

VALUE-BASED TOTAL PERFORMANCE EXCELLENCE MEASUREMENT (VBTPEM): AN OVERVIEW OF AGENDA AND TRANSFORMATION

(Pengukuran Kecemerlangan Prestasi Menyeluruh Berasaskan Nilai:
Suatu Pandangan Agenda dan Transformasi)

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ABSTRACT

The process of performance measurement has undergone a revolution from measuring things outward to measuring things that are not apparent. In other words, the overall performance of non-financial nature has also been given a serious attention. Integration of the use of both elements of performance indicators involving both financial and non-financial should be used to assess the performance of the organisation. This is because not only the satisfaction of the external customer has to be fulfilled for survival of the organisation but also the internal customer satisfaction is equally important in ensuring the success of the organisation. Therefore, this article expounds the suggested implementation of the Performance Measurement System which showcases an overview of intangible aspects of measurement i.e. organisational core values through Value-Based Total Performance Excellence Model. This model would reveal overall standings and achievements of the public agencies and indicate opportunities for further improvements based on the value-based indicators. Implications of the study is significant to the public organisation for enhancing and empowering the value-based assessment approach which emphasised more on intangibles aspects of measurement rather than on tangibles aspects only. This is vital in ensuring that human resources in the organisation have truly embraced the organisational core values and endeavouring for achieving a total organisational excellence as emphasised in the 1Malaysia concept – ‘People first, Performance now’.

Keywords: Values; performance measurement system; value-based total performance excellence model (VBTPEM)

ABSTRAK

Proses pengukuran organisasi mengalami revolusi daripada mengukur perkara zahir kepada pengukuran yang tidak zahir. Dengan kata lain, prestasi keseluruhan bukan kewangan juga diberikan perhatian yang sewajarnya. Gabungan antara unsur penunjuk prestasi yang melibatkan kewangan dan bukan kewangan perlu digunakan dalam menilai prestasi sesebuah organisasi. Ini adalah kerana bukan sahaja kepuasan pelanggan luaran yang perlu dipenuhi malah kepuasan pelanggan dalaman adalah sama penting dalