TQM and performance appraisal: complementary or incompatible?

Abstract

Despite the scholarly interest in performance management as a key determinant of the effectiveness of enterprise process improvement methods such as total quality management (TQM) and its derivatives, few empirical studies have explicitly explored the practice of performance management systems in TQM-focused organisations. In order to redress this imbalance, this study aims to describe how organisational and managerial forces led to a performance management systems failing to embrace the core principles of process improvement methods such as TQM. Using a qualitative study of six large UK-based automobile and auto parts manufacturers, our results illustrate how manager-controlled, individual-focused, past-oriented, long-cycle, and narrowly defined performance appraisal (PA) systems can intervene to underline the ultimate potential of TQM. The paper concludes with the discussion of implications for theory and practice of TQM and human resource performance management.

Keywords: performance management, performance appraisal, quality management, qualitative study, automotive industry

Introduction

Despite the popularity of total quality management (TQM) as the most celebrated enterprise process improvement method and performance appraisal (PA) as the most ubiquitous and pervasive human resource management (HRM) practice, a review of the extant literature empathically informs us that both practices have consistently faced a battle to justify their positions in terms of supporting employeesand improving organisational performance (Fletcher 2001; Nisen, 2015; Coens and Jenkins, 2000; DeNisi and Murphy, 2017; Adler et al., 2016; Bowman, 1994; Shrivastava et al., 2007; Latham et al., 2007; Giangreco et al., 2011; Iqbal et al., 2015).

To date, studies of the adoption and implementation of performance management and appraisal systems in TQM-focused organisations have concentrated on the extent to which either of these practices could achieve their intended objectives but little on the potential links and synergies. This inattention is despite the argument of scholars such as Murphy and Cleveland (1991, p.72) who assert that “the system that is used to appraise performance needs to be consistent with the culture and principles that guide the conduct of the organisation” (see also Ghorpade and Chen, 1995). In fact, the absence of the necessary congruence between PA systems with those of TQM criteria for performance review has led the most influential quality guru (i.e. Deming, 1986) and several like-minded scholars and practitioners (e.g. Waldman, 1994; Cappelli and Tavis, 2016; Scholtes, 1993; Cardy and Dobbins, 1994; Cardy, 1998; Buckingham and Goodall, 2015) to be particularly vocal in

expressing their disapproval of PA systems. Deming (1986) cites traditional PA as a 'deadly disease' which engenders fear than hope and creates more anxiety than motivation. Scholtes (1993) observes that "The two [PA and TQM] approaches represent a fundamental choice for leaders: one or the other; not both". Recently high profile companies such as General Electric, Microsoft, Google, Netflix, Adobe and Accenture (and many other Fortune 500 companies) have jettisoned traditional year-end evaluations as being unfit for purpose in terms of helping and engaging employees and driving performance (McKinsey Quarterly, 2016; Cappelli and Tavis, 2016; Buckingham and Goodall, 2015; Adler et al., 2016).

Despite these pessimistic views about the compatibility of PA systems with enterprise process improvement methods, other TQM and HRM experts defend PA as a mechanism to regularly track progress against goals and an invaluable source of feedback. As Prince (1996, p. 44) has succinctly put it, "presenting a caricature of poor appraisal practices hardly bolsters the argument that all appraisal practices should be eliminated". However, the popularity of enterprise process improvement methods such as TQM and the ubiquitous nature of PA have not been matched by the development of empirical insights which could advance our understanding of the alleged contradiction between them. Given the centrality of enterprise process improvement methods and PA to an organisation's functioning and long-term survival (see Powell, 1995; Waldman, 1994; Cappelli and Tavis, 2016), it is somewhat surprising to find that little empirical research has explicitly focused on how they might work together (or not) in practice. Hence, the present study is intended to contribute to this debate by examining the manner in which PA systems are actually applied in a sample of quality-focused organisations in the UK.

Our study extends the literature in several ways. First, previous studies have rarely assessed the actual practice of PA systems in quality-focused organisations. In fact, much of the literature on TQM and appraisal is not empirical.(e.g. Scholtes, 1993; Ghorpade et al., 1995; Murphy and Cleveland, 1991; Bowman, 1994; Waldman, 1994; Petrick and Furr, 1995; Prince, 1996; Cardy, 1998; Bach, 2000; Haines et al., 2004). Indeed Fletcher (2001, p. 474) observes that while there has been no shortage of research on PA, it would be difficult to argue that previous appraisal research has led to any significant improvements in actual PA practice.

We present the findings from an empirical study and describe the extent to which PA systems and the precepts underpinning TQM are compatible. Second, the absence of recent empirical evaluations of PA in organisational environments with a TQM orientation suggests that prior studies fail to account for developments in contemporary organisations which have been transformed by adopting various enterprise process improvement methods. We draw our conclusions from a cross-case comparison of six TQM-focused firms and describe the ways in

which the TQM context influences the nature and extent of PA systems and the extent to which TQM-focused organisations are willing to create a balance between HRM and TQM approaches to PA systems (see Ghorpade and Chen, 1995; Prince, 1996; Wilkinson et al., 1998; Cardy, 1998). In this respect, our study contributes to the literature that highlights the importance of a commitment and enabling (as opposed to control and coercive) HR system (Arthur, 1994; Organ, 1988; Adler and Borys, 1996) The pursuit of a quality culture and workplace context conducive to employee development and continuous performance improvement comes as organisations try to avoid superficial template applications of TQM, and shift away from an overreliance on traditional quality control tools.. Hence, under this interpretation, employees are most committed, trusted and enabled to use their discretion to regain control in case of non-compliance and system breakdown and "live" quality in their actions rather than simply obeying an edict from on high or being coerced into compliance out of fear of being dismissed (see Adler and Borys, 1996; Srinivasan and Kurey, 2014; Arthur, 1994; Organ, 1988; Jiang et al., 2012; Hesseling, 1984; Abrahamson and Fairchild, 1999; van der Wiele et al., 2000; David and Strang, 2006). Fourth, we provide practical insights into PA issues in organisations with a TQM orientation, pointing out ways that TQM-focused organisations can develop a contextually-appropriate PA system that realises TQM's value proposition, and highlighting the expected synergistic effect of both TQM and PA (see Jimenez-Jimenez and Martinez-Costa, 2009).

Performance appraisal and quality management: A review of the literature

As stated in the introduction , the aim of this study is to explore and describe the current practice of performance management and appraisal systems in organisational environments with a TQM orientation. It is accordingly necessary to examine these constructs at the conceptual and theoretical levels so it may serve as a benchmark against which to interpret the qualitative fieldwork data.

Performance management

Performance management (PM) has been defined as "a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning their performance with the strategic goals of the organisation" (Aguinis, 2013, p. 2). As a dynamic, year-round way of managing business, PM has been deemed essential for accomplishing organisational strategy. It serves a myriad of purposes, ranging from strategic, administrative, informational, developmental, organisational maintenance to documentational purposes (Aguinis, 2012 pp.13-14). Several HR-related activities assist PM to achieve these different purposes. These include strategic planning (i.e. inputs into what one wants to evaluate in our performance management system), method of identifying performance requirements in a particular job (i.e. job analysis and design),

training and development, performance appraisal/review, and issues related to compensation and employee motivation. While every HR function plays a part in accomplishing PM intended objectives, PA has been regarded as one of the most common tool for organisations to achieve performance goals. As Aguinis and Pierce (2008) have observed, PM activities (e.g. feedback, goal-setting, training, reward systems) begin with PA as a jumping-off point for improving individual performance in a way that is consistent with strategic goals and with the ultimate goal of improving firm performance.

Performance appraisal

Performance appraisal (PA) refers to "a formal process, which occurs infrequently, by which employees are evaluated by some judge (typically a supervisor) who assesses the employee's performance along a given set of dimensions, assigns a score to that assessment, and then usually informs the employee of his or her formal rating" (DeNisi and Murphy, 2017, p. 1). As one of a number of PM tools, PA aims to ensure employees' performance contributes to business objectives. Unlike PM which is a management-led activity, the responsibility for coordinating the design and implementation of PA systems lies with HR department and the line managers who deal with the practice. As a key component of PM, PA is evident in most organisations for several reasons, namely, the organisation's way of assessing an individual's contribution to the organisation, a necessary tool to account for the differences in individuals' contributions to the organisation, and an essential mechanism to defend the organisation's negative actions against individuals (Ghorpade and Chen, 1995, p. 32).

Despite the many tensions within the multiple agendas and purposes of appraisals, a PA system serves two primary purposes: evaluative/administrative vs. developmental functions (Boswell and Boudreau, 2000). The evaluative function of PA allows managers to make administrative decisions concerning pay raises, promotions, demotions and terminations. As Boswell and Boudreau (2000) have observed, the evaluative function of PA lays stress on the role of appraiser as judge and jury in identifying good and poor performance and differentiating between people. The developmental function, on the other hand, assists managers to make decisions concerning individual training needs, performance feedback and all-round development of the employee for future roles. (Ghorpade and Chen, 1995). The developmental function of PA pus the stress on within person analysis and the idea of coaching and mentoring as the main responsibility of the appraiser (Boswell and Boudreau, 2000). In contrast to the traditional annual administrative model of PA, the developmental coaching and mentoring is more conducive to ongoing interaction between an employee and his/her coach or mentor and creating and retaining "actively engaged" employees (Adkins, 2016). Overall, the traditional PA system lays stress on 'individual differences' as the

primary point of reference for organisations to make personnel decisions based on the assumption that they have control over their tasks and take personal responsibility for factors influencing their performance (Dobbins et al., 1991; Lam and Schaubroeck, 1999). Despite the many potential benefits of PA to the organisation and employees (see Ghorpade and Chen, 1995; Fletcher, 2001; DeNisi and Murphy, 2017; Aguinis, 2013), the value of traditional (annual, top-down, individual) appraisal systems has increasingly been challenged in favour of systems thinking approaches to performance improvement.

Total quality management

As the most popular and widely used methodology for improving organisational effectiveness, TQM has become a general heading for a variety of fundamental values, approaches and techniques through which organisations seek to involve all employees to participate in improving processes, products, services, and the culture in which they work (ASQ, 2017). Derived from the works of W. Edwards Deming, Joseph Juran, Kaoru Ishikawa, Armand V. Feigenbaum, Philip Crosby and a few other like-minded scholars and practitioners (see, for a review, Garvin, 2017; Hackman and Wageman, 1995; Oakland, 2014), TQM is rooted in several fundamental and interlocked orientations, namely, systems (i.e. organisation as total systems, sub-system co-ordination via top management, sub-system co-ordination via incentive systems, and subsystem co-ordination via teams), customer orientation (i.e. customer focus and customer perceptions), learning orientation (i.e. continuous improvement, benchmarking, and data-driven analysis), and change orientation (i.e. control, change, empowered employees, and organisational survival) (Chiles et al., 2000, p. 188-190; Hill and Wilkinson 1995). In short, these TQM orientations put the stress on the use of a system or process-based PA. (Dobbins et al., 1991; Lam and Schaubroeck, 1999).

Despite widespread interest in TQM adoption and becoming ‘as pervasive a part of business thinking as quarterly financial results’ and as ‘a strategic resource’ (Powell, 1995, p. 15; Kaynak, 2003), TQM has fallen far short of its potential value (see Redman and Grieves, 1999; 2008; Beer, 2003). While a myriad of internal and external factors have been identified to account for ineffective TQM programmes, a mismatch or lack of fit or congruence between TQM and other management systems such as PA (focus of the current study) has often been cited as a root cause of quality problems. Indeed, the primary authorities of the TQM movement recognise that PA systems are fraught with problems in both measuring individual work performance and improving employee performance (Deming, 1986). In a similar vein, several HRM scholars (e.g. Murphy and Cleveland, 1995; Arthur, 1994; Jiang et al., 2012; Wilkinson et al., 1998) point out that the performance impact of HRM practices such as PA on employee and organisational performance is a function of a good fit, match or congruence between HRM practices and governing principles and values of an

organisation (Murphy and Cleveland, 1991; Ghorpade and Chen, 1995, p. 35; Cardy, 1998; Cardy and Dobbins, 1994).

While many TQM and HRM scholars and practitioners (e.g. Deming, 1986; Cardy, 1998; Schraeder et al., 2007; Jones and Rock, 2015; Latham et al., 2007; Buckingham and Goodall, 2015; Ghorpade and Chen, 1995; Wilkinson et al., 1998) have questioned the efficacy of traditional PA towards successful implementation of TQM, the practice remains ubiquitous. (see Strebler et al., 2001; Coens and Jenkins, 2002; Aguinis et al., 2011; Jacobs, 2009; Jones and Rock, 2015; Adler et al., 2016; Cappelli and Tavis, 2016; Goler, Gale and Grant, 2016).

TQM critiques of traditional performance appraisal

A review of the writings of QM gurus suggests that there exists a broad consensus recognising the constraints posed by traditional PA for effective TQM implementation. Of these, Deming (1986) has been the most vocal quality guru on the subject. Deming's uncompromising stance on the traditional PA system has led him to label 'Evaluation of performance, merit rating, or annual review' as the third of his "seven deadly diseases" in terms of barriers to TQM. As Deming (1986, p. 101) observes, "The idea of a merit rating is alluring. The sound of the words captivates the imagination: pay for what you get; get what you pay for; motivate people to do their best, for their own good. The effect is exactly the opposite of what the words promise". Thus Deming notes (1986, p. 102), 'merit rating rewards people that do well in the system. It does not reward attempts to improve the system. Don't rock the boat'. This suggests that appraisals undermine the kind of co-operative, creative, and committed behaviour necessary for continuous improvement. Overall, the following four themes recur in Deming's (1986) call for the elimination of the annual PA: (i) PA systems are unfair since they hold the worker responsible for errors that may be the result of faults within the system; (ii) they promote worker behaviour that compromises quality; (iii) they create a band of discouraged workers who cease trying to excel; and (iv) they rob the workers of their pride in workmanship (Ghorpade et al., 1995, p. 33). And Deming has certainly not been alone in his opinion (see also Scholtes, 1993; Bowman, 1994; Cardy, 1998; Coens and Jenkins, 2000; Nisen, 2015; Culbert and Rout, 2010). For instance, Scholtes (1993, p. 355) argues that PA disregards and, in fact, undermines teamwork; disregards the existence of a system; disregards variability in the system; uses a measurement system that is unreliable and inconsistent; encourages an approach to problem-solving that is superficial and culprit-oriented; tends to establish an aggregate of safe goals in an organisation; creates losers, cynics, and wasted human resources; and seeks to provide a means to administer multiple managerial functions (pay, promotion, feedback communication, direction-setting, etc.), yet it is inadequate to accomplish any of them (see also Bowman, 1994;

Coens et al., 2002; Nisen, 2015; Pulakos and O'leary, 2011; Buckingham and Goodall; Adler et al., 2016).

A careful examination of these criticisms is that they appear to be mainly directed against the type of PA that promotes a highly directive and top down model of performance review in that employees have to comply with hierarchical, management-led work standards and are held responsible for errors that may be the result of faults within the system (Deming, 1986; Cardy, 1998; Bach, 2005; Ghorpade and Chen, 1995; Leffakis and Dwyer, 2014; Scholtes, 1993; Adler et al., 2016; Waldman, 1994; Rock and Jones, 2015). Given the overreliance of traditional PA on tight control procedures and more frequent employee check-ins for (non)compliance, employees are evaluated against a set of predetermined performance criteria (Gomez-Mejia et al., 2004) as a basis for the individual employee's pay grade, rewards and related administrative decisions.That is, the focus of traditional PA systems is less on identifying root causes of performance variation in the system. Instead, as Scholtes (1997) has pointed out, the focus is more on promoting a "who-based" approach to problem-solving and as such the supervisor's primary concern is to look for culprits in the workforce. The traditional appraisal system is based on the premise that poor employee performance lies largely with the employees' own shortcomings than system level deficiencies which are out of the employee's control (e.g. prior management decisions, defects in raw materials, flaws in the design of the system as well as other management shortcomings). Referred to as common causes of variance in performance within systems, common causes or system-level factors are seen as accounting for over 90 percent of the quality problems. Hence, traditional PA "disregards the existence of a system. It encourages individuals to squeeze or circumvent the system for personal gain rather than improve it for collective gain" (Scholtes, 1993, p. 355; see also Cappelli and Tavis, 2016). The inference to be drawn from the research on ditching formal, annual, rack-and-stack performance review processes is that traditional PA would make a good fit for a control-oriented HR system which aims to improve efficiency by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria (Arthur, 1994, p. 672; Eisenhardt, 1985; Walton, 1985).

