For these reason in-depth examination these terms and their relationship. In this paper we are going to discuss; strategic human resource management, the definition of quality and performance management, the History of Quality Management, Why quality and performance management, the purpose of quality and performance management, Quality and performance management principles, and performance appraisal. Quality, "Customer satisfaction" is the main element when defining and describing quality. If the ability to maintain the existing customer base, as well as obtain new customers, then the quality is achieved. Enthusiasts for performance assessment argue that it serves a key integrating role within an organization's human resource processes. Firstly, it provides a checking mechanism for resourcing policies and procedures, evaluating the quality of recruits and hence the underlying decision-making process. Secondly, it monitors employee commitment and the relevance of their working behaviour to business objectives. Thirdly, it provides a rationale for an organization's pay policies. Taken at face value, these intentions seem entirely compatible with an integrated and strategic approach to human resource management. In reality, however, the definition and measurement of good performance is a controversial matter, involving fundamental issues of motivation, assessment and reward.

Keywords: Quality, performance; management; motivation; assessment; reward

1. Introduction

At this new millennium, consumerism is prevalent all over the world. People buy house, cars, mobile phones and many other things. However, people on certain stages dissatisfied with what they have and always ask for more. From these weaknesses many producers increase the quality of their goods in response of customer's demand for quality products.

The sense that embodies the desire itself contains a performance which is closest to the ideal of the most desirable products or services. Comparing an individual's desire to another individual has different preference which is called the transcendent view of quality (Garvin, 1984, pp.).

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In this paper we are going to discuss; strategic human resource management, the definition of quality and performance management, the History of Quality Management, Why quality and performance management, the purpose of quality and performance management, Quality and performance management principles, and performance appraisal.

2. Strategic Human Resource Management

Theory has accounted picture of HRM being focused as managerial, unified and holistic, and driven by strategy. (Nankervis A, Compton R & Baird M (2002), however, there is a considerable debate about what 'strategic human resource management' (SHRM) actually means. There are many definitions, including: A human resource system that is tailored to the demands of the business strategy, (Miles and Snow, 1984). The pattern of planned human resource activities intended to enable an organization to achieve its goals, (Wright and McMahan, 1992). And By *strategic* we mean that HR activities should be systematically designed and intentionally linked to an analysis of the business and its context' (Schuler, Jackson and Storey, 2001, p.127).

Such definitions range from a portrayal of SHRM as a 'reactive' management field where human resource management is a tool with which to implement strategy, to a more proactive function in which HR activities can actually create and shape the business strategy (Sanz-Valle *et al.*, 1998).

The range of activities and themes encompassed by SHRM is complex and goes beyond the responsibilities of personnel or HR managers into all aspects of managing people and focuses on 'management decisions and behaviors used, consciously or unconsciously, to control, influence and motivate those who work for the organizations - the human resources' (Purcell, 2001, p.64). For example,

(Mabey, Salaman and Storey, 1998) look at the subject from four perspectives: first, the social and economic context of SHRM - including the internal (corporate) and external environments that influence the development and implementation of HR strategies, second, relationship between SHRM and business performance, emphasizing the measurement of performance. Then the management style and the development of new forms of organization, and finally the relationship between SHRM and the development of organizational capability, including knowledge management.

Other authors have attempted to provide more analytical frameworks for SHRM. (Delery and Doty, 1996), for example, make distinctions between three different theoretical frameworks: **Universalistic** where some HR practices are believed to be universally effective, **Contingent** with the effectiveness of HR practices supposed to be dependent on an organization's strategy, and **Configurational** where there are believed to be synergistic effects between HR practices and strategy that are crucial for enhanced performance towards many aspects in recruiting, selecting and hiring employees. So what is actually performance and quality?

3. Definition of quality and performance management

In this part we will contemplate separately quality and performance management.

Quality, first of all, is a degree or grade of excellence or worth and be more specific (the American National Standards Institute, 1992, pp. 4) defines quality as: *"the totality of features and characteristics of a product or service that bears on its ability to satisfy given needs."* (Garvin, 1984, pp. 24) says that the quality means performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceptions. Juran in Godfrey (1998, pp. 2.1) said that quality means those features of product which meet customer need and thereby provide customer satisfaction. He also belief that *"quality does not happen by accident"* gave rise to the quality trilogy: Quality planning, Quality control, and Quality improvement. This means that performance plays a massive in achieving the organization's strategic objectives.

Quality management

Quality Management is all activities of the overall management function that determine the quality policy, and responsibilities, and implement them by means such as quality planning, quality control, quality assurance, and quality improvement within the quality system. (ASQ, 1994).

With growing global competition, Quality Management has become increasingly important to the leadership and management of all organisations. Quality Management Principles provide understanding of and guidance on the application of Quality Management. By applying and following eight Quality

Management Principles, organisations will produce benefits for customers, owners, people, suppliers and society at large. Therefore, quality means different things to different people and organisation. The target of quality is the needs and interest of the consumer, present and future. And the product has been design accordingly; the role of operations management is to make sure the product actually perform the production which meet the design specification (Deming, E.W, 1984)

Performance management

Performance assessment has a long history based on comparative judgments of human worth. In the early part of the 19th century, for example, Robert Owen used colored wooden cubes, hung above work stations, to indicate the performance of individual employees at his New Lanark cotton mills in Scotland. Various merit ratings were represented by different colored cubes which were changed to indicate improvement or decline in employee performance (Heilbroner, 1953, cited in Murphy and Cleveland, 1995: 3).

HRM is associated with sophisticated performance assessment, typically involving performance-related pay. The assessment of performance can be beneficial to personal development. We considered performance management as an integrated system. Theoretical descriptions of such systems emphasize their value to the link between individual employee performance and the achievement of strategic goals. However, there are philosophical issues of what precisely represents 'good' performance, and further technical problems of measurement. This has led to an unhappy marriage of uncertain appraisal techniques with an ideological enthusiasm for performance pay. Free market organizations are particularly concerned with performance-related pay as a motivating factor, but this trend appears to be ideological rather than rational. Current evidence shows that performance-related pay demotivates more people than it motivates.

All in all, performance management is the systematic process by the organization which involves the employees in improving organizational effectiveness to accomplish the objectives which include planning, monitoring, developing, rating and rewarding as a continuous cycle (Office of Personnel Management USA, 1995, pp. 4).

4. History of Quality Management

In 1947 W. Edwards Deming Ph.D., an American statistician was invited to help the Japanese work on their census tracts. Two years later, Dr. Deming, returned to Japan to teach a course on statistical control. His first formal course began in July 1950 with 220 engineers enrolled in the course. The Japanese industrialists were receptive to the idea of improving quality because they wanted to have a larger export market. What Deming was teaching,

however, went well beyond traditional statistical control courses. It involved a management philosophy, (Alemi, 1996)

Quality is not a modern concept. Customers have demanded quality goods since the advent of markets. The beginnings of quality, as cited from (Juran, 1989, pp. 2-8] may be started from the historical quality concepts, which the customer make self inspection, Specification by sample, and quality warranties in sales contracts. Then follow by the industrial revolution (1700's & 1800's). during the revolution era, written specifications for materials, processes, tests & finished goods are used for quality control, measurement and testing, and Standardization (Interchangeable parts).

Juran also mentioned that since late 1920's quality engineering began at AT&T's Western Electric Co. Hawthorne Works with Dr. Walter Shewhart and later Dr. W. Edwards Deming. These efforts were hardly noticed in the USA at the time, even at AT&T.

The Japanese quality revolution led by Deming, Juran, and others. (1950's-1960's) where upper level management leads the quality revolution, and everyone is involve, Quality training given to ALL employees from the top down, Continuous quality improvement (CQI) is instituted in all activities, Quality control is distributed throughout production (statistical process control), rigorous inspection of purchased materials & parts instituted, Quality audits instituted and the voice of the customer pervades all aspects of design and manufacture. Cited from (Juran, 1989, pp. 2-8)

5. Why quality and performance management?

The direction of why quality has become important is because of the high demand of consumers and the law, and become essential as a marketing tool, the border of the competition, means of reducing all waste, and method of preserving the environment. Quality also provides a company with the real benefits of higher profits, improved communication, better industrial entrepreneurships, increased safety, higher efficiency, and a drive for excellence. Entrepreneurship will become stronger relationship with the work-force, suppliers and customer according to (UK Government White Paper, 1984, pp. 175)

In today's massive change in the business environment, there are several matters involved which relate to competition, quality of outputs and outcomes, and efficiencies. Critical to achieving the objectives of the organisation are to ensure active involvement and cooperation of employee. Giving the understanding of the organisation's mission and goals connected to the tasks. And to accomplish the task the management's role is to provide direction and feedback, and this is where performance management is the mechanism to make it happen (Swan, 2004, pp. 1).

6. Purpose of quality and performance management

The purpose of Quality Management is to establish the controls needed to assure that the quality and reliability of the products or services can fully satisfy the customers. Therefore, the products must be free from defects and the employees must provide the customers with prompt, professional service. The Quality Management Program need to focus on three major areas: quality control, reliability assurance, and failure analysis. In some organizations, customer satisfaction is replaced by market share or added as a fourth measurement. There are organizations that form and train so many work teams without having any positive impact on value-added per employee. Another organization had installed SPC throughout manufacturing without having an impact on customer satisfaction or return on assets. All too often, we implement quality initiatives that end up in eliminating waste and/or increasing productivity that should decrease the need for employees to accomplish the same amount of work. But instead of eliminating these costs, we apply the surplus employees to doing something else that didn't need to be done. (Quality Digest, unnamed, 1998, pp. 1-7)

It is up to the quality professional to ensure that the quality initiatives result in a positive impact on the organization's performance. The starting point is evaluation: is your organization's performance improving or slipping backwards? Here again, I am surprised at the lack of data and sophistication that quality professionals are using in making this evaluation. At a very minimum, they need to consider short-term performance change (last twelve months) and long-term performance change (five years). Next, they need to consider how their changes in performance compare to the organization's competitors as cited from (Quality Digest, unnamed, 1998, pp. 1)

The purpose of performance management is the basic responsibility of all managers. The priority of the process is supported by top level decision makers to require consistent and objectivity staff direction. *The goals of performance management is to produce measurable outcomes visible to all employees as improved performance; to uphold a compensation system perceived as unbiased; to document pay for performance factors; and to reflect a promotion and transfer system which makes proper decisions based on skills and abilities.* (Purdue University, Division of Housing and Food Services, unnamed, 2001, pp. 1)

In all Australian Government Agencies are required to publish performance information in the form of accountability documents such as Portfolio Budget Statements and annual reports. The publish documents contains major components of the outcomes and outputs framework which outcomes require indicators of *effectiveness*, in terms of the contribution of the relevant departmental outputs and administered items to the achievement of the outcome,

require indicators of *efficiency* - the price, quantity and quality of the final output. Finally requirements indicators relating to the achievement of the objectives of the administered item, be it grants, transfers or benefit payments (for example). The requisite performance information for administered items is often indicated in the associated legislation, policy statements or inter-governmental agreement controlling the item (Australian Government, Department of Finance and Administration, 2003)

7. Quality and performance management principles

With growing global competition, Quality Management is becoming increasingly important in terms of leadership and management of all organizations, which provide understanding of and guidance on the application of Quality Management.

The definition of quality management principles is a comprehensive and fundamental rule or belief, for leading and operating an organization, aimed at continually improving performance over the long term by focusing on customers while addressing the needs of all stakeholders (Forsberg, 1995, pp. 1-2), was then define as the eight principles of quality by International Organization for Standardization to produce benefits for customers, owners, people, suppliers and society at large, as below:

Principle 1 - Customer-Focused Organization
Organizations depend on their customers and therefore should understand current and future customer needs, meet customer requirements, and strive to exceed customer expectations.

Principle 2 –Leaders establish the unity of purpose and direction of organization. They should create and maintain the internal environment in which people can become fully involved in achieving the organization's objectives.

Principle 3 – People's involvement at all levels is the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit.

Principle 4 - Process Approach as a desired result is achieved more efficiently when related resources and activities are managed as a process.

Principle 5 - System Approach to Management: Identifying, understanding, and managing a system of interrelated processes for a given objective improves the organization's effectiveness and efficiency.

Principle 6 - Continual Improvement: Continual improvement should be a permanent objective of the organization.

Principle 7 - Factual Approach to Decision Making where effective decisions and actions are based on the analysis of data and information.

Principle 8 - Mutually Beneficial Supplier Relationships: An organization and its suppliers are independent, and a mutually beneficial relationship enhances the ability to create value.

(The eight quality management principles are defined by in ISO 9000:2000, *Quality management systems Fundamentals and vocabulary*, and in ISO 9004:2000, *Quality management systems Guidelines for performance improvements*, in Forsberg, 1995, pp. 1-2

The above principles, as an example, have been applied in Australian Government Agencies which have been made as: the expectation of performance management as guidance to Commonwealth departments and agencies as a report and used for internal and external purposes. Whereas, the external reports are focused on the specific year of the budgeting system, and the performance report is made by annual report, and the internal parts is report for managerial and administration purposes within a year. The Staff report and feedback is also made through this report. (Australian Government, Department of Finance and Administration, 2003, pp. 1-7).

