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# **The utility of performance review systems: a total quality management perspective**

Performance review systems are designed to serve the preferred management goal for total quality management (TQM) which traditionally favors an efficiency-driven logic, resulting in tighter control over the employees as the primary source of performance variation.

- A misfit between performance review systems and the organizational (quality) culture could undermine the embedding of quality deep in an organization's culture.
- Loose coupling between the technical and social aspects of TQM could adversely impact on the utility of performance review systems for a continuous learning and quality improvement culture.
- The impediments to the effective integration of TQM principles into performance review systems may be contingent on the nature of the firm's operations.
- Further research on the congruence between TQM and performance review in organizations with a high social structure (service organizations) and those performing mainly non-routine tasks may provide invaluable insights into relevant contingency factors.

**JEL Classification Code:** M11, M12, M5

## **1. Introduction**

As an integral tool of performance management (Aguinis, 2018), performance review (or appraisal / evaluation) is intended to serve a two-fold purpose: (i) to enhance the employee's desire to learn, and consequently (ii) to improve the operational performance objectives such as productivity, quality, responsiveness and flexibility (DeNisi and Murphy, 2017; Brown and Heywood, 2005; Wilkinson and Dundon, 2021). Despite the pivotal purpose of performance review as a key constituent in the bundle of commonly applied human resource management (HRM) practices (Storey, 2001; Marchington et al 2020), its utility within contemporary organisations that espouse a culture of total quality management<sup>1</sup> (TQM) has become a subject of discontent (Murphy, 2019; Cardy and Munjal., 2016). This dissatisfaction is evident in discussions concerning the prevailing role of traditional performance review in supporting a top-down approach to managing employee performance (Deming, 1986; Cardy, 1998) as well as its limited success in building an enabled and inspired workforce who strive to excel beyond the minimum job assignments (Coens and Jenkins,

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<sup>1</sup> TQM extends beyond the notion of having employees use tools and techniques for quality control and assurance. It goes beyond routine employee training, sharing best practices, and offering monetary incentives. Instead, it revolves around four essentials that drive quality as a cultural value: leadership emphasis, message credibility, peer involvement, and employee ownership of quality (Srinivasan and Kurey, 2014). While successful TQM implementation necessitates a balanced focus on both its technical and soft practices, it further demands the alignment of other socio-subsystems (e.g., performance management and its activities such as performance review) within the organisation with its guiding precepts –i.e., customer orientation, continuous improvement, and the organisation as a total system (Waldman, 1994; Sitkin et al., 1994).

2000; Murphy, 2020). As Hancock et al. (2018, p. 1) observe, “Many systems are under stress because employees harbor doubts that the core elements are equitable” (see also Keller and Meaney, 2017). Consistent with McGregor's (1960) Theory X, this style of performance review gives weight to the importance of keeping tabs on employees to ensure strict compliance with top-down policies which could in turn instil a reluctance to take quality actions towards broader system improvements. TQM advocates, most notably Deming, have been particularly vocal in expressing their disapproval of such performance review systems. In fact, Deming regards traditional “evaluation of performance, merit rating, or annual performance review” as a “deadly disease” (1986, pp. 97-98; Dean, 1994) for contemporary organizations that espouse a continuous learning and quality culture (Levy and Williams, 2004). He further made reform of the performance review system as a vital element within his action plan, highlighting the following reasons: unfairness in the performance review process, an overreliance on results-based and short-term perspective, forced distribution ratings, and an emphasis on average output (Ghorpade et al. 1995, pp. 33-35).

Unlike the narrower scope of the traditional performance review on “the worth of the individual’s contribution to the organisation based on past achievements or failures” (Ghorpade et al., p. 35; see also Tavis, 2016) and the employee’s individual responsibility for performance variation, the progressive assumptions of TQM have a broader scope. This includes creating opportunities for employees to recognise quality actions beyond mere compliance with minimum standards, emphasizing walking the talk and commitment to non-compromising quality, and allowing for employee ownership of improvement process (Srinivasan and Kurey, 2014). At the core of the broader scope of TQM is the emphasis on effective communication both within the workplace and with the external stakeholders, while viewing the organization as a total system. So, the broader perspective of TQM recognizes that building a company-wide quality culture goes beyond technical quality or patchwork solutions to poor quality. Rather, it requires a hard-nosed assessment of how the entire “chain of production” might contribute to the problem and to its solution (Sitkin et al., 1994, p. 542; Deming, 1986; Oakland et al., 2020).<sup>2</sup> This lends force to Murphy and Cleveland’s (1991 p.72) argument that a misfit between the traditional performance review systems in use and the organisational (quality) culture could undermine the embedding of quality deep in an organisation’s culture. This may be an important reason why certain authors (e.g., Grote and Grote, 2011; Murphy, 2020; DeNisi and Pritchard, 2006; Iqbal et al., 2019; Chiang and Birtch, 2010) emphasise the use of communication and developmental role of performance review systems “in

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<sup>2</sup> Building a culture of quality centres around the imperative of integrating social and technical subsystems for the pursuit of organisational effectiveness – i.e., stability and flexibility. A theoretical perspective relevant to this topic is the Social-Technical Systems Theory (see Manz and Stewart, 1997).

combination with continuous improvement initiatives to form a maximal strategy for organizations” (Waldman, 1994, p. 33; Verma et al., 2022).

But what specifically led the quality management gurus and their followers to question the role of performance review systems in promoting managerial commitment to quality and guiding employees to contemplate the risks and payoffs of their quality actions (see Srinivasan and Kurey, 2014)? While a myriad of contributing factors underlies this issue (Ghorpade et al., 1995), the overriding argument lies in a lack of congruence between the TQM systems-oriented approach and the individual-based focus of traditional yet prevalent performance review (Waldman, 1994; Maes and Van Hootegem, 2019; Costa et al., 2014). Nevertheless, the possible reasons for such incongruence are not yet well understood. They may relate to a lack of comprehension among company managers about the arguments advanced by Deming and like-minded scholars for the need for a TQM-compatible approach to performance review (Waldman, 1994; Cardy and Munjal, 2016). Deming (1986) criticized traditional performance review for holding individual employees accountable for systems-level factors outside employees’ control. Such incongruence may also reflect a deeper shift in thinking about the way in which change programmes such as TQM are best applied in today’s uncertain business environment. Alternatively, another line of reasoning stems from the intended but fundamentally different goals of TQM (i.e., control and learning) and the apparent conflict among these goals (Godfrey et al., 1997; Dahlgaard et al., 2019; Liao et al., 2023). This dynamic could lead to management’s perceptions and preferences to obscure their interdependencies, thus resulting in their contradiction and the loose incorporation of TQM practices into the work design system (Sitkin et al., 1994; Waldman, 1994a,b).

Altogether, the preceding reasons suggest that research is necessary to address the question of ‘how do different types of performance review systems relate to continuous learning and quality improvement in progressive work organizations with a TQM orientation? In other words, how do the traditional performance review systems fit into the contemporary work organizations with a TQM orientation? This question warrants examination due to the contrast between the gloomy predictions in the Deming-oriented TQM literature and the pervasive utilisation of performance review systems in organisations of all types and sizes (Budworth et al., 2019; Murphy, 2020). It is noteworthy that there is no unanimous view in either the literature or practice on abolishing or reforming performance review systems. So, there is a need to delve deeper and elucidate how these systems might sit together and extend beyond armchair theorizing to look at what is happening on the ground. The aim of the current study is to examine how performance review systems can align with TQM guiding precepts to foster continuous learning and quality improvement.

The present study extends previous research in three ways (e.g., Bayo-Moriones and de la Torre, 2022; Jimenez-Jimenez and Martinez-Costa, 2009; Soltani and Wilkinson, 2020; Liao et al., 2023).

First, it contributes to enhancing the relevance of TQM and performance review research, by relating the results of the study setting of interest to the management – thereby addressing the often-observed relevance gap in applied fields, especially in general management with its many, (sub)disciplines (e.g., McElwee and Warren, 2000; Tkachenko et al., 2017; Verma et al., 2022). As Brown and Lim (2009, p. 196) observe, research in this [performance review] area should not merely make “theoretical contributions, but also facilitate improvements in practice”. Second, it presents and analyzes the perceptions of Quality Managers (as agents of change programmes – McCabe, 2014) and HR Managers (as paradox navigators and agents in the HRM-performance causal chain – Purcell and Hutchinson, 2007) on performance review systems in a sample of EFQM<sup>3</sup>-registered organizations operating in the UK and EU markets. Specifically, exploring the perceptions of Quality and HR managers is deemed essential for two reasons: their vital role in the performance review process and quality management implementation, and their significant influence on employee motivation beyond task performance and towards broader system improvements. Such multiple perspectives provide a more realistic account of the actual complexity of performance review systems in use, their (mis)fit with espoused TQM precepts, and their resulting effectiveness (see Strauss and Corbin, 1990). Third, we extend the extant research (e.g., Soltani and Wilkinson, 2020) through selecting cases from different branches of manufacturing industry with different production processes operating in specific types of environment. This would in turn assist in generalizability of previous research (Eisenhardt and Graebner, 2007). Based on our findings, we seek to develop propositions, derive practical implications, and suggest avenues for further research into the alignment of TQM and performance review systems.

## **2. Theoretical background**

### **2.1. Approaches to performance review systems**

While traditional performance review systems remain ubiquitous, their efficacy in triggering higher levels of individual and organisational performance is unproven (Strebler *et al.*, 2001; Sutton and Rao, 2014; Buckingham and Goodall, 2015). The clearest expression of this position is found in Murphy’s (2019) discussion of “why performance appraisal systems are doomed to fail”. As Murphy observes, “it is common for 80-90 per cent of managers, executives and human resource professionals to report that the performance appraisal and performance management systems in their organisations are failing”. This is for a myriad of reasons including a lack of strategic focus, the blurred line or conflicting messages between encouragement and control, the absence of reliable and valid methods for obtaining judgments about performance, the often-inadequate utility of

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<sup>3</sup> EFQM stands for European Foundation for Quality Management. It serves as a globally recognized management framework, assisting organizations in managing organization-wide quality and achieving excellence. The EFQM model takes on a primary role of self-assessment. For additional information please visit its website at: <https://efqm.org/#>; <https://efqm.org/the-efqm-model/>.

performance feedback to employees, and the limited impact on organisation performance (Adler et al., 2016; Murphy, 2019; DeNisi and Murphy, 2017).

Together, these inhibiting factors lead to a two-fold effect. First, employees are evaluated against a set of predetermined performance criteria (Gomez-Mejia et al., 2004). Second, performance reviews are used for individual rewards and productivity in the short term or other aspects of performance desired by line management<sup>4</sup> (Ghorpade et al., 1995; Murphy, 2020). These factors resonate with McGregor's (1960) Theory X, which assumes a pessimistic view of employees' motivation and work behaviour. It presupposes that people must be coerced, controlled, and directed towards top-down organisational goals, as it perceives them as lacking discipline and pride in workmanship (Morse and Lorsch, 1970; Warner Burke, 2009). This is what Cappelli (2020, p. 56) referred to as "overengineering people management", where "labour is treated as commodity and the goal is to cut it to a minimum". Hence, the organisation strives to blur the lines between the human performance review process and the product-inspection process (Bennis et al., 1966). However, in doing so, it disregards employee input and engagement, leading to a situation where employees opt to fulfil the bare minimum required to maintain job security (see Tweedie et al., 2019).

Altogether, these concerns about the ineffectiveness of traditional performance review systems seem most exacerbated and pronounced in contemporary organisations that adopt process improvement methodologies such as TQM and other variations on continuous improvement (Bowman, 1994; Cardy, 1998; Soltani and Wilkinson, 2020; Liao et al., 2023). One plausible explanation is that TQM and its variants necessitate engaging in multiple processes and activities, which demand employees to exhibit multitasking abilities, take ownership of their responsibilities, and occasionally surpass their prescribed duties or question established norms – a departure that contradicts traditional top-down performance review systems (Grant et al., 1994; Manz and Stewart, 1997; Wilkinson et al., 1997).

In reaction to this traditional 'control- oriented' style, there have been suggestions to expand the scope of performance review to include a communication-development orientation (DeNisi and Pritchard, 2006). The focus of this style of performance review is on stimulating employee commitment to learning through identifying employee strengths and weaknesses, training needs assessment, and the creation of targeted skill supply strategies (Chiang and Birtch, 2010; Elding et al., 2006). This latter type of performance review echoes McGregor's (1960) Theory Y, whereby performance review aims to reduce employees to "cogs in a machine" and instead encourages open communication, learning, and employee ownership of their work. It lays stress on 'the integration of multiple and occasionally contradictory goals of TQM, emphasizing the intrinsic interest an average

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<sup>4</sup> These effects tend to confine employees to focus exclusively on in-role task performance over extra-role behaviour (see Tremblay et al., 2010; Organ, 2014).

person has in their work, their desire for self-direction and responsibility, and their capacity for creative problem-solving in an organisation' (Morse and Lorsh, 1970, pp. 61-62).

In sum, the preceding discussion proposes that performance review systems framed solely in terms top-down performance measures will lead to reduced effectiveness, especially in organisations with a culture of continuous learning and quality improvement. Drawing upon this proposition, it can be further posited that the stronger the balance of performance review system towards the technical structure and the social profile of the modern organisation, the greater the contribution of performance review activities devoted to continuous improvement (see Waldman 1994; Waldman et al., 1998; DeNisi and Murphy, 2017; Murphy, 2020).

## **2.2. Performance review systems and TQM: striking a balance amidst challenges**

Although both annual performance review and TQM have been subject to criticisms in their own right, a key question for the present study is how they are effectively combined in practice so as to improve their synergies – especially in relation to the relevance of systems-level influences on individual employees' performance (Maheshwari and Vohra, 2015; Mamman, 2002).

In the TQM view, system factors<sup>5</sup> play a critical role in determining the outcomes of work processes and should be considered when assessing employee performance. According to Deming (1986, p. 315), as much as 94% of the variation in performance is due to system factors (responsibility of management) – i.e., attributing the remaining 6% to individual-level, idiosyncratic factors. Building upon initial Deming's theory, recent work by Parslova (2023) highlights several critical workplace issues embedded in organizational cultures and processes (not in individuals) that cause the lion's share of performance variance. These systematic factors include the leadership quality, employee mental health and well-being, and a sense of belonging and inclusion. In line with these observations, Murphy (2019) comments that two problems are present in virtually every performance review system which cause them to fail: conflicting purposes and conflicting perspectives. While the former refers to a competing relationship between using performance review for identifying development needs of employees and helping them improve their performance, the latter refers to the notion of self-serving bias<sup>6</sup>. In the context of TQM, these perennial problems undermine the significance of systems-level influences – thus attributing any performance variation solely to employees (see Adler et al., 2016; Liao et al., 2023).

Despite these adverse opinions, there is little evidence to suggest that companies have abandoned annual performance review altogether (Murphy, 2020). One argument is that Deming was critical of

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<sup>5</sup> They refer to any factors that are outside the direct control of individual employees. These include the state of machinery, the efficiency of the manufacturing line, the availability of raw materials and supplies, supervision, leadership, training, organisational and environmental conditions, and the culture of the organization (Cardy, 1998; Soltani et al., 2004).

<sup>6</sup> Self-serving bias refers to an individual's tendency to attribute good performance to their character and poor performance to external factors (see Sanders et al., 2021)

control- and compliance-oriented performance review systems (Walton, 1985; Arthur, 1994; Hauff et al., 2014) which are at odds with a TQM-compatible work system that aims to develop employees to their full potential and maintain their “commitment to the success and long-term viability of the system” (Ghorpade et al., 1995, p. 37). Traditional (control) system of performance review has its roots in economic and scientific management literature (Gruening, 2001) which advocates a managerialism philosophy (Deem et al., 2007). It aligns with the rational actor model, wherein the design and conduct of performance review is motivated by the pursuit of efficiency gains and the improvement of economic performance (Katz and Shapiro, 1987). Based on prior research findings (e.g., Farnco-Santos and Doherty, 2017, p. 2319), the assumptions of human rational, self-interested, risk- and effort-averse behaviour prompt performance management and review systems to emphasize strict control and scrutiny over employees’ work. Such approach necessitates “the measurement and management of performance through lagging indicators such as compliance with monthly outputs and quality targets” (Carpi et al., 2017, p. 110-111) – what Farnco-Santos and Doherty (2017, p. 2319) referred to as “a directive performance management approach”.