Overall, such characterisation of traditional performance appraisal fits Adler and Borys' notion of a 'coercive' organisation. In this regard, the rationale for performance appraisal revolves around the idea of task attainment by exercising tight control over the workforce. In the coercive logic of performance appraisal, any noncompliance or variance in work performance is seen as suspect and that performance appraisal serves to highlight to superiors whether subordinate' actions are in compliance. Scholars working within this perspective have theorised a range of undesirable adverse effects of a coercive performance appraisal including output/target driven blame culture, (Carson

and Carson, 1992; Deming, 1986; Ghorpade et al., 1995), worker's responsibility for quality/noncompliance errors beyond their control (Deming, 1986; Lam and Schaubroek,1999), compromising quality by focusing on mere task attainment (see Srinivasan and Kurey, 2014), and promoting mediocracy by instructing the workforce to follow the prescribed methods and work procedures to perform their job assignments (Ghorpade et al., 1995). Hence, a coercive approach to performance appraisal places less emphasis on communication and development elements but gives weight instead to the importance of measurement (see Murphy and Cleveland, 1991. Associated with output-based appraisal systems in a coercive organisational environment is the idea that employees are compelled to comply with rigid rules and judged by evidence in support of attaining the assigned goals (completing their normal job assignments). In doing so, performance appraisal systems are designed so as to reduce the possibility of non-compliance and that employees stay the course so as not be punished for non-compliance with quality standards. Furthermore, coercive organisational environments often stress the idea of accurate and valid measurement and performance ratings (using scale formats) as a precondition for evaluation of the individual's contribution to the organisation. For Murphy and Cleveland (p. 30), the standard criticism of treating performance appraisal as a measurement process (mere focus on accuracy and validity of performance ratings and scale) lies in the fact that performance appraisal is viewed as a context-free phenomenon. As they have pointed out, such treatment, however, fails to facilitate the integration of science and practice in performance appraisal.The inference to be drawn is what Vosk (2017) has referred to as "quitting in seat", meaning that employees choose to stay employed while effectively checked out and disengaged from their day-to-day work.

But, there is also a second approach to performance appraisal which aims to develop the employees and improve their future performance. A developmental performance appraisal has the potential to strike an appropriate balance and tackle the apparent conflict between the TQM's focus on system factors and appraisal's focus on individual employees as the major determinant of performance variation (Kuvaas, 2008; Kehoe and Wright, 2013; Jiang et al., 2012). As such, it could serve as an effective mechanism to motivate and empower employees, give them honest and timely feedback, develop their skills, and elicit their individual / collective commitment in the longer-term interest of the organisation (see Bretz et al., 1992; Roberts, 2003; Grote, 2015). Overall, proponents of the development model performance appraisal argue that coaching, counselling and aiding the employees to improve their performance has proved effective in staffing decisions, identification of training needs and their alignment with the strategic needs, strengthening of communication, continuous performance improvement, and provision of legal defensibility (see Iles, 2001; Graber et al., 1992, p. 59; Bach, 2005). Interest in the developmental performance appraisal in quality-driven

organisations has become enshrined and echoed in the guidelines to the US Baldrige awards for excellence in quality management which suggest that performance reviews need to be restructured in such a way that supports quality improvement (Hart and Schlesinger, 1991). In a similar vein, Europe's most prestigious quality award for organisations (i.e. the European Foundation for Quality Management Excellence Award) distinguishes quality-driven organisations from the rest by the manners in which they reward, recognise and care for people (EFQM, 2017). Hence, a distinguishing feature of a developmental version of PA is that it is congruent with a commitment-oriented HR system. The essence of a developmental or commitment-oriented HR system for Arthur (1994, p. 672) means developing committed employees who can be trusted to use their discretion to carry out job tasks in ways that are consistent with organisational goals.

The preceding discussion of a developmental performance appraisal fits the model refered to by Adler and Borys (1996) as one adopted by enabling organisation. Indeed, their conceptualisation of an enabling organisation is redolent with implications for our attempts in the current study to scrutinise a developmental PA in terms of its congruence with and potential to achieve sustained quality improvement. Based on the insights gained from Adler and Borys' enabling logic, PA policies, procedures and forms are designed to facilitate responses to real work contingencies. PA outcomes signal to the organisation poor employee performance, identify sources of poor quality (i.e. due to both common and special causes), establish employee's competency gaps and serve as a platform to reward employees with both formal and informal incentives. In a similar vein, non-compliance errors and quality deviation signal either the need for further worker training or the need to revise the inadequate standardised work methods. Instead of placing blame on individuals for deviation from standardised procedures, the enabling logic of performance appraisal change the basic TQM dictum of 'In the absence of standardization, organisations cannot implement long lasting process improvement strategies' to a philosophy of collaborative learning through building a shared vision, self-improvement and team learning (see Adler, 1993). That is, performance appraisal provides employees with the opportunity to solicit timely, frequent formative feedback on their performance from a variety of sources (upward communication), develop self-regulated and teamwork skills as well as facilitating moderate risk-taking and the ability to voice concerns. In an enabling approach to performance appraisal, performance is not measured simply based on input or output criteria. Rather, all performance dimensions of input, output and behaviour are used to judge the worth of the individual's contribution to the organisation over a period of time. This usage is essentially is that of Murphy and Cleveland (1991) and Ghorpade et al. (1995) who argue that the focus of performance appraisal should be primarily on behaviour (the process dimension), with input and output used for diagnostic and developmental purposes. Adler and Borys' (1996) notion

of the enabling organisation also points to the importance of objective and absolute (rather than subjective, comparative and relative) standards of performance.

Overall, the preceding review of the extant literature suggests a there are two models of PA and the traditional coercive approach is inconsistent with TQM. Our aim is therefore to contribute to the literature by locating and describing how performance appraisal is actually conducted in quality-focused organisations and whether there is a (mis)match between the more prevalent types of performance appraisal in practice and the theoretical underpinnings of enterprise process improvement methods such as quality management.

Research Methods

Rationale for adopting qualitative case study

In the light of the research aims and paucity of previous empirical research on PA in organisational environments with a TQM orientation, it was deemed essential to adopt a case study approach. The case study approach enables in-depth contextual information about the research phenomenon which in turn could provide a description of the current state of performance management and appraisal which is expected to be sensitive to the context (i.e. TQM) in which the research occurs (Eisenhardt and Graebner, 2007; Yin, 2013). The general process of qualitative research design for the current study followed Yin's (2016) case study process as well as the qualitative methodology described by Miles and Huberman (1994)). For ease of simplicity, this process is schematically depicted in Figure 1.

"INSERT FIGUIRE 1 ABOUT HERE"

As Figure 1 seeks to illustrate, the case study process is composed of six interdependent stages, meaning that the process is highly reflexive (Mauthner, 2003). The rest of the methods section discusses each of these stages in detail.

Strategies for case selection

A frequently contested issue within qualitative research is the selection and number of cases. In this respect, we followed Eisenhardt (1989) argument in that a theoretical sampling was adopted to select cases that were particularly suitable for illuminating and extending relationships and logic among constructs. To provide more accurate and convincing empirical grounding and establish a stronger base for theory building, we adopted a multiple (as opposed to single) case study design not least because it enabled the research team to clarify whether an emergent finding was simply idiosyncratic to a single case or consistently replicated by several cases (Eisenhardt, 1989, p. 537; Yin, 2013). To control extraneous variation and better define the limits for generalising the

findings, we chose a sample of 6 cases from auto industry as a suitable number which enabled the research team to effectively cope with the complexity and volume of the qualitative data (Esienhardt, 1989, p. 545). While there is no ideal number of cases, Eisenhardt (1989, p. 545) suggests a number between 4 and 10 cases to generate more convincing empirical grounding for theory building.