The report was published by structured in such way which shows the agencies outputs as the achievement of the outcomes. This is for the purpose to assist stakeholders and management to have good documentation regarding the performance for decision makings (Australian Government, Department of Finance and Administration, 2003, pp 3-12). To reach a good result of this principles there have to be methods as the parts to make sure the principles can and will be achieved.

8. Performance Appraisal

Recently, organizations have been faced with challenges like never before. Increasing competition from businesses across the world has meant that all businesses must be much more careful about the choice of strategies to remain competitive. Everyone (and everything) in the organization must be doing what they're supposed to be doing to ensure strategies are implemented effectively. For an example: the (DDI Development Dimensions International, 1997, pp. 1-3) recognise the challenges: in measuring / evaluating dimensions, keeping leaders focused, linking job descriptions to performance management, implementing performance management for staff, linking compensation to performance management, matrix management, and keeping the system alive. They also conclude that to measuring/evaluating performance in dimensions (or competencies) is usually the most difficult part of performance management, and for good reason. Dimensions represent a new level of discussion for most of us. Since we are generally less comfortable discussing and giving feedback on behaviors, and because they are more subjective and less quantifiable than objectives, and tend to avoid this area.

There are many names given for the terms of performance appraisal, such as performance review, performance evaluation, personnel rating, merit rating, employee appraisal or employee evaluation. Performance appraisal has been defined as any

personnel decision that affects the status of employee regarding their retention, termination, promotion, transfer, salary increase or decrease, or admission into a training program. Therefore, in performance management being busy is not the same as producing results. Unfortunately, training, strong commitment and lots of hard work alone is not results. The main part of performance management is ensuring that employees are meeting the organization's goals.

Performance management has put more focus on effectiveness, that systems and processes in the organization be applied in the right way to the right things: to achieve results. All of the results across the organization must continue to be aligned to achieve the overall results desired by the organization for it to survive and thrive. Only then it be said that the organization and its various parts are really performing (McNamara, 1999, pp. 1-2).

To ensure Performance Management Appraisal systems are effective an should *evaluation system* and *feedback system* should be implemented. The purpose of evaluation is to identify the performance gap if there is any, and feedback to the employees regarding their performance. Therefore, the best way to acknowledge the purpose of performance appraisal is to look at it from different sides by look from the point of the employee and the organization (Archer North & Associate, 2004).

There is, says (Dulewicz, 1989, pp645-649), "... a basic human tendency to make judgements about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily.

9. Summary

Quality, "Customer satisfaction" is the main element when defining and describing quality. If the ability to maintain the existing customer base, as well as obtain new customers, then the quality is achieved.

Understanding processes so that they can be improved needs knowledge of a range of quality tools or techniques. These can generally be broken down into problem solving methods, based on identification and analysis of the causes of poor performance within key processes. It is vital that company personnel, who are responsible for, and work within the process, are involved in the use of these techniques. Typical examples of these tools are: Process Mapping, Cause and Effect diagrams, Brainstorming, Pareto Analysis and Statistical Process Control (RDH Consulting, Quality Management Consultants, 2004)

As we may say that performance management redirects our efforts away from busyness toward effectiveness, therefore as the key-factor is leadership, which need the team's involvement towards a quality product and services. The first is to make a workshop.

In the current business environment it is increasingly important to develop the skills of supervisors and Managers, the key link between front line staff and management. The Effective Team Leader program is designed as a flexible, modular approach to developing the range of basic supervisory skills. This is a program that can be expanded and scheduled in a variety of ways to meet specific needs.

The objectives of the program is to create participants which can define the role of Supervisor/Manager, improve individual and team performance, evaluate/monitor performance, write basic performance standard, counseling and apply appropriate communication skills.

Enthusiasts for performance assessment argue that it serves a key integrating role within an organization's human resource processes. Firstly, it provides a checking mechanism for resourcing policies and procedures, evaluating the quality of recruits and hence the underlying decision-making process. Secondly, it monitors employee commitment and the relevance of their working behaviour to business objectives. Thirdly, it provides a rationale for an organization's pay policies. Taken at face value, these intentions seem entirely compatible with an integrated and strategic approach to human resource management. In reality, however, the definition and measurement of good performance is a controversial matter, involving fundamental issues of motivation, assessment and reward.

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