However, an alternative performance review style that is more aligned with a TQM culture prioritizes the ongoing employee skill development and eliciting their commitment to effectively apply these skills in the long-term interest of the organisation (see Walton, 1985; Arthur, 1994). This system of performance review closely aligns with Farnco-Santos and Doherty’s (2017, p. 2319) discussion of “enabling performance management approach”. It lays stress on several management practices that encourage employees to surpass mere task attainment behaviour and engage in behaviours that ensure “the survival needs of organisations” (Ghorpade et al., 1995, p. 37). These include employee involvement, communication, development, autonomy and recognition of excellence and continuous learning – which are very much in line with the guiding precepts of quality management (see Ghorpade et al., 1995; Chiang and Birtch, 2010; Cardy, 1998). The importance of an enabling performance management system is particularly evident in the recent work of Murphy (2020, p. 13). Managing performance without relying on regular performance review for Murphy means refocusing managers’ activities from performance management to performance leadership. In his proposal, drawing from classic and contemporary leadership theories, Murphy asserts that leadership attributes and behaviours that prioritise initiating structure and consideration<sup>7</sup> play a crucial role in an effective performance management system. In a similar vein, Carpi et al. (2017) succinctly captured the core features of an effective (enabling) performance management system as it has come to be practiced by several best-in-class organizations like Toyota

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<sup>7</sup> Initiating structure pertains to a clearly defined approach towards goal setting and strategies for their attainment, while consideration involves genuine concerns for employee welfare (Murphy, 2020, p. 13).



Motor Corporation, Deloitte, Netflix and Microsoft. These features include emphasizing leading indicators, integrating regular, standardized processes beyond explicit performance-management activities to span every aspect of a company's operating model, and prioritizing continuous learning and quality improvement (pp., 111-113). The crucial consequence of this development and learning-oriented type of performance review is that it strikes an appropriate balance between the TQM's focus on the production system as a whole and the concern of HRM regarding the role of individual employees within that system (Bayo-Moriones et al., 2021). This in turn inspires employees to have a sense of ownership of their work and quality (Carpi et al., 2017, p. 109), and drive their motivation to go the extra mile (Srinivasan and Kurey, 2014) – especially in times of uncertainty and a rapidly evolving business environment (Cappelli and Tavis, 2016; Armstrong, 2022; Pirruccello, 2020). To strike a harmonious balance and avoid potential contradictions, various studies have proposed distinct approaches. Table 1. summarises a sample of studies suggesting ways in which TQM and performance review can sit together.

#### INSERT TABLE 1 ABOUT HERE

But why do performance review systems fail to allow for the integration with TQM? One possible explanation lies in the diverse meanings and multi-faceted perspectives of TQM. This diversity not only creates confusion in its application and integration into the overall work design systems of organisations but also poses a risk of prioritising one approach at the expense of the other. This is what Thompson (1998, p. 62) referred to as “paradoxes in total quality environment”. As Thompson notes, the paradox generally emerges from our conventional sense of being “in control”, where the challenge lies in effectively managing the conflicting elements and to strike a balance (see Handy, 1994). Harris' (1996) review of Jungian psychology suggests that paradoxes find their roots within this discipline, highlighting how individual can navigate and embrace inner contradictions for performance growth. Organizational and management scholars (e.g., Clegg et al., 2002; Bailey et al., 2019; Townsend et al., 2022; Aust et al., 2015; Loon et al., 2019) derive valuable insights from these theories to effectively analyse, theorize and propose strategies for managers to navigate conflicting forces and thrive in turbulent and uncertain business environments (Denison et al., 1995; Pinto, 2019; Kozica and Brandl, 2015).

Within the realm of TQM, the paradox arises from various sources (see Sitkin et al., 1994; Thompson, 1998; Erthal and Marques, 2022). Firstly, the organisation's pursuit of multiple goals to efficiently address customer needs entails viewing quality as both conformance and as desirable features<sup>8</sup>). Secondly, the expansion of broader employee roles and responsibilities coupled with the adoption of innovative ways of task structure to fit the guiding precepts of TQM present a

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<sup>8</sup> Conformance quality serves to reduce variation, while quality as desirable features aims to minimise employee noncompliance and deviation from top-down quality control policies in the interest of customers (Manz and Stewart, 1997).

challenging task (Cavallone and Palumbo, 2022). It requires adopting new work arrangements in such a way that both social and technical aspects of work design systems are seamlessly integrated and mutually supportive. This involves upgrading employee skills to identify unknown consumer needs and empowering them to bypass quality control rules in the best interest of customers (Waldman, 1994a, p. 33; Sitkin et al., 1994) – something that is often met with opposition from managers (Godfrey et al., 1997; Soltani et al., 2010). In such paradoxical circumstances, achieving a delicate balance poses a challenge to the management, as it holds the potential to influence the design of organisational control systems (performance management and its activities), which are expected to effectively optimise control over both the work process and the workforce (Thompson, 1998). According to Harris (1996), managers' often and first reactions to paradoxes are “defensive” in nature which in turn “clings to past understandings to avoid recognising their cognitive and social foibles” (cited in Lewis, 2000, p. 763). However, such defensive approach toward quality control suppresses the capacity to learn (the end product of TQM) and discourages line managers from analysing the causes of performance variation. Instead, it enforces a performance review system that holds employees accountable for non-conformance and process variability (see Sitkin et al., 1994; Bowman, 1994; Liao et al., 2023).

While some empirical studies (e.g., Lam and Schaubroeck, 1999; Soltani and Wilkinson, 2020; Bayo-Moriones and de la Torre, 2022; Liao et al., 2023; De Menezes and Escrig, 2019) have touched upon these issues, most work has not gone beyond armchair theorizing (e.g., Haines et al., 2004; Cardy and Munjal, 2016; Flamini et al., 2023) and we contend that we need in-depth empirical research of performance review systems in use in organisations that espouse a culture of quality. Addressing these issues, this study aims to empirically explore the alignment of different performance review systems with TQM principles, identify potential reasons for any misalignment, and the resulting performance outcomes in a sample of progressive work organisations with a quality orientation.

### **3. Research methodology**

#### **3.1. Research Design**

As part of a larger research project on TQM and performance management practices (i.e., performance review or appraisal), the current study adopts a multiple case study design (Yin, 2018). This research design offers benefits both in terms of process and outcomes (Schoch, 2020) – thus addressing “big picture theoretical gaps and dilemma” (Volmar and Eisenhardt, 2020) through answering the questions of ‘how’ can performance review systems align with TQM guiding precepts in progressive work organizations? It provides a deep holistic view through enabling a combined use of descriptive, explanatory and contemporary account of the research problem (Eisenhardt and Graebner, 2007). A multiple case study design offers more compelling evidence,

with greater claims for external validity (Yin, 2018). More specifically, the case design has appealed to operations and quality management scholars (e.g., Meredith, 1998; Childe, 2011; Voss et al., 2002) due to the need to revisit other work design systems to accommodate company-wide quality improvement requirements (Barratt et al., 2011, p. 329). Thus, the use of a case study design allows for “a greater realism in the information gathered and reflecting the actual experiences of organisations pursuing a quality management strategy” (Waldman et al., 1998, p. 182).

The research design was composed of a total of five cases operating in different manufacturing branches: (1) textile and apparel, (2) bespoke furniture, (3) catering equipment, (4) computer & electronics, and (5) automotive parts. While we relied heavily on interviews and informal discussion in the five cases, we further employed triangulation (Flick, 2019) by supplementing the interview data with other qualitative methods (e.g., document analysis, non-participant observation). This approach enhanced the validity of the interview data.

### **3.2. Selection of cases**

We focused on member organisations of one of the national partner organisations (NPOs) of the European Foundation for Quality Management (EFQM) in the UK. To be considered for inclusion in the sample of case studies, we focused on organizations with sufficiently mature quality management and HR performance management systems. By mature, we refer to management systems that prioritize continuous learning and quality improvement and customer satisfaction through enabling employees to “understand and decide how quality fits with their assigned jobs and challenge directives that detract from quality” (Srinivasan and Kurey (2014, p. 23). These systems also demonstrate performance management practices that are developmental and aligned with a culture of continuous learning and quality improvement (Arthur, 1994; Ghorpade, 1995, p. 35). Using Crosby’s (1979) Quality Management Maturity Grid (QMMG) and HR Capability Maturity Model (with a focus on performance management activities) as a guide, we sent a letter to the Quality and HR managers, requesting their cooperation and assessment of the maturity levels of their quality and performance management systems prior to the final case selection and data collection. While we did not have a specific score as a selection criterion for case organizations, we followed the notion of theoretical sampling (Glaser and Strauss, 1967; Eisenhardt, 1989) and purposefully (Patton, 2007) chose a total of five cases in different manufacturing branches that represented a range of maturity levels in quality and performance management – taken into account their willingness to participate in the study. Despite variations in maturity, all cases demonstrated reasonably effective functioning and had appropriate systems in place to manage both quality and employee performance. However, it should be noted while their performance review systems served

the intended purpose and met the expectations of the management, it does not necessarily imply a full alignment with TQM.

Our focus on manufacturing sector lied in the fact that enterprise process improvement methodologies, such as TQM, originated in this sector. By focusing on different branches of manufacturing industry, we aimed to extend the applicability of these theories to a wide range of manufacturing organizations and facilitate the validation and replication of our findings (Eisenhardt, 1989). In short, the selected cases were chosen due to their production characteristics, which provided a suitable environment for the application of TQM and its variants. Table 2 provides an overview of sample companies and interviewees that were selected for our study.

INSERT TABLE 2 ABOUT HERE

### **3.3. Methods**

We adopted a semi-structured interview technique as our primary data source and utilised other qualitative data collection methods (e.g., document analysis, plant tour, non-participant observation of in-house training workshops and team meetings related to quality and performance management activities, and attendance at management-led employee gatherings). The use of multiple data collection methods served a two-fold purpose: to facilitate validation of the data, and to help mitigate, or at least limit, intrinsic bias in the interview data (Eisenhardt, 1989).

The number of interviews in each case followed the notion of data saturation (Glaser and Strauss, 1967), and consequently it ranged from 7 to 10 interviews (n= 43) across cases. The interviewees included Quality and HR managers at different hierarchical levels. The selection of interviewees from Quality and HR functions served a two-fold purpose. First, it conformed to the notion of ‘multiple perspectives’ of qualitative research methods (Strauss and Corbin, 1990). Quality managers are meant to integrate and assist with the introduction of continuous improvement activities (Oakland et al., 2020). HR managers ensure synergy and congruence within HR practices (e.g., performance management and review) which are deemed critical for building a culture of quality. They are responsible for establishing a good fit between individual and organisation, with the objective of benefiting both: “human beings fit meaningful and satisfying work, and organisations get human talent and energy that they need” (Shafritz and Ott, 1996, p. 150). Previous research (e.g, Jiménez-Jiménez and Martínez-Costa, 2009; Pandey et al., 2022; Verma et al., 2022) correlates successful implementation of TQM to effective management of HR function and properly aligned HR practices. One explanation is that these managers inhabit different hierarchical layers with different strategic, tactical, and adaptive role expectations in guiding and influencing employees through the change process with clarity, relevance, and impact. Second, selecting research informants from Quality and HR functional areas at different hierarchical levels mitigated

potential bias in interview data. Altogether, the roles, hierarchies, and familiarity of these managers with performance review and quality improvement initiatives provide valuable context for posing specific questions about their characterizations of performance review systems in use and their effectiveness in cultivating a culture of quality.

The interview questions were open-ended and designed to solicit information on the premise behind TQM and performance review, the role of managers in these practices, the time orientation of performance review, and their impact on employee rewards and motivation. Together, these issues characterise the essence of the utility of performance review in the context of TQM. The average time of interviews was approximately one hour. To enhance the validity of the information derived from the interviews (Cho and Trent, 2006), the interview data were tape recorded and accompanying non-participant observation and examination of related documents (e.g., feedback report and follow up action plans, quality control and inspection reports) were recorded as written field notes (see Groenland and Dana, 2019).

### **3.4. Qualitative data analysis**

We used content analysis and coded the data based on core consistencies and meanings or key themes (Patton, 2015; Miles et al., 2019) with the aid of NVivo 12 (Edhlund and McDougall, 2019). As a guide to coding, we viewed the process of content analysis as a reflexive process involving independent review of interviewees' responses by research assistants, independent review and coding of the identified categories by principal investigator, a repeat pattern of multiple rounds of revisiting the data, and finally establishing reliability of the coding (Strauss and Corbin, 1990). As a result of the iterative process of the qualitative data analysis, coding reliability reached an acceptable level (+80% agreement). Consistent with the aim of the study, the results of the qualitative data analysis revealed a number of key themes that shed light on how performance review systems may (mis)align with the guiding precepts of TQM.

To facilitate presentation of the findings, we used the results of the cross-case analysis and divided the sample organizations into two groups. This categorisation was based on the extent to which their performance review systems demonstrated alignment with the guiding precepts of TQM. We label the first group (represented by 'Furniture', 'Textile', and 'Catering') as "*Tactical*" because the management of these cases used the annual performance review to ensure employee compliance with their job-specific, quality control requirements as well as strict adherence to the top-down strategic quality planning. In contrast, we call the second group (represented by 'Tech-Mfg' and 'Parts-Co') as "*Dynamic*". These cases demonstrated a proactive adaptability and responsiveness in integrating TQM into the design and conduct of performance review systems.

#### 4. Research findings

For clarity and analysis, Table 3 provides cross-case comparisons of the characteristics of the identified performance review systems with a focus on their underlying premises, performance dimensions, approaches to problem solving, perceived utility, and alignment with TQM. It gives a broad-brush summary of the main findings across all five cases. In the following sections, we shall present and analyse our research findings in detail.

INSERT TABLE 3 ABOUT HERE

##### *4.1. Unveiling performance systems in use: an overview and analysis*

In the *Tactical* cases, performance review systems were utilized as a year-end exercise, primarily focusing on the economic value of employees as a labor force, treating them similarly to any other factor of production rather than recognizing their status as human capital. These systems were characterized by a top-down management control regime that enforced excessive use of tools and techniques with an increased emphasis on compliance and short-term results. However, these systems left no room for employees to rely on their human instincts and exercise professional judgment in making quality decisions and taking quality actions. They advocated for a ‘tick-box culture’ and a ‘compromise approach’ wherein line managers focused solely on compliance-oriented performance reviews rather than an earnest commitment to helping the employees improve their performance. As one shopfloor master cutter employee at Textile remarked during an informal conversation: “the current quality and performance review systems do not facilitate the process of separating the wheat from the chaff”. The overarching aim was to identify poor performers based on numerical ratings. The underlying motivation was to swiftly address problems by seeking quick-fix approaches to tackle quality concerns or underperformance, while holding employees accountable for non-compliance and substandard performance based on top-down performance metrics. The evidence collected from the *Tactical* cases was highly suggestive of a managerial inclination to view the role of TQM as primarily focused on reinforcing and measuring hierarchal goals and individual employee compliance with quality control rules and procedures. As a result, the performance review systems in these cases primarily sought to measure compliance with top-down quality directives, reduce deviation across operations, and identify the culprit only when non-compliance behavior occurred – an indication of post-mortem quality inspection. The following quotes exemplify these issues (i.e., the poor coupling of the two systems and their misalignment).

*We just go through the motion of adopting TQM and updating associated management systems such as performance review. We only do it for the sake of having it. We simply got stuck in old practices. (Quality system auditor, Catering)*

*The current systems encourage employees to do the bare minimum required to get the expected results. This is because they must toe the line and strictly adhere to top-down quality metrics. (Quality data analyst, Furniture)*

*Our systems are good enough to get the ball rolling. We spend too much time on what they did rather than what they need to do. (Performance management specialist, Textile)*

In short, the imbalanced integration of TQM into the performance review systems did not seem to result in a genuine synergy that unlock the full potential of each system separately, and their combined use for the benefit of the organizations and their employees. The absence of integration along with the dominant compliance-oriented approach to managing performance raised cynicism about the utility and performance effects of TQM and performance review. Instead, TQM and performance review systems appeared to coexist without significant integration, benefiting neither the individuals nor the organizations— thus serving to support McGregor’s (1960) theory X.

In contrast, *Dynamic* cases devoted significant time to helping employees develop self-discipline and self-control. They were encouraged to align with the organization's goals and quality standards, display emotional commitment to quality values, acknowledge their mistakes, and take quality-driven actions. These allowed them, as expressed by a failure analysis engineer at *Tech-Mfg* case, “to take the bull by the horns in their pursuit of excellence”. Our evidence indicated that the investment in revising performance review systems across *Dynamic* cases proved worthwhile. The performance reviews considered individual and systems-level factors that influenced employee performance. This led to a shift in responsibility for quality from individuals to the system as a whole. Hence, employees were allowed to reflect on their own performance, identify various factors influencing their performance, and justify their decisions to occasionally deviate from company policies in the interest of the end customers. These efforts were supported by a strong emphasis on process efficiency, a tolerance for quality failure, and a focus on providing training and development opportunities for employees to embrace quality beyond the compliance checklist. More specifically, our analysis of performance review forms across *Dynamic* cases revealed a focus on absolute ratings. They established a wide range of qualitative and quantitative work standards derived from expert opinions of line managers and production data, against which employee performance was evaluated. Recognizing the influence of systems-level factors on employee performance, core behaviors associated with assigned tasks were identified, and actual work behavior was documented for further analysis. In a related vein, these organizations utilized critical incident techniques to better distinguish between individual and systems-level factors that

influenced employee performance. The nature, focus, and character of the performance review systems and their harmonious integration with TQM in the *Dynamic* cases can be understood through the following quotes and excerpt from the company's documents:

*We pay more attention to helping employees self-reflect and questions their own way of doing things and explore more efficient and effective ways of meeting customer needs. (Performance development manager, Tech-Mfg)*

*I do not see any point in keeping on cutting corners at the expense of quality. No shortcuts at the expense of quality. The aim of our management systems and policies is to spot the extra miles done by our employees. (Root cause analyst, Parts-Co)*

*All employees, especially those at the assembly line, should be provided with a sense of ownership and empowerment of the quality attributes of their products and services offerings...*

*The performance review system should entail an evaluation of the level of employee ownership as part of annual staff survey. [Excerpt from Parts-Co's quality handbook]*

A relevant issue in *Dynamic* cases appeared to revolve around their TQM focus on 'recognizing quality efforts beyond rules' (quality-first performance) and 'adapting to ever-changing and unknown customer needs'. The consequence of the pronounced emphasis on instilling a culture of quality and customer delight was two-fold: the steady progress of the TQM programmes, and regular evaluation of the performance review system akin to any other continuous quality improvement efforts. Therefore, the annual performance review systems in *Dynamic* cases, gave weight to the importance of human nature, self-responsibility and nurturing employee's ultimate commitment to continuous learning and quality improvement – thus exemplifying the essence of McGregor's (1960) theory Y. Hence, we put forth the following proposition:

Proposition 1. An imbalanced integration of TQM principles and performance review systems will lead a state of coexistence where mutual benefits remain uncertain.

Proposition 1.1. When the guiding precepts of TQM are integrated into performance review systems, their combined effect will mitigate skepticism and ensure mutual benefits in enhancing organizational performance.

#### ***4.2. Unveiling the motives behind performance review and its consequences***

Two motives appeared to be integral to the design and conduct of performance review systems across the case organizations – resulting in different (un)intended outcomes for managing quality and employee performance. The first motive considered the role of performance review system to achieve the level of efficiency set forth by top-down quality goals. This efficiency motive characterized the performance review systems in *Tactical* cases. This motive proved to be a tool in the hands of managers in their role of exercising control over the employees. Despite the undeniable



importance of efficiency, the main thrust of this motive was to ensure that no backsliding by employees took place (see McGregor, 1960). Managers at *Tactical* cases talked about, as conveyed by a performance management specialist at Catering, “obsession with efficiency through quality control tools and techniques”. However, this led to sacrificing the employee or human dimension of its functioning. This perspective was synonymous with regulating and disciplining employee behavior, viewing performance review as synonymous with coercing, controlling and directing employees towards efficiency goals and managerialism – an indication of ‘ruling with an iron fist’. In *Tactical* cases, this kind of pessimistic view of human behaviour still appeared to hold some sway, as expressed by one quality manager:

*Employees are provided with various quality tools and given detailed instructions to do their job. It therefore makes sense to hold them accountable for any poor applications of the tools and of course poor performance outcomes. [Quality control supervisor, Catering]*

Another quotation from a human resource manager helps set the scene to see how an efficiency mindset served as the preferred path to exercise control over the workforce, regulating their behaviors and achieve quality compliance:

*Due to limited resources and to ensure cost efficiency, we assess employee performance based on whether they follow policies and procedure by the book, and they complete their assigned tasks on time and within budget [HR data analyst, Textile]*

But the lingering question remains as to how the efficiency motive affected the design and conduct of performance review systems to address the crux of TQM: performance variation (see Deming, 1986; Bowman, 1994). The evidence from *Tactical* cases showed that there had only been a minimal effort to devise some form of system-based performance review. This seemed to be for two main reasons, namely, the complexity involved in distinguishing the impact of systems- from person-related factors on employee performance, and the front-line managers’ persisting view of individual employees as the main source of performance variation. Hence, the importance of TQM’s notion of variation inherent in process and process improvement was found to be compromised since the subject of performance review and quality control remained to be individual employees (as opposed to fixing inefficient processes). In our informal conversations with shopfloor employees during in-house workshops (on ‘efficiency and productivity at *Catering*’, ‘efficiency, sustainability and continuous improvement at *Furniture*’, and ‘high performance teams at *Textile*’), a majority of participants were of the belief that they still did their new roles and responsibility in the old way. As one shopfloor employee succinctly put it: “We find ourselves like puppets on a string and have to dance to their tune” (*Sewer, Textile*). Moreover, the efficiency motive behind the design and conduct of the performance review system spelled a shift in the character of managers at different levels towards the micro-management model. This entailed

“breathing down their employees’ necks to fixate on results at any costs and avoid personal feelings of failure” (*Installation engineer, Catering*). While the managerial informants were content with the motive for the pursuit of efficiency enhancement, the evidence was telling of the adverse effects of mere efficiency, which overshadowed the rewards. For example, our review of quality control and performance review documents as well as informal conversations with employees during several company events highlighted several issues, namely, reporting non-compliant employees directly to HR department for further actions, employees’ reluctance to report quality failure fearing job loss or other negative consequences, a lack of employee empowerment in making quality decisions, and fear of challenging and questioning top-down quality policies. Altogether, these issues contain the seeds of the weaknesses of the one-sided focus on efficiency to the development of a work design system for TQM.

In contrast, the design and conduct of performance review system across *Dynamic* cases was motivated by a combined desire for operational efficiency and employee growth and development. A crucial feature of this motive appeared to concern the alignment between TQM requirements, performance review system and employee needs and expectations. With this objective in mind, line managers were encouraged to motivate employees to engage in extra-role behaviors such as teamwork and system improvement – what Organ (2014, p. 85) referred to as “organizational citizenship”. The importance attached to this motive and its enactment is shown in the following excerpts:

*Balancing the requirements of continuous quality improvement and organizational strategic goals should be considered in setting operational and short-term goals and during the performance review. [Strategic Planning Manual – Action plan, Parts-Co]*

*The alignment between TQM goals and top-down goals should facilitate employee development and performance, with an eye on their future. [Performance Management Manual – Performance Metrics, Tech-Mfg]*

Under this motive, the past achievements or failures served as a basis for employee development and improvement. This was achieved through the effective provision of feedback, and fair compensation and rewards. Instead of mainly looking for errors from individual employees, performance reviews were designed in such a way that laid stress on the entire work process and employees’ ability to influence the work environment, decisions and performance outcomes. To further reinforce the developmental role of performance review, “specific-action control” (Merchant, 1982, p. 45) with a focus on performance problems outside employees’ control took center stage in the review process. The central tenet of this approach was to differentiate major from minor performance problems and maximize effectiveness through limiting the incidence of

undesirable performance. In addition, the performance review systems moved towards a closer balance between individual, team and organizational-level performance. This involved helping everyone at every level to take quality actions that align with the best interests of their fellow team workers, the organization and ultimately the customer delight. In pursuit of these, one process improvement manager at Tech-Mfg noted, “Our employees are judged based on their individual and team efforts and rewarded for individual and team-based performance”. A HR manager summarized the general feeling:

*We are getting close to embracing the spirit of ‘all for one and one for all’, simply because we aim to improve processes and help our employees improve rather than blaming them for individual and team level errors. This will benefit one and all [Training and development manager, Parts-Co]*

In tandem with this cooperative and collective efforts, managers at *Dynamic* cases made concerted efforts to include systems-level factors in the design and conduct of performance review systems. Our review of quality control policy and performance management guidelines highlighted three types of system factors were typically distinguished as inputs to appraising employee performance: linking employee performance with training and development, working environment and conditions, and availability of resources to perform the tasks. The importance attached to the congruence between performance review and system-orientation of TQM was two-fold: to give priority to identifying and improving those processes that affect employee performance but are out of their control, and to encourage employees to go beyond the prescribed individual task roles and contribute to the unit-level work performance (e.g., contribution to team performance). The HR manager’s reflection on these issues is illuminating:

*It is our responsibility to make sure that employees are trained and given appropriate tools to perform their assigned tasks in a supportive work environment. We need to make sure that they are happy with our management styles, working conditions and can reflect on their own strengths and weaknesses. [VP of human resources, Tech-Mfg]*

Overall, the *Tactical* cases exhibit a motive for performance review which is loosely coupled to the requirements of a culture of quality. While the managers’ motive for efficiency at *Tactical* cases was undeniable and continued to be important in all types of businesses, its unilateral focus on holding employees responsible for any source of inefficiency was anti-thesis to the very idea of helping the employees improve their performance. On the other hand, the motive behind performance review systems at *Dynamic* cases were broadly compatible with the notion of continuous learning and quality improvement. It reinforced the dual roles of the line managers in supporting employees to complete their assigned tasks and go beyond their jobs. This leads to the following proposition:

Proposition 2.1 A singular focus on efficiency in the design and conduct of performance review will lead to more managerial control over employees, attributing inefficiency to the individual employees and encouraging employees to do the bare minimum.

Proposition 2.2 A combined approach of efficiency and employee development in the design and conduct of performance review will result in both job goal attainment and systems-level continuous quality improvement.

#### **4.3. The evolving role of managers in performance review**

In *Tactical* cases, the dominant source of performance review was the immediate supervisor who delivered annual performance reviews. They had the authority to evaluate a subordinate's performance without significant input from the subordinates themselves. Previous research has referred to this kind of performance review as characteristic of the traditional top-down approach and found it to be associated with an authoritarian style of management – what Adler (1996, p. 61) referred to as “coercive control”. A pivotal factor in shaping this approach had been the excessive emphasis on the dominance of line managers in employee performance review. They increasingly saw themselves as attached to their hierarchical positions, focusing on top-down managerial agenda for performance improvement.

Closer examination of the interviewees' responses indicated that the managers themselves perceived an obvious gap between this kind of top-down forms of performance review with those of TQM which advocate a bottom-up style of communication that relies on wider variety of information sources. Interestingly, these managers were, at least in principle, supportive of multi-rater feedback as the most effective tool of performance review under a continuous quality improvement environment.

*In theory, self and peer appraisals link employee performance to other individuals and working units and situations... That's what TQM is about. However, when it comes to practice, we do not factor in TQM due to cost efficiency consideration and compliance with top-down measures. [HR information system manager, Furniture ]*

*It ensures that we as line managers at different levels own the system not the lower-level employees...It gives us more control over the workforce and to assign any inefficiency to employees. [Performance management specialist, Catering]*

*Peer appraisal and 360-degree feedback are consistent with TQM's emphasis on teamworking and the notion of quality as a responsibility for everybody...But, they have not been put forth as alternatives to immediate supervisor appraisal...Generally speaking, we all perceive such bottom-up communication approaches as questioning our authority as*

*managers and making us vulnerable to manipulation by employees. [Compliance and auditing specialist, Textile]*

In addition, the interviewees pointed to management's distrust of employees own judgements. Our review of annual performance review documents and quality control reports on daily production revealed that negative feedback was a common practice and that quality problems were rather repetitive and experienced frequently. In our informal discussions with several employees during a semi-annual company gathering, employees were highly critical of its use. As one employee involved in production, repair and maintenance duties on kitchen equipment put it succinctly: "it is unhelpful to the company, manager and employee. It neither helps us improve nor solve quality problems" (*Kitchen equipment technician, Catering*).

However, managers at *Dynamic* cases transitioned from their traditional coercive role as top-down decision makers to a developmental and participative role. In this new role, they incorporated various source of information to provide feedback on employee work behavior and performance. This development-centered approach emphasized objectivity and fact-based decision making, allowing other stakeholders to contribute to the development and conduct of performance review systems and consequently to the continuous improvement inherent in a culture of quality.

By incorporating diverse perspectives, managers prioritized the importance of employee self-control of their work, pride in workmanship, growth, and development. This approach allowed the work design system to focus on process optimization rather than attributing performance deviation solely to individual blame. To this end, managers across *Dynamic* cases did advocate multi-source feedback, because of its positive correlation with team performance and its role as a joint problem-solving method. In fact, our review of employee training and development programs showed that there was a shift in focus from one-off, quick-fix and short-term solutions towards equipping employees with the relevant skills to deliver quality performance and having voice in decisions about modifications to the performance review system. Part of the credibility of employee performance feedback across *Dynamic* cases derived from its focus on the behavior rather than the person. It placed emphasis on specific events that led to both under- and over-performance. Given high task and team interdependence in manufacturing settings, the focus of performance feedback on behavior was seen to help managers "quickly get to the root of employee performance problems" (*Root cause analysis manager, Parts-Co*). More specifically, the *Dynamic* case organizations saw customer's view as a criterion for the developmental use of performance review. While the management of *Dynamic* cases made concerted efforts to strike a balance between job requirements and employee skills, particular consideration was given to specific performance behavior and outcomes that better served the interest of the customer. The nature, charter and approach adopted

by managers across *Dynamic* case are revealed in the following quotes by quality and HR managers across different hierarchical levels:

*I consider multi-source feedback as the most apposite means of transformation to a TQM culture. It not only empowers the workforce but also promotes teamwork and system improvement (Process improvement manager, Tech-Mfg)*

*It is a win-win opportunity for all of us, if we want to keep our employees committed, motivated, productive and encourage them to go the extra mile. [Chief HR officer, Parts-Co]*

*We assess our employee performance based on the degree that they understand internal and external customer needs. So, customer review is key to our annual review system.*

*[Performance development manager, Tech-Mfg]*

Overall, despite the dominant role of managers in the design and conduct of performance review systems at *Tactical* cases, they adopted an old-fashioned mindset with a mill owner mentality towards managing employee performance. In contrast, managers at *Dynamic* cases find themselves very much in tune with the notion of continuous learning and quality improvement. Driven by a desire for utilizing multiple sources of information and a preference for ‘system over individual’, this alignment underscores a shared dedication to continuous learning and quality improvement. Therefore, we expect:

Proposition 3: An over-reliance on managers as the sole source of performance review will lead to attributing inefficiency solely to individual employees.

Proposition 3.1. A combined use of both the manager’s view along with input from other sources will lead to a preference for systems-level effect over individual in diagnosing performance variation.

#### ***4.4. Time orientation of job performance and employee motivation***

The managers in *Tactical* cases found past-oriented methods of performance review as a suitable approach to ensure that the minimum standards for the job were maintained. These managers worked on the assumption that past performance was a reliable indicator of an employee’s future success and their suitability for promotion and higher pay. The (yearly) lengthy time interval of performance reviews led to the “growth of complacency at the shopfloor” (*Compliance and auditing manager, Textile*). The impact of past-oriented methods and a year’s long performance review process seemed most strongly felt at the shopfloor level. At lower hierarchical levels, frontline supervisory managers heavily relied on employees’ historical performance as a benchmark to assess their current performance and hold them accountable for any underperformance. This served as a basis to adjust their compensation and benefits and even reducing their benefits. But, connecting promotion and pay to job performance was found to be problematic at *Tactical* case organizations. This was particularly true in terms of employee motivation to take quality actions, go beyond top-

down agenda setting goals in the interest of customers, and take pride in their workmanship and autonomy. The following quotes illustrate the time horizon of job performance and its relevance to the rewards system and employee motivation.

*We use employees' past performance, especially those underperformance and failure, as a basis for developing new goals. The point here is that they are expected to do more than their past performance in order to be eligible for performance-based pay. So, employees seem to be taking the plan with a grain of salt. (Quality training and development manager, Catering)*

*The system has not been designed or meant to throw cash at employees for achieving or going beyond the targets. It merely serves management's control over employees. It puts a fire under employees' feet as a reminder of their poor past performance and asking them to do more. [Compensation and benefits manager, Furniture]*

*I often see employees do the bare minimum to make it through the day, without any motivation to go the extra mile or even tooting their own horn about their achievements – if any. [Fabric quality manager, Textile]*

Overall, the time orientation and its associated job performance measures at *Tactical* cases did not appear to motivate managers (and personnel) to think outside the box and take actions beyond minimum job requirements. Rather, it encouraged managers to view past performance as the sole yardstick for the current review system, and to approach performance review process as merely checking off boxes. This in turn resulted in excessive and detached policies from the reality of continuous learning and quality improvement – an indication of an inconsistent and fragmented culture of quality.

In contrast, managers in *Dynamic* cases made more of an effort to harmonize past and current performance at both individual and team levels to excel in their ongoing efforts. This commitment facilitated the effective adoption of pay-for-performance practices and the cultivation of employee motivation. By acknowledging the significance of both past and ongoing performance, they aimed to transcend mere extrinsic motivation based on financial rewards and embrace more meaningful intrinsic motivation – what Deming (1986, p. 23) referred to as “pride in workmanship”. As the chief HR officer at Parts-Co put it: “All we have done is meant to hit the nail on the head, and it was not easy not meant to be”. They set “challenging objectives for individuals and teams with the goal of improving quality to the greatest extent possible” (Excerpt from Tech-Mfg’s Job Performance Standards). They also incorporated shorter review cycles alongside annual performance review to provide timely feedback – thereby fostering a sense of motivation and engagement among employees. As one Quality Manager remarked:

*We do not wait for the end-of-year performance review cycle. Instead, we provide on-the-spot performance review but focus only on those issues that are of immense importance, urgency and have impact on the internal and external customer satisfaction. (Process improvement manager, Tech-Mfg)*

In a similar vein, a HR manager observed:

*The reward and recognition scheme here focuses more on those employee behaviors that build a customer-focused culture and enhance their subsequent behavioral intentions. [Performance management coordinator, Parts-Co]*

More specifically, managers across *Dynamic* case organizations recognized that reward systems are composed of both extrinsic and intrinsic motivators. They stressed the importance of intrinsic motivation within the systems-focused quality management strategy. This approach aimed to promote empowerment, self-directing teams, and self-monitoring. The focus in such cases appeared to be on objective and on-the-spot feedback on an as-needed basis, with a direct impact on employees' feelings of competence, self-worth, self-control, and motivation. External rewards were introduced extensively at the commencement of TQM initiatives. Subsequently, activities carrying intrinsic rewards were used as primary reinforcers of TQM transformation. In doing so, they encouraged employees to recognize the value of “fitting quality in their work, maintaining high-quality standards, and prioritizing customer-driven approaches above and beyond top-down rules, when it is necessary, in the interest of customers” (Excerpt from *Tech-Mfg's Quality Policy*). This approach involved fostering employee application of skills, techniques and ideas and deep reflection on what matters most to the customers and how to respond to their heterogeneous preferences. The overarching aim, as excerpted from the companies' policies and guidelines, was to “enable employee to take quality actions far beyond their zone of comfort and company policies” (*Performance Review Document, Tech-Mfg*) and “make quality decisions above and beyond the company norms” (*Rewards and Recognition Policy, Parts-Co*) – an indication of building a culture of quality. The following quotes further illustrate this point:

*Building a culture of quality is about finding ways to support and improve employees' actions and outcomes particularly those linked to the customer satisfaction. We take forward-looking measures beyond monetary rewards to make employees go the extra mile. [Process improvement manager, Tech-Mfg]*

*We do not often reward financial incentives for exceeding expectations. Instead, our policies emphasize the importance of professional recognition for our employees. So, the whole idea is to help employees find satisfaction in their work and take pride in addressing quality issues, even beyond our polices and rules. [Performance management coordinator, Parts-Co]*

In sum, there remained a high degree of optimism in the managerial efforts at *Dynamic* cases to align their performance review systems with the ethos of TQM. This system served as compass for managers to make unbiased decisions and assist employees in enhancing their performance. It sought to “build on past performance, improve ongoing performance, nurture outside-in thinking, and motivate employees to adopt a quality mindset that transcend conventional boundaries” (Excerpt from Parts-Co's quality control manual). Thus, we propose:



Proposition 4.1: Performance review systems designed solely in terms of past performance as a predictor for future results will hinder motivation for continuous quality improvement efforts, especially when the process is mediated by pay-for-performance plans.

Proposition 4.2: Performance review systems designed based on past and current performance will lead to motivation for sustained pursuit of continuous learning and quality improvement and the effective use of pay-for-performance plans for employees.

## **5. Discussion**

The earlier review of extant literature highlighted the paucity of empirical research into the utility of performance review systems in use in contemporary work organisations with a quality orientation. The widespread uneasiness, open resistance (McGregor, 1957), and even rejection or reforming performance review have led both TQM gurus and their advocates (e.g., Deming, 1986; Waldman, 1994a,b; Bowman, 1994) as well as HRM specialists (Wilkinson et al., 1998; Grote and Grote, 2011; Murphy, 2020; Cardy and Munjal, 2016) to call for research examining the compatibility of performance review activities with TQM (see de Menezes and Escrig, 2019; Vihari et al., 2022; Durairatnam et al., 2021). Based on the data from a sample TQM-driven organisations operating in different branches of manufacturing industry in the UK, we found that the performance review systems of the case organisations functioned in two very different ways with very different implications. It should be noted that our distinction between these two types of system mirrors the ones described by scholars such as McGregor and Doshi (2017), DeNisi and Pritchard (2006) and Chiang and Birtch (2010) (see also Cardy, 1998; Murphy, 2020; Soltani and Wilkinson, 2020; Liao et al., 2023). A summary of the main findings is presented in Table 4, with emphasis given to the content, process, source, outcome, alignment and effectiveness. The remainder of the article sets out to explicate the implications of these findings for both theory and practice of performance review in organisations with a TQM orientation.

INSERT TABLE 4 ABOUT HERE

### **5.1. Implications for theory**

Adjusting performance review systems to incorporate TQM is not an easy task and that this seems to be accentuated in the context of repetitive, mass-production industries. This echoes Lawler's (1994) observation that quality initiatives appear to be less effective in highly competitive, process-oriented mass-production industries. This is for a variety of reasons, namely, the paramount importance of the precedence of efficiency and cost, the need for more extensive upfront training, and the complexity inherent in combining socialisation of employees and managers. Although most of the managers were aware of the alternative functions of performance review (i.e., control / compliance vs. development / commitment), the importance of the latter function seemed to be

regarded as rather less immediate for three out of the five cases. A contributing factor may be attributed to the greater emphasis on the ‘hard’ elements of the TQM package. As Vijay Govindarajan, noted: “The more you hardwire a company on total quality management, [the more] it is going to hurt breakthrough innovation ... The mindset that is needed, the capabilities that are needed, the metrics that are needed, the whole culture that is needed for discontinuous innovation, are fundamentally different” (cited in Hindo 2007).