In a manner consistent with Crosby's (1979) notion of Quality Management Maturity Grid (QMMG), we selected cases based on the QMMG's measurement categories of management understanding and attitude and quality organization status. We then targeted manufacturing sector with a particular focus on auto industry which has a long history of adopting quality control activities and assisting employees to find a personal fit with the company quality culture (see, for a review, AIAG, 2017). Given the compliance nature of ISO/TS 16949 certificate (either a company is committed to quality or it is not – see Oakland, 2014), we focused on those auto manufacturing firms that have gone beyond quality and regulatory requirements with ISO/TS 16949 and long adopted more comprehensive, non-prescriptive quality management frameworks such as European Foundation for Quality Management (EFQM) model for continuous improvement (EFQM, 2017). As one of the most popular frontend quality frameworks in the world, the EFQM model has been widely adopted in conjunction with ISO and other continuous improvement methodologies across Europe. In addition to EFQM membership, the selection of the cases was based on several other criteria, namely, the long tenure of top management team (Deming, 1986), long experience with quality management initiatives (Garvin, 1988; Oakland, 2014), and possessing quality and HR departments with their own vice-presidents (VPs). The first criterion is in line with Deming's (1986) argument about a positive relationship between certainty in (top) management position and long-term benefits of quality management initiatives. In respect of the second criterion, Garvin (1988) and Oakland (2014), among others, talk about quality management as a strategic tool which would require several years to be successfully implemented. With regard to the third and final criterion, the VPs quality and HR should be appointed to assist the organization to introduce continuous improvement activities and direct a company's HR strategies to support productive business operations and advance the company's vision, respectively. Our focus on manufacturing firms is attributed to the fact that TQM has its origins in the mass production of components and has been widely used in manufacturing sector. Based on the above criteria and the willingness of companies to participate in the study, a total number of 6 car manufacturers/auto parts suppliers were selected. Our focus on the automotive sector was to make the sample of cases more homogeneous in terms of potentially relevant contextual variables such as the nature of the work processes involved and the type of technology applied. Also, given the early efforts by Toyota and other Japanese car

manufacturers, it is well known that TQM has had a profound impact in this particular sector (see Inman et al., 2010). Further details on case companies are shown in Table 1.

<<INSERT TABLE 1 ABOUT HERE>>

Data collection methods

Given the episodic nature of our research phenomenon both with regard to TQM as a strategic tool and PA as an infrequent, non-routine practice, we used semi-structured interviews as primary data source as it is a highly efficient way to gather rich, empirical data (Eisenhardt and Graebner, 2007). To elicit and reveal useful data and explore the (un)known and interesting avenues (Rubin and Rubin, 2011), interview guides were used (albeit not strictly enforced). In line with Eisenhardt's (1989) and Yin's (2013) recommendations, we utilised other qualitative data collection methods; namely, archival evidence (e.g. PA forms and reports, quality control policies and procedures, observations on the role of external consultants in planning and running quality initiatives, etc.) and plant tours, to provide a stronger substantiation for our research constructs. Table 2 presents demographic profile of research participants and data sources.

[INSERT TABLE 2 ABOUT HERE]

Overall, semi-structured interview were carried out with managers (n = 51) and employees (n = 74) at different hierarchical levels and functional areas. To further probe and explore the implications of TQM adoption for PA during the course of TQM implementation and clarify the responses from face to face interviews and verify the data collected from other sources (e.g. archival sources, plant tour, informal disucssions), we conducted follow-up interviews (5-6 interviews in each case) with both managers and employees at different functional areas after initial phase of data collection (see Patton, 2015). The follow-up interviews allowed adequate time for research informants to capture accounts reflecting the dynamic nature of the interviewees' perceptions and experiences with changes to their performance management systems to accommodate the TQM requirements. With the exception of one of the six cases, there were much fewer mentions of positive amendments to PA systems in favour of TQM requirements. The selection of interviewees conforms to the notion of 'multiple perspectives' of qualitative research methods (Corbin and Strauss, 2014). Selecting research informants from different functional areas mitigated potential bias in interview data (Eisenhardt and Graebner, 2007). The interview questions were open-ended and covered topics that included: the characteristics of the current PA systems, changes in PA as a result of TQM adoption, management rationale for conducting PA and in-progress or future plans to revise performance management in accordance with the adopted organisation-wide process improvement methods. Each interview lasted between one and a half to two hours. All interviews were tape recorded and

all observations, site visits and data obtained from examining related documents were recorded as written field notes. The interviews were then fully transcribed, leading to the production of large amounts of textual materials.

Data analysis

The main approach to data analysis followed Yin's (2015) five phases of qualitative data analysis (see also Bryman and Burgess, 2002; Miles and Huberman, 1994). As shown in Figure 2, data analysis is an iterative set of processes that involves compiling, disassembling, reassembling & arraying, interpreting data, and finally concluding.

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As Figure 2 seeks to suggest, while the sequential nature of the five phases of qualitative data analysis is obvious, the whole process of qualitative data analysis is recursive and occurs in a nonlinear fashion (Yin, 2016). That is, it requires multiple rounds of visiting and revisiting the data to gain new insights and further unearth new connections that can lead to refined focus and deepening understanding of the research evidence (Berkowitz, 1997).

In line with the qualitative data analysis process described by Yin (2015; see also Miles and Huberman, 1994; Bryman and Burgess, 2002), the transcriptions of the text were analysed in terms of content or key themes (Weber, 1990) with the aid of NVivo 10 (see Bazeley and Jackson, 2013). Content analysis refers to any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies, meanings or specified characteristics within the text (Weber, 1990; Patton, 2014). This technique relies on coding and categorising of the data. To aid the analysis, due account was taken of the procedures recommended by Saldaña (2016) as well as similar qualitative case study research (e.g. Harris and Ogbonna, 2002) that adopted open, axial and selective coding. The coding process stated with open coding: deconstructing, conceptualising and labelling data through breaking down the data (the line-by-line analysis of the text) into separate units of meaning and categories. During axial coding, the identified units of meaning and categories that were fractured during open coding were reviewed, re-sorted and re-assembled in terms of their dynamic interrelationships. Finally, selective coding involved the process of selecting the core category through systematically relating it to the other categories and validating their relationships (Corbin and Strauss, 2014). In short, based on the initial interview topics, two research assistants reviewed the interviewees' responses and provided the principal investigator with a list of important categories. The coding process, categorisation procedures and identified categories were then independently reviewed by two experienced qualitative researchers. In a joint meeting, the initial list of categories were then corroborated and

any arising discrepancies discussed and subsequently resolved. To check for internal veracity, a senior qualitative researcher was invited to review the coding process. To perform external veracity, a total of 12 *ex-post* interviews (2 interviews in each case – one manager and one employee) with research informants were undertaken to check the accuracy of the developed framework in terms of the relationship between concepts, categories and empirical evidence (see Lincoln and Guba, 1985).

As a result of the above procedures, the interviewees' responses were summarised under four main categories and eight sub categories. These include: (i) the prime source of performance appraisal (single vs. multiple sources), (ii) performance appraisal cycle (long vs. short timeframe), (iii) rationale for performance appraisal (control vs develop), and (iv) causal attribution of performance variance (person vs. system). In the following section we shall present the quotations that reflect the emerging pattern of consensus on the main and sub-categories that are used to frame the research findings. Prior to the presentation of the findings, it is useful to provide a brief background information on the research context –i.e. UK automotive industry.

The research setting: UK automotive industry

While increased customer satisfaction, adherence to safety standards, higher efficiency and productivity and an increased bottom line are the expected benefits of continuous improvements programmes in manufacturing firms (automotive industry included), the auto industry needs to pay special attention to effective adoption and implementation of QM practices. This is for a variety of reasons, namely, growing environmental concerns such as fuel economy, emissions regulations, growing number of product recalls due to factory error/quality control problems and supplier related non-conformances and corrective actions, the rise in prominence of strategic supply-chain management and the need to extend the quality enterprise to include suppliers and contract manufacturers (AIAG, 2013; PwC, 2013). The impact of these challenges on quality performance in automotive industry is particularly evident in 'Quality 2020' Project by AIAG (2013). According to AIAG (2013), the primary quality concerns facing automakers and their suppliers are three-fold: (i) concerns related to problem solving (i.e. the lack of effective problem solving and prevention activities through shared information and ongoing employee engagement resulting in continually repeating the same problems), (ii) concerns related to customer specific requirements (i.e. the difficulty of meeting customer specific requirements through compliance with QMS of the OEM or tier 1 customer as well as meeting the third party assurance requirements - e.g. TS 16949, ISO 9001, ISO 14001), and (iii) concerns related to quality management system (i.e. the adverse impact of complex and redundant QMS requirements on standardization procedures, operational efficiencies, relationships, and ability to respond to quality-related events).

In the UK, the automotive industry accounts for 4% of GDP (£60.5 billion) and currently provides employment for more than 700,000 people (KPMG, 2014. According to a recent report by the Society of Motor Manufacturers and Traders (SMMT), the UK automotive manufacturing sector had a turnover of 69.5 billion in 201), generated some 3.5% more employment opportunities and has a 5% year-on-year reduction in CO2 emissions per vehicle produced (SMMT, 2015). Whilst these figures confirm the growing strength and vitality of the UK automotive industry and its ascendancy as a major global player in terms of manufacturing output, vehicle sales, jobs and export values, the UK automotive industry has its own fragilities and faces significant challenges. For example, the general observation of a recent research by the Advanced Institute of Management (Antonacopoulou et al., 2010) was that organizational readiness for change and translation of new management practices into improved performance by UK managers were both slower and less successful compared to their counterparts in France, Germany and the US. Research by the AIM and others (e.g. Porter and Ketels, 2003; McLaughlin, 2013) suggested that UK managers were found ineffective on two grounds: inability to recognise the need to change and an inadequate understanding of appropriate best practices to effectively manage changes.. Hence, they often fail to engage with the deeper causes of the organization's problems, unable to recognise the scale of change required and quite simply fail to materials the intended objectives of management practices. To enhance the industry productivity and maintain a competitive edge in global market, the management of UK's automotive industry need to identify the appropriate management practices, design effective HR and OM systems to ensure needed competencies, compliance to internal operations, regulations, external requirements and finally effectively translate them into improved performance (see Lawler and Boudreau, 2009).

Findings

Overall, our findings reveal that the type of PA that is most prevalent in the case study companies (with the exception of a single case) is not easy to square with fundamental principles quality management. To facilitate the presentation of the qualitative data and report the findings, we adopt Adler and Bory's (1996) notions of 'enabling' and 'coercive' to differentiate between the case organisations. Based on the data analysis, coercive organisations (Five out of the six cases in our sample) promote a static and fixed mindset approach which appears antithetical to TQM, meaning that they lay stress on manager-controlled, past-oriented, compliance-driven and individual-focused task attainment behaviour. By contrast, the enabling case places emphasis on a growth and development mindset in a sense that they make concerted efforts to enhance employee development and commitment through focusing on both task performance and quality improvement as the twin objectives of measuring an employee's performance in a TQM environment.

Sources of performance ratings

All the organizations involved had undergone major change programmes designed to reconcile the TQM's focus on system and HR performance management's focus on individual performance. Despite some similarities, the nature of such reconciliation varied. In tandem with the hard TQM practices and strict adherence to measurable quality outcomes, supervisory level managers became much more heavily involved and acted as the focal point of reference in conducting employee performance reviews. The focus on the immediate supervisor was evident in the coercive cases where the role was redefined so that they became quality compliant officer to establish (in the words of an auto electrician) "fault or blame against non-compliant employees". A director of production notes:

> I work with the production and assembly team on a daily basis. Whatever happens in production area comes back to me. So I exactly know who is doing what. I know better than anyone else about employees under my supervision [Director of production control and logistics, 7 years' service, aged 44]

Our analyses suggest that coercive organizations did more than merely holding immediate supervisors responsible for PA or as a source of facilitating organization-employee communication.The exclusive use of manager-controlled appraisal systems was reinforced by two different mechanisms: building various types of work team at both functional and cross-functional levels, and enforcement of top management policies and procedures through bureaucratic structure and hierarchical control. Whilst a central tenet of these mechanisms from a TQM perspective was to support a combination of top-down and bottom-up approaches as a prerequisite for the empowerment of both line managers and employees, a majority of managers viewed these initiatives as vehicles for achieving the TQM's goal of zero defects. To capitalize on these mechanisms, coercive organizations established several functional and cross-functional working groups which were tasked with identifying mistake-proofing methods with the quality control department and external consultants instructed to define detailed procedures and expectations for team members.

While our data painted a gloomy picture of supervisor-led PA followed by unilateral management actions in a majority of case organizations, evidence from one of the case companies (referred to as 'enabling organization in this paper) painted a picture of the line manager as the sole evaluator of subordinates as a rather "defunct species" (Storey, 1992, pp. 177). Many upper-, middle- and lower-echelon managers themselves subscribe to the view that they shifted from 'line-manager-controlled appraisal' as a unilateral decision maker and disciplinarian of employees to a system of

appraisal where supervisors and line managers perceived PA as a 'shared responsibility' between immediate supervisor and employees. PA was a (in the words of one senior manager):

> Collaborative effort between the manager and employees for facilitating individual and team goal settings, providing timely goal feedback and sharing information through an effective communication system which is built upon transparency and honesty" [Plant HR manager, 14 years' service, aged 44].

We saw the case organization pursue the idea of multi-rating in a limited but focused and developmental manner. The dual forms of immediate supervisor and other sources of feedback (with a focus on customer satisfaction surveys, feedback from upper echelon managers and peer appraisal) were seen to be the characteristic features of PA in the case organization. The following quotations from two interviewees at enabling case organization illustrates these points:

> The results of both internal and end-user satisfaction surveys are also part of the feedback system about our performance. In some cases, but not often, we seek other sources of information, for example, for promotion purposes or sometimes to help some individuals realize their full potential and improve their management style or even make some employees more loyal to the organization. [Site accountant, 14 years' service, aged 41]

> We follow the TQM ideas of customer service, employee involvement, shared decision making, teamwork, system thinking and learning orientation at the core of our performance management system. Implementation of all these ideas requires something more than the traditional immediate supervisor-led appraisals. It therefore makes sense for us to include a wide range of sources at different levels such as feedback from customers, peer assessment, self-assessment etc. and incorporate their views to make bias-free decisions reading an employee's performance. [Quality control manager, 17 years' service, aged 49]

Overall, data analysis suggests that the coercive case organizations appeared reluctant to seek a variety of inputs from other sources of information to avoid skewed and incorrect information and accurately rate the employee's performance. However, by contrast in the enabling organization the use of immediate supervisors (as the focal point for employees concerns), self-appraisal, peers and customers of the employee were reported to be integral to the performance management system. As such, such multi-level and multi-source appraisal was seen to not only reinforce a culture of open, honest and transparent communication with all employees but also mitigate the bias inherent in traditional immediate supervisor-led appraisals towards a more supportive workplace relationship.

Performance review cycle

There was sufficient commonality in the evidence collected from the coercive cases to enable a broad-brush picture to be drawn. At the coercive cases, the frequency of performance review seemed poorly linked to the companies' quality efforts. More specifically, two issues appeared significant in promoting a long-cycle annual performance review and undermining a culture of continuous performance improvement. These included viewing quality planning as a stand-alone activity and too many departmental and unit-level priorities. A long-tenured plant production manager at one of the coercive cases put the point succinctly:

> The truth is that performance management or appraisal has always been the same in particular with regard to performance review timeframe. It is an annual exercise. We also have too many quality teams and too many first line supervisors as a result of adopting improvement programmes such as TQM with too many objectives. But this [adoption of TQM] has not changed the company's approach to performance management and review. [Plant production supervisor, 16 years' service, aged 49]

An assembly line employee reflected on the implications of an unfocused and disintegrated PA from the underlying assumptions of TQM and the predominant role of tightly structured and formalized work procedures as reasons for the popularity of annual or anniversary-date appraisal cycles:

> Quality check and control and quality problems are daily issues and exactly the same as when we did not have TQM perogrammes. But now we have too many and sometimes very vague quality goals and every day we have a lot of time-consuming arguments for why things go wrong or why we deviate from the written procedures and desired goals. We are expected to deliver quality results in a very short time period. Of course we try not to report those undetected deviations by line managers because they are perceived as our failure in the end-year performance review. Most of us prefer only once-a-year review as we already know how demotivating the review results are. [Night shift assembly line operative, 10 years' service, aged 35]

Overall, archival data and our informal discussions with lower echelon supervisors and employees at coercive cases suggested that the adoption of TQM resulted in a system of performance review which can be summarized as follows: a heavy focus on measuring and meeting immediate or short-term output and targets; vague policies and procedures from the top and inability of middle and lower echelon managers and supervisors to effectively deploy them down into the organization

layer by layer, and more specifically, strict adherence to the rules and no tolerance policy for any non-compliance with quality requirements.

