Gaining Altitude on Global Performance Management Processes: A Multilevel Analysis

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Global Performance Management: A Strategic Perspective?

This conceptual review of global performance management (GPM) focuses on how individual performance results are systematically aggregated in large, diverse multinational enterprises (MNEs). The authors propose a four level vertical framework of the uses, metrics, systems and processes at the 1) individual, 2) local-regional, 3) strategic business unit and 4) global (corporate) levels.

Global performance management has been of increasing theoretical and empirical research interest, particularly over the last eight years (Caligiuri, 2006, Cascio, 2012; Varma et al., 2008). Like much IHRM research in general, researchers have alternately focused on the expatriate experience (Lazarova and Thomas, 2012), cross-cultural or comparative studies (Bailey & Fletcher, 2008; Festing et al. 2012) and the complexities of managing and coordinating GPM for MNEs (Bjorkman et al., 2009). Alternative frameworks have been suggested to more systematically illuminate and assist ongoing empirical investigations (Claus and Briscoe, 2009; Engle et al. 2008). The articulation of a proposed four stage model of GPM processes envisions 1) strategic GPM content decisions, 2) GPM design and roll out, 3) GPM operation in country and 4) systems evaluation (Engle, Festing and Dowling, in press). Engle et al. s’ literature review of empirical research related to GPM in IHRM journals from 2002 until 2013 indicates paucity in research in this crucial fourth stage. Although some empirical research exists on issues related to content, design and operations (notably cross cultural effects) very little research exists to describe how MNEs aggregate GPM results and how these results are used to alter or effect MNE strategic activities. Many practitioners and researchers informally
suggested to the authors that all too often the results are filed away never to be seen again – like the Ark of the Covenant at the end of the film “Raiders of the lost Ark”.

This paper focuses on GPM systems and processes as they occur in advanced MNEs, postulating a four level framework: from “local” micro processes, purposes and performance metrics/measures, to “global” macro processes, purposes and performance metrics/measures. Based on a review of limited extant empirical literature and interviews with selected European talent and human resource planning practitioners the authors present a preliminary, if not speculative, four stage transformation framework. Individual GPM results are envisioned to be transformed via four processes, alternatively described as 1) the “funneling” of selective individuals to the attention of actors at the next vertical level in the firm, 2) the “summation” of individual performance metrics to the next vertical level, 3) the “conversion” of individual metrics into a different form of metric altogether before being forwarded to the next vertical level, and 4) the “sharpening” or recalibration of macro level firm strategic performance metrics as a consequence of how well individual and subunit performance targets are met. See Figure 1.

INSERT FIGURE ONE APPROXIMATELY HERE

Funneling

Interviews with some practitioners and consultants lead the authors to argue that select MNEs emphasize the holistic, personal talent part of the GPM system and through a series of talent tournaments - whereby the top performers move on from the local talent pool to the regional, division or global “league”- moving winners up through the organizational ranks. Under these systems the strategy is to identify and move the high performance persons to the increasing strategic stages, so their talents can be applied for MNE purposes. The performance
management results allow the talented to “bubble up” to more critical positions in the MNE. To
the extent that GPM systems are perceived by employees to be accurate and valid, high
performers may be more committed to continue to “play” in the system (Kwon, Bae & Lawler,
2010). The link between this form of strategy of aggregation and the rapid increase in talent
management systems is most interesting. Empirical evidence suggests that some national
institutional systems may be more interested in funneling than others. A recent review of talent
management practices suggest that small and medium sized German firms may “choose a more
inclusive approach to Talent Management and target all or most employees, in contrast to large
 multinational enterprises where a more elitist approach is favored.” (Festing, Schaefer and
Scullion, 2013: 1872).

Summation

Under summation systems an extensive set of uniformed performance metrics, sometimes
referred to as “balanced scorecard” systems are captured and may be organized and presented
aggregated by plant, division, national, regional or SBU applying an advanced, Oracle based
decision support system and network. The key characteristic here is the use of common
performance metrics from top to bottom and side to side in the MNE. The vocabulary of
performance may have more or less emphasis as the aggregated GPM results move up the firm,
or vary depending on the specific purpose of the inquiry (reward feedback and justification,
assessment of employee satisfaction and commitment, career planning, etc.) but the essential
vocabulary of performance is constant (Corporate Leadership Council, 2003, 2012). Much time
is spent creating a broad, integrated and consistent scorecard or dashboard that provides
information on personal competencies, job performance and goals or targets achieved. Metrics
should capture the past (financial performance), but also present performance-in-process and the
personal and professional self-development investments that are thought to be linked with future performance. Beyond dollars, Euros or PLNs, metrics must capture the more intangible aspects of performance, such as customer service, embracing MNE culture and values, and a capacity to proactively act to effectively support dynamic strategic initiatives.

Conversion

The conversion approach is typified by the translation of operational level GPM results into differing forms of performance information. In this way it is the opposite of the aggregation approach. At each level in the movement of performance information an assessing group will take the results from the lower level and recast them (alter the performance dimensions, the scales, the levels) into a new set of performance variables more appropriate to that group’s immediate purposes. By the time the results reach the global level the individual performance results may be unrecognizable and presented exclusively in terms of the vocabulary of strategic intent; functional value chain excellence, R&D capacity or progress to goals, or product awareness penetration for upwardly mobile potential customers in Warsaw (Dossi & Patelli, 2010). See Gimbert, Bisbe and Mendoza’s (2010) interesting distinction between strategic performance measurement systems (SPMS) and performance measurement systems (PMS) resulting from research among 349 medium and small Spanish firms for evidence of differing vocabularies of performance.