But why did the two *Dynamic* cases stand out from the rest? The closest we can come to a convincing answer to this question is by noting the close partnership between these two particular companies (Parts-Co and Tech-Mfg) and two major Japanese manufacturers. It appears that the *Dynamic* cases had effectively absorbed the lessons from their Japanese partners. Hence, a central implication of this study is that the degree of the alignment of performance review with TQM hinges on whether process or people take precedence in the design and conduct of performance review (see Douglas et al., 1999).

The findings of this study also contribute insights into the debates on the future of performance review systems in organisations with a continuous learning and quality orientation. On the one hand, support is not found for abolishing performance reviews outright, in that, for the five case organisations, it served multiple purposes (see Table 3). In this respect, one HR manager from the *Tactical* cases observed: “performance review is a never-ending activity and part of organisational life, and we need to get along with it” (Performance management specialist, Catering). However, the utility of performance reviews at *Tactical* cases for diagnostic and developmental purposes was questionable. For Murphy (2020, p. 14) “all of these [performance evaluation and management] systems rely on evaluative judgments about the performance and effectiveness of employees, and that is their Achilles heel”. On the other hand, while many scholars and practitioners of TQM and HRM have reiterated call for reforming performance reviews, its actual practice in the form originally envisaged by quality gurus and their advocates has not so far developed. The findings are in concordance with previous research (e.g., Soltani and Wilkinson, 2020) in a sense that the influence of the ideas espoused by Deming and several like-minded commentators (e.g., Waldman, 1994a,b; Bowman, 1994; Wilkinson et al., 1998; Cardy and Munjal, 2016; Murphy, 2020) appeared to be evident in only a handful of organizations. Given its questionable effectiveness, the conclusion is that organisations need to go beyond cosmetic changes and truly adjust performance review and management systems through an equal emphasis on both initiating structure (e.g., processes, roles, responsibilities) and giving consideration (concerns for employees' welfare, benefits and development and work groups) – if performance review is to be effective in helping the employees exhibit in-role and extra-role behaviours (Murphy, 2020; Bass and Bass, 2008; DeNisi and Murphy, 2017). As McGregor and Doshi (2017) observe, “it’s tempting to focus only on the tactical, to

believe that to ensure success all we need to do is track whether people follow the process. But high-performing organizations realize the world is full of volatility — and they need to prepare their people to adapt”.

While TQM and HRM scholars and practitioners alike have embraced more nuanced approaches towards improving and reforming performance review, our findings have close affinity with those of Murphy (2020, p. 13) who suggests that organisations should move away from the practice of regular performance review of each of their employees towards analysing a small subset and specific situations in which performance feedback would lead to the best possible quality outcomes. While *Dynamic* cases conducted annual performance review for all employees, quarterly, monthly and at times weekly performance check-in were geared towards the context of the event and specific incidents that was critical in influencing performance outcomes.

A final contribution of this study relates to its adopted methodological approach with respect to sampling design. Previous research into performance review and TQM has tended to focus on a specific branch of manufacturing industry – for instance car manufacturing (e.g., Soltani and Wilkinson, 2020). While process improvement interventions such as TQM has had a profound impact in this particular sector – particularly the early efforts by Toyota and other Japanese car manufacturers (see Macduffie, 1995), we selected cases from a population of large manufacturing organisations with leading TQM and performance management practices in different market sectors. Our study therefore adds to knowledge in confirming and strengthening previous results and their practical value for other manufacturing organisations (Eisenhardt, 1989).

## **5.2. Implications for practice**

The findings and the propositions derived from this study have a number of managerial implications. It seems prudent for frontline managers to consider the juxtapositions of the two identified performance review systems for pursuing their deep integration (see Gosling and Mintzberg, 2003). For example, a mere tactical approach towards employee performance review is seen as counter-productive to TQM not least because it could reinforce employee compliance and alienation (see McGregor and Doshi, 2017; Godfrey et al., 1997). A *Dynamic* approach, however, could give equal weight to both production/operations (the technical structure) and people-based (social profile) performance management practices. This requires managers to use performance review as both a control enabler and a motivator for employees to take ownership of their work (see Oakland et al., 2020). Instead of a top-down management control over the workforce and overemphasis on “productivity, on the concept of a fair day's work”, managers should cultivate a culture of quality by discerning the imperative for a dual focus on both operational and adaptable performance, implementation of performance metrics without myopia, and by setting learning goals

to help employees perform better (McGregor and Doshi, 2017). As such, they should view the whole process of performance review as a driving force for both individual growth and development and organisational learning and continuous quality improvement. One way for managers to do so would be to refocus their role from controlling employees (as the main object of performance review) to controlling the processes – an indication of the need to take a more leadership role in their job (Murphy, 2020).

Our propositions also carry lessons for practicing managers. They must give cause for a rethink of how TQM and performance review interact in shaping employee work behaviour and affecting quality and organizational performance. They call for a response from, and a reconsideration of the adoption rationale of TQM and the organisational logic of performance review (see Townley, 1997), by managers. Managers' optimal response could involve a balanced approach to synergize the mutual benefits of both TQM and performance review as complementary systems, which "in combination form a maximum strategy for organisations" (Waldman, 1994, p. 34). Failure to do so may result in an excessive focus on efficiency, individual employee's responsibility for performance inefficiencies, inaccurate diagnosis of performance variation, and the implementation of compensation systems that fall short of inspiring and motivating employees to go beyond their jobs. Taken together, the insights gleaned from our qualitative case study furnish HR and Quality managers with a framework for systematically designing, conducting and evaluating their choice of performance review criteria and the resulting potential implications for task attainment and quality improvement behaviours.

### **5.3. Limitations and avenues for future research**

We have built upon previous work through enhancing the generalizability of previous research (e.g., Soltani and Wilkinson) and taken another small step toward understanding the (in)congruence between performance review and TQM. There are yet several topics that need further investigation. A potential weakness of our study relates to its qualitative research methodology based on multiple case studies. Despite the various strengths of this kind of methodology (see Yin, 2018), a purely qualitative investigation could result in, as Eisenhardt (1989, p. 547) puts it, "narrow and idiosyncratic theory". As an extension to the present study, future research could adopt a mixed-methods research design (Tashakkori et al., 2020), combining possibly both manufacturing and service organisations. In addition to these methodological issues, some questions of theory also deserve further investigation. First, it appears that the impediments to the effective alignment of TQM and performance review may be contingent on the nature of the firm's operations. In this paper, we selected a sample of cases in different branches of manufacturing industry operating in different market sectors. Clearly, investigating the congruence between TQM and performance

review in organisations with a high social structure (service organisations) and those performing mainly non-routine tasks may provide invaluable insights into relevant contingency factors. Second, there are very few empirical studies that have traced the influence of system factors on employee performance. This in turn leads to a consideration of why this has not yet been done. Despite the optimistic view that the spread of TQM and its variants would encourage moves toward the use of system-based performance review, the evidence we have collected so far does not support this. Hence, 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. Third, our focus in this study was primarily on operations/quality and HR managers – although we did not ignore the views of employees. The inclusion in a future research design of shopfloor and non-managerial employees from different functional areas could yield a rich variety of research data with valuable practical relevance.

#### **5.4. Conclusion**

Rooted in work motivation theories with a focus on fairness, and ubiquitous in progressive organizations with a culture of quality, performance review demands further scholarly research. Our study explores an important question: how do different types of performance review system affect continuous learning and quality improvement? We built on the extant literature and drew on interpretive case research to explain how a (mis)fit between performance review systems and the organizational (quality) culture could affect the embedding of quality deep in an organization's culture. By discerning a dichotomy between *tactical* and *dynamic* performance review systems, we provide insights into the motives behind these performance review systems, the evolving role of managers, time orientation of job performance and employee motivation, and the consequential effects and implications for measuring and managing employee performance. Specifically, we delve into the nuanced reasons behind the diminishing efficacy of performance review systems due to a singular emphasis on individual-based approaches to employee performance review, at the detriment of a TQM systems-based approach.

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