However, a combination of multiple assessment modalities in form of quarterly, mid-year and year-end performance review cycles were characteristic features of performance improvement and review at enabling organization. In the enabling case which formed the exception in our sample, the amendments to the PA had a substantive base in the sense that it was built upon a desire for continuous improvement of its operations. Given the role of continuous improvement initiatives in business strategy deployment and execution, middle managers and immediate supervisors made concerted efforts to seek information about employee views and performance throughout the year. Middle managers and supervisors were crucially continuously engaged in retranslation and direct personal delivery of organization's core strategy and business goals (including quality mission statement) coming to them from top levels to their employees. As one middle manager observed:

> If fact, effective communication of performance expectations at the right time and ensuring a mutual understanding of job responsibilities and work assignments are our priority. You cannot create a continuous improvement culture by following a top-down directive approach and yearly performance review. [Head of selection & recruitment department, 11 years' service, aged 39]

Several long-tenured employees and line managers confirmed that one of the biggest amendments to the company's performance management system had been the increasing practice of holding monthly and quarterly meetings with employees and managers at all levels. Such gatherings became the main avenue for a debate on the interlink between the corporate strategy and quality mission statement with a focus on getting everyone from top to shopfloor subscribe to a quality mission statement and its organization-wide dissemination. In fact, the integration of operations improvement initiatives into the strategic priorities of the firm and follow-up action plans and policies did not seem to crystallize until the company decided to change once-a year performance review cycle to (in the words of a long-tenured HR administrator) "a year-round dialogue and day-to-day coaching and performance feedback". One employee summarized what was happening during monthly or mid-year gatherings:

> Performance review is an ongoing activity in our organization. It tells us whether continuous improvement is taking place and how we are performing our tasks or how to further improve our performance... It is more of a participatory activity as managers communicate organizational and quality/operational standards with us and we also discuss improvement related issues in a more objective, honest and relaxed

> atmosphere with our immediate supervisors at the right time. [Assembly production operative, 9 years' service, aged 33]

Overall, the evidence from enabling case organization points to the fact that expanded and regular performance review and improvement meetings at unit, functional and organizational levels are deemed essential if operations improvement initiatives in their multitude of forms are to be integrated in the strategic business planning process. Indeed, a central aspect of the company's performance management system and its quality efforts was to revisit their employee PA measures and determinants and asking employees about their training needs as a result of ongoing performance review as well as constant instructive and supportive feedback.

Rationale for performance review

Two different but related issues in the case organizations appeared significant in rationalization for the aims and role of PA systems. These include senior management's understanding of enterprise process improvement initiatives and the logic of their adoption and diffusion. Although all research informants at senior management levels extoled the virtues of TQM as a management approach to long–term success of a business as a whole (espoused theory), managers at coercive organizations appeared to operationalize TQM and relevant continuous improvement practices as primarily a means of product and service excellence (theory-in-use). A senior manager reflected on the importance of product and service excellence as the ultimate goal of operations strategy:

> We invest in a range of productivity and quality improvement programmes such as ISO 9000 family standards, six sigma, lean management or Kaizen and we expect to outperform the average industry quality standards. We apply both voluntary and mandatory quality standards to make sure that we as well as our auto parts suppliers manufacture quality products and deliver services which pass quality control tests and meet contractual and regulatory specifications and criteria. [Supplier quality manager, 11.5 years' service, aged 37]

Coercive organizations in our study had sought to take the paramount importance of product and service excellence one step further. Quality control unit in each case adopted a centralized orientation to the planning and monitoring quality control activities. Middle and supervisory level managers were instructed to closely cooperate with the audit team (appointed by the top management) to further obtain absolute assurance that the products and services were free from errors. In concordance with top management directives, quality control was perceived by many to be an 'obligatory point of reference' or (in the words of one experienced inspection and test

specialist, 6 years' service, aged 29) "the bible for quality control and identifying the wrongdoers in the workplace at the right time".

The prime focus of quality control unit on monitoring employee performance carried important implications for the manner in which PA was redesigned and conducted across coercive cases. The picture built up from the coercive cases was three-fold: (i) the decreased and narrow span of control which greatly expanded the authority of immediate supervisors to exert tight control over the workforce to fully comply with directive managerial activities and top-down, rigid quality control procedures, (ii) tightly focused one-to-one work supervision of employees allowed the immediate managers to easily identify any job performance standards of unsatisfactory work performance or non-compliance to any of the stipulations contained in the quality control policies and procedures; and (iii) existence of a blame culture in that failure to meet the pre-determined performance criteria and achieve efficiency goals were perceived to be a (in the words of production operative) "taboo" and that admitting to work errors and mistakes or failure to comply with quality rules was attributed to (as one product packer/assembler succinctly put it), "inefficient, unable and incompetent employees".

As is evident from the above discussion, the rationale for performance review at coercive cases relied, in the main, upon the workforce control rather than process control. In contrast to the TQM's focus on system orientation, performance appraisal and incentive systems at coercive organizations failed to achieve the co-ordination of goals across functional and hierarchical levels. Instead, there appeared to be ambiguity and contradiction in using performance appraisal system as a means of exerting control over the workforce (rather than work processes) to bring about the desired outcomes of TQM. In fact, the promised TQM benefits were seen to be vulnerable to the ineffective performance appraisal and incentive systems of the case organizations in a sense that they did not reinforce the TQM's focus on process thinking and therefore failed to support the implementation of the firms' operations improvement strategies (i.e. lack of internal fit).

However, operations improvement practices across enabling case organization were becoming far more important in determining how performance management and appraisal could be used as a mechanism to improve employees' connection to the organization through aligning their goals with those of the long-term objectives and strategies of the organization. A predominant trend observable in this case had been to recast the traditional, judgmental and command and control-oriented role of PA systems into a new role which provided employees an avenue for individual growth and development. A majority of managerial interviewees at different authority levels talked of ensuring that employees had the opportunity to take ownership of their jobs, plan ahead their developmental

goals during the performance planning cycle and more specifically strive for personal and professional growth. The recognition that effective development plan for each employee with an eye toward the department's future needs was needed was attributed to several factors, namely, adopting TQM as a participatory management system, the vital importance of employee buy-in to TQM and consequently use of participatory appraisal system as a way to enhance desirable individual and organizational performance outcome. Underlining the focus of performance management on the employee's development, the plant HR manager commented that:

> You cannot keep the right people at the right job forever and make them efficient if you do not engage and motivate them effectively. Good or even average employees will leave your organization if they cannot communicate or do not have the skills to voice their concerns about any personal or organizational issues that influence their performance. [Plant HR manager, 12 years' service, aged 51]

Overall, the rationale underlying the performance appraisal and incentive system at the enabling case study reinforced the TQM's notion of employee development and empowerment.

Causal attribution of performance variance

At the coercive case organizations, the analysis of the data revealed quite clearly that individual employees and associated person-level factors were seen to be the most powerful determinants of product/services quality and overall organizational performance. This increased employee responsibility for quality and organizational performance were found to have two key aspects. Recognition and interpretation of variation in performance, and subsequent employee attitudes and behaviors towards quality and performance review. A predominant managerial priority was to attribute poor performance to lower level employees. One of the senior managers made the point starkly, stating, "Our focus on individual achievement of employees as the prime source of performance reflects our commitment to management by objectives". The manager elaborated the point thus:

> We try to ensure that organizational goals are achieved and we also prepare to counteract any potential obstacles that our organization faces in achieving its long-term objectives. So what we do at top management level is to establish the organizational mission and strategic goals. We then seek the views of middle management and finally decide on the tactical goals that are to be assigned to individual employees…The whole system of performance management is designed in such a way to steer and monitor each employee's behavior toward the

> organization's mission. [Director of strategy and marketing, 13 years' service, aged 41]

The top-down approach to goal-setting and the assumption that quality products and service were a function of person factors carried several ramifications for both immediate supervisors and lower-level employees. On the one hand, line managers and supervisors at different hierarchical levels had a chance to devise job descriptions for lower-level employees that included individual responsibilities for deficient performance. Perhaps, most telling on this point are the remarks made by a middle manager:

> It is our prime responsibility to define those performance objectives and measures which ensure completion of the assigned tasks, goals, and objectives by lower-level employees. So our focus is on lower-level employees and the system has been designed to detect and prevent substandard and poor performance and hold them responsible for errors. [Audit assistant manager, 10 years' service, aged 38]

The results-oriented performance review system resulted in demotivation for employees rather than than continuous improvemen.:

> Of course we [lower-level employees] are not involved in the process of choosing goals and objectives. But when things go wrong we are held accountable for any deviation from the planned tactical and operational goals. [Workshop technician, 12 years' service, aged 32]

Hence, at the coercive case organisations, managers did not seem to appreciate and were unwilling to distinguish common from local causes of performance variation. In a similar vein, the preoccupation of the management with outputs and rating (as opposed to behaviour-based quality improvement process) as well as mistrust led them to believe that employees should be micromanaged and forced to complete their assigned tasks and punished for any mistakes without seeking to understand the root cause of performance variation. As a result, the organisational environment of the coercive cases rested on a workplace culture of blame in a sense that employees were unwilling to voice their concerns, find new ways of doing things or risk failure for fear of blame and ridicule..

In contrast, the stance taken by enabling case organisation was clearly more in tune with the principles underpinning systems-oriented, process-centred and data-driven improvement methods such as TQM. In this organisation, performance review system hinged on the twin objectives of assessing past achievements or failures and more importantly assisting the development of the individual as a primary concern of appraisal activities (see Ghorpade and Chen, 1995). Managers at

different hierarchical levels and in particular first line supervisors were seeking to put relations with employees on a new footing – one which addressed both the institutional and employees' needs and expectations. A considerable number of the managerial interviewees stated that they had shifted the focus away from forced, inflexible, top level goal-setting on the entire organisation to and eschewed the blame culture inherent in traditional performance review in favour of a system which engendered a person's individual influence or sense of control over their professional and personal development. In designing a compatible performance management review with the underlying assumptions of continuous improvement initiatives and creating a no-blame culture, both managers and lower-level employees played a far more influential and decisive role. The following quotations illustrate this point:

> We know that human errors are inevitable. So our focus in performance management is less on outputs and outcomes. Instead, we trust our workforce and give them more freedom to find ways to avoid repeating errors. We define those behavioural standards that are consistent with a quality culture and are relatively under the employees' control. We train all of our managers at different hierarchical and functional areas to understand various causes of performance variation and focus on managerial and organisational deficiencies and failure of processes rather than failure of the workforce. [Plant quality manager, 19 years' service, aged 47]

> You cannot create a quality culture without making mistakes. For us quality is about learning from mistakes and avoiding repeating mistakes. We have been trained and empowered to take risk with openness and honesty and display behaviours that aim at quality improvement. At the same time we are not penalised for being honest about quality errors. In fact, reporting errors without punishment is a common practice in our organisation. Because things often go wrong. And when they do, the focus in our organisation is less on mistakes but more on improving processes. [Vehicle design engineer, 9 years' service, aged 36]

Overall, the instances referred to in the aforementioned quotations indicate that the notion of quality-driven performance appraisal had been taken up seriously by the case organisation and had informed practice. In alignment with the TQM's focus on process and learning orientations, non-managerial employees were empowered to take initiatives and make decisions. More specifically, they had the opportunity to exert influence and voice their concerns through the informal but frequent "management by siting around" conversations. Hence, at the enabling case organisation, employees appeared to have a measure of control over their work and were not held accountable for

errors that lay largely with the managerial and organisational shortcomings. In a similar vein, hands-off managers of the enabling case organisation gave their employees more autonomy and trust by helping (rather than disciplining) them to develop and recognising that employees come to work to succeed (rather than intending to fail).

Discussion

The review of extant literature pertinent to performance management in quality-oriented organisations uncovered a gap in existing research in that there is a dearth of valid research to substantiate the claims of quality gurus and their advocates to ditch and abolish traditional yank-and-rank PA systems in favour of a quality-focused PA which helps the employees interject their ideas in an appraisal review and enable them to channel their extra efforts productively and deliver superior results (see Scholtes, 1993; Roberts, 2003; Ghorpade and Chen, 1995; Economist, 2016; Welch, 2013). While prior research has made substantial contributions to knowledge, there is still a dearth of empirical studies to robustly corroborate this inference. Indeed, the very few empirical research on the topic has been criticised on two fronts: methodological bias (the dominance of paper-and pencil measures) and a bias in favour of a manager-led PA (i.e. overrepresentation of organisational and managerial perspectives). In consequence, the existing research findings only provide a snapshot of the present or recent past and represent organisational and managerial interests in performance management – thereby failing to provide information as to how PA could either drive or inhibit progress toward a continuous improvement culture from the perspectives of those who perform appraisal (i.e. managers) and those who are the main subject of appraisal (i.e. employees).

To address the (in)congruity between PA systems and principles underpinning enterprise process improvement methods, a qualitative case study approach was adopted. Overall, our findings revealed that this state of affairs contrasts markedly with the way in which PA could unlock the continual improvement potential of TQM and unleash the inherent potential of the individuals. In the presence of a gross mismatch between PA and TQM, employees were inclined to voice their dissatisfaction with PA system design and administration (largely due to top-down and micromanager-led PA, explicit locus of blame on individuals, long-cycle appraisal and narrowly defined performance criteria limited to product/service excellence) and management frustration with undesirable TQM outcomes (owing to poor product/service quality and a considerable amount of waste, scrap and reworking, poor corporate performance). The mismatch between TQM and PA was most marked in coercive case Our findings are in concordance with Ghorpade and Chen (1995), Roberts (2003), DeNisi and Pritchard (2006), DeNisi and Murphy (2017), Chiang and Birtch (2010) and Adler et al., (2016) – among others – which delineated a number of compelling

arguments against the conventional use of employee PA and suggested possible remedial measures to mitigate many of the dysfunctions of traditional PA systems. The conventional use of PA advocates a control-oriented approach to workforce performance management in that individual job requirements are carefully prescribed, labour is best thought of as a variable cost, management-workforce relationships typically have an adversarial (win-lose) tone. Such control-oriented approach to managing performance which encourage employees to gradually gravitate to the lowest common denominator behaviour characterised PA in the coercive cases. In contrast, PA in the enabling case organisation could be labelled as a commitment-oriented approach. Unlike the control-oriented approach which is inculcated in large part through "the wish to establish order, exercise control and achieve efficiency in the application of the workforce" (Walton, 1985, p. 4), the general thrust of commitment approach hinges on shared goal setting, pay for performance based on group achievement, individual contribution and equity, and cooperative/win-win management-workforce relationships.

Theoretical implications

The characteristic features of the adopted types of appraisal system and other findings will now be summarised into a model with several associated research propositions. Figure 3 shows a model depicting two types of employee PA system in organisational environments which adopt a myriad of enterprise process improvement methods such as TQM and its derivatives. Based on the proposed model, the remainder of this article is dedicated to discussing the implications of the findings.

"INSERT FIGURE 3 ABOUT HERE"

The first implication of the study centres on the extent to which PA systems and the precepts underpinning TQM and its derivatives are congruent. In order to bring PA into sharper focus, several authors (e.g. Bernardin and Villanova, 1986; Bretz et al., 1992; Murphy and Cleveland, 1995) have suggested that it is important to better understand the organisational context in which appraisal takes place – if PA research is to effectively inform PA practice. While there is no one standard formula in practice, a review of the extant literature pertinent to performance management and appraisal systems have emphasised on the need to create a balance between HRM and TQM approaches to PA (see Ghorpade and Chen, 1995; Prince, 1996; Wilkinson et al., 1998; Cardy, 1998). Drawing upon earlier studies of PA and TQM, more recent studies stress the importance of (line) management (rater) and employees (ratree) development and the need to follow up on training and development recommendations. For example, Dessler (2015) has argued that since TQM in its multitude of forms has the potential to assist employees to exceed the desired performance

standards, managers are therefore required to go beyond the infrequent and narrowly focused task of PA (i.e. completion of the tasks or deliverables during the year). Rather, as he suggests, PA merely serves as the precursor to today's performance management and that follow up recommendations on job design, training and development as well as fair remuneration scheme should receive an equal impetus along with the traditional PA process in the new comprehensive and a much wider framework.. Overall, four key elements express the essence of a quality-driven PA system: 'measuring employees' contributions to the organisation for further development of the individual, using customer appraisals in employee performance review, employee involvement in the modification of performance appraisal systems, and approaching performance appraisal as a QM improvement effort. As shown in our analysis of the data (with the exception of enabling case organisation), the nature and focus of PA did not seem to change as a result of TQM adoption. Hence a central implication of this study is that the effectiveness of a contextually performance management system for an organisational context with a TQM orientation should be primarily judged based on the extent to which the expected synergistic effect of both TQM and PA will be realised. In formal terms:

> **Proposition 1.** The stronger the synergistic effect of TQM's focus on system and HRM's focus on individual, the greater the effectiveness of a TQM-focused PA.