A four tier human capital development framework is presented by Cantrell, Benton, Laudal and Thomas (2006) as uncovered in an investigation into SAP America’s approach to strategic performance metrics. Tier four consists of 13 human capital processes (“competency management, rewards and recognition, career development, performance appraisal, human
capital strategy, succession planning, learning management, recruiting, knowledge management, workforce planning, workplace design and human capital infrastructure”). Tier three consists of seven human capital capabilities ("leadership capability, workforce performance, employee engagement, employee adaptability, ability to change, talent management and human capital efficiency"). Tier two consists of four key performance drivers ("productivity, quality, innovation and customers"). Tier one consists of four “illustrative business measures” for business results ("revenue growth, return on equity, total returns to shareholders and future value") (Cantrell et al., 2006: 45). Note the significant conversion of performance metrics by tier in the movement from micro level to macro level system.

Sharpening

This approach is most sophisticated and, not surprisingly, most interesting. A four stage routine is envisioned. First, corporate level indicators of strategic intent are designed and delivered to operational level units. Second, units modify those performance dimensions to capture local conditions and priorities and these revisions are approved by corporate officers. Third, performance systems go into operation and results are captured and sent up through the multilevel system. Finally, results are used to modify both a) strategic direction and expected goals as well as b) to modify (sharpen) the local performance metrics in the light of system results evaluation. The strategy whets and sharpens (modifies) the GPM system and the system acts as feedback and sharpens (modifies) the strategic configuration.

Shipton, Budhwar & Crawshaw refer to “organizational change capacity” (2012: 780-781) repeating Judge et al.’s definition (2009: 1739) of “the dynamic resource bundle comprised of effective human capital at varying levels of the business, with cultural predispositions toward
innovation and accountability and organizational systems that facilitate organizational change and transformation.” This capacity is said to be critical for continued performance and firm effectiveness in highly dynamic global environments in the developing world. Here is an only slightly differing perspective on the nexus between an HR system (GPM) and timely and rational MNE strategic transformation.

Kolehmainen (2010) presents the example of strategic performance measurement systems (SPMS) at DynComp, a global telecommunications firm, as one component in a “dynamic strategic alignment system. As per the four stage “sharpening” model above, macro level strategic intentions are converted into individual level “action plans” and then used in a combined and decentralized, heavily delegated process. Variety and flexibility in targeting are at a premium. Although the DynComp case does not provide any significant evidence of major modifications in strategic direction nor intent, the capacity for alteration is present in the “value framework” emphasis on flexibility. The investment in such an advanced, central and complex form of making GPM results available for strategic purposes may be a function of firm size, number of employees, institutional heritage and that firms may have relatively advanced HRM systems (i.e. GPM) without having a formal HRM strategy (Doving and Nordhaug, 2010).

Combination approaches and building multilevel vocabularies

Harris, Craig and Light (2011:6) present a six step “ladder of analytical HR applications” which encompasses many of the issues presented in all four approaches we presented above. On the lowest rung, “employee databases” can be used to aggregate individual results. On the second rung, “critical talent management” the third rung, “focus HR investments” and the fourth
rung “customize EVP” differing capabilities can be used to funnel talented employees. On the final two rungs “workforce planning” and “talent supply chain” the conversion process between employee databases and strategic decision processes become more interactive and dynamic, similar to our discussion of “conversion” and “sharpening.”

In preparing this initial assessment of a multilevel analysis of the evaluation of GPM output, we found that literature related to the micro level conceptualizations, models, and performance metrics being developed by IHRM researchers and practitioners had a more or less common approach to the area of GPM. Variations exist, that is only healthy in a new academic field, but the basic vocabulary of GPM shares a HR/OB point of origin. A contrasting body of literature related to macro level conceptualizations, models and firm level performance/effectiveness metrics is also being developed by global strategy researchers and practitioners (Harris et al., 2011; Kolehmainen, 2010). A comparison of these micro and macro level models is incomplete at this time, but even the most casual reviewer will note that the macro literature is of a differing form, with a differing methodologies, models, favored theories, syntax and vocabulary and, not surprisingly, comes from a very differing academic point of origin. Some twenty plus years after a call for more strategic IHRM, many SIHRM researchers are not aware of the business models, logic and forms of macro level strategic management theorizing (Dossi & Patelli, 2010). More cross discipline reading is an essential first step in any effort to speed multilevel research efforts and fit pieces of the puzzle originating from differing altitudes.

Conclusion
The paper concludes with a prescriptive discussion of what qualities an effective GPM might have, namely the creation of a balanced but essentially centralized, strategically customized, bundled system of IHRM practices that combines culture and technology. We repeat Lawler’s call for 1) the parsimonious use of performance dimensions, weights, and levels that at their core are 2) thoroughly understood and 3) widely shared, although 4) they may be locally interpreted. Adding dimensions for local conditions may appear useful and accommodating in the short term, but as the number of dimensions grows, the clarity of communication dims. Local interpretations on more and more performance dimensions become fraught with potential conflict. These four qualities must be combined with an integrated human resource information system software platform as the center of a strategic yet flexible web of people, processes and decisions (Biron et al., 2011; Lawler et al., 2012).

REFERENCES


COMPETITIVE PAPER SUBMISSION
Figure 1

Gaining Altitude on GPM

- Strategic Actions
  - Organizational decisions
  - Unit decisions
  - Individual decisions

- Reporting - Reviews

1. Funneling
2. Summation
3. Conversion
4. Sharpening

- Revisions to GPM Systems / Processes
- Implement Revisions

- Transformation
  - GPM Results