Linked to the above is a contribution that centres on the importance of a culture of quality as a prerequisite for creating congruence between TQM and other management systems such as PA. As shown in the coercive cases, our findings point to a more complex and sophisticated picture of PA which could be characterised by the increased emphasis upon 'individual' and judgment based on inadequacies long past. This kind of post-mortems and after-action performance reviews (Edmondson, 2011) laid the base for a pervasive culture of blame in which lower level employees feared to acknowledge their limits and report failure as long as it did not cause immediate or obvious loss. The unfortunate consequence of a lack of 'true culture of quality' across the coercive cases was two-fold: (i) employee's reluctance to admit errors for fear of becoming scapegoat and tendency to report only successes to their line managers and (ii) managers' missed opportunities for enhancing the organisation's quality of learning (see Beer, 2003; Gambi et al., 2015). In sum, we propose that:

> **Proposition 2.** PA systems designed solely in terms of strict compliance to minimum task assignments will result in counterproductive work behaviours that compromise quality (e.g. production deviance).

In contrast, the enabling case organisation appeared to be successful in constructing and shaping a culture that measured up to the challenges of organisational, managerial and TQM vagaries. As our

analysis of the data showed, the reality of TQM implementation reasonably matched its aspiration in this exceptional case. The adoption of TQM as a means to leverage a cultural shift stepped up in earnest in a two-fold way. First, the senior management team made the institutionalisation of TQM as the leadership's highest priority. While they ensured continual organisational commitment to TQM (e.g. attendance at intensive quality courses, teaching tailor-made quality courses to lower-level employees), they stepped up their quality campaign through a heavy reliance on fact-based management and decision making and continual evaluation of their TQM efforts that evolved over time. Second, in order to cement the importance of quality in the minds of employees and elevate it above financial and efficiency goals, workers received real-time soft and technical skills training on an on demand and/or as needed basis, they were empowered to build self-managed teamwork, they could comfortably admit and report on quality violations and could challenge directives that detracted from quality. More specifically, 'quality performance' took centre-stage in employee PA (see Garvin, 1991; Ghorpade and Chen, 1995; Srinivasan and Kurey, 2014). In short, we propose that:

> **Proposition 3.** PA systems designed based on TQM practices will lead to employee workplace behaviours that focus on both person-level task attainment and system-level quality improvement.

This study also contributes insights into management fashion theory (Abrahamson and Fairchild, 1999). In this respect, David and Strang's (2006, p. 216) work, which lays stress on the importance of understating the fragile nature and vulnerability of management practices due to superficial template applications of TQM by uncommitted and incapable TQM providers (p. 231) is redolent with implications for our attempt here to understand the failure of organisations to ingrain TQM underlying practices into their performance management system. As they argue, "TQM's fashion boom drew in large numbers of generalist consultants and firms with weak links to TQM's technical roots, while in the fashion bust, TQM consulting swung back toward specialists and firms with expertise in quality control. In our study, support is found in coercive case organisations for their top-down, narrowly focused, procedure-dominated and consultant-led application in that enterprise process improvement methods such as TQM was oversold and adopted as a panacea for counteracting a wide range of organizational problems and in particular regaining lost considerable market share to Japanese automakers. As a result, a virtual alphabet soup of quality and productivity oriented initiatives descended into these organisations. What tended to be missing from the ad hoc mix of top-down and consultant-led TQM programmes (see Srinivasan and Kurey, 2014) was the absence of a coherent, and meaningful managerial vision with respect to TQM . In contrast, while the continuous improvement initiatives such as TQM was also consultant-led in the enabling case

organisation, their role appeared to change as quality improvement efforts became more mature over time. To enable TQM to occur and become institutionalized, the consultancy team placed a heavy focus on fulfilling both the required outcomes of TQM and assisting employees to develop "need to have" competencies demanded by the competitive auto industry. Moreover, the mix of participative and directive style of TQM management which was reported by both managers and lower-level employees were instrumental in closing the gap between rhetoric and reality of TQM not least because it involved both ongoing learning and continuous performance improvement elements. To this end, an effective employee performance management and appraisal had proved crucial. Indeed, the need for a contextually appropriate performance management for TQM was accepted and operationalised as continuous improvement efforts evolved overtime. In a similar vein, the diffusion and adoption of both TQM and following changes to PA system had gradually taken root in the attitudes and working behaviour of managers and employees – owing to painstaking quality efforts which helped the employees to go "above and beyond" the rules and a system of performance management that satisfied the dual needs of employee development and organisational performance (see Srinivasan and Kurey, 2014). In short, we propose that:

> **Proposition 4:** PA systems designed to fulfil both learning and performance objectives will lead to synergistic gains from TQM, especially when the adoption of TQM is mediated by the admix of directive (top-down) and participative (bottom-up) styles of TQM management.

Managerial implications

Our findings provide several managerial implications for performance appraisal in TQM-focused organisations. Managers should be aware that the effectiveness of TQM programmes hinges largely on the ability of the organisation to make PA (and other management systems) compatible with TQM's core values. The nature and scope of TQM as an organisation-wide effort to infuse quality into every activity in an organisation suggests that managers should go beyond a mere tampering with the traditional past-oriented, -individual-based appraisal system and avoid symbolic changes to PA prompted by concerns over rating accuracy. Instead, organisations need to alter the foundations of the appraisal system through focusing on process and system-level issues (common causes of variation in performance) and measuring both the results and work processes – if TQM is to succeed and PA is to measure the worth of the individual's contribution in a fair and objective manner and encourage employee development. This requires organisations to undergo a paradigm shift particularly in the organisation's culture to create fit between PA (as well as other HRM activities) and TQM's core values. Contextualising PA systems in terms of when (appraisal as an going activity), why (the development of the individual employee), how (behavioural assessment of

appraisal in terms of task performance and quality improvement behaviours) as well as judging employee performance based on absolute standards are deemed essential to accomplish the culture shift needed in quality-driven context. Our findings suggest that the coercive cases attributed quality problems and performance deviation to employees' personal dispositions. This is however an antithesis to the TQM's focus on process measurement and control as means of continuous improvement. Hence, managers are advised to differentiate between the common (system related faults out of employee's control) and special causes/local (faults and errors which are traceable directly to individual employees) of performance variation within systems.

Limitations and suggestions for further research

Further extensions to this study could explore in details the emerging issues through adopting a mixed-methods research design (Teddlie and Tashakorri, 2009; Creswell and Plano Clark, 2011). Mixed methods research are desirable not least because the efficacy of organisation-wide change management interventions such as enterprise process improvement methods hinges of many soft and hard factors and that collecting reliable data on the impact of these factors necessitates the right method to be correctly applied. Since large-scale operational change (enterprise process improvement methods such as TQM) generally unfolds over time in different stages, a mixed-method approach could provide a more complete view of the research phenomenon by allowing a researcher to combine quantitative and qualitative methods to analyse data from a comparatively large sample of organisations across various economic sectors. In addition, investigating the congruence between TQM and PA in other organizations especially those with a high social structure or performing mainly non-routine, low-volume tasks, may provide invaluable insights into relevant contingency factors. Finally, despite the optimistic view that the spread of enterprise process improvement methods such as TQM initiatives would encourage moves toward the use of system-driven, process-oriented PA, the evidence we have collected so far does not convincingly support this. Again, a contingency model – taking account, *inter alia*, of differences in technical and social structures between organisations – may provide a suitable theoretical framework to underpin future empirical research on this question.

Conclusion

Our study has helped to cast light on the (in)compatibility of PA systems with the precepts underpinning enterprise process improvement methods such as TQM. It adds to the knowledge about challenges and opportunities in the drive for creating a PA system that fits enterprise process improvement methods such as TQM. It concludes that it may be time to forego an exclusive reliance on an 'either-or' approach to the adoption of PA and TQM. Instead, the way forward is to

go beyond the mere label, by laying stress on improving work systems, processes, and methods as all-consuming focus of a TQM-oriented PA system rather than individual employee *per se*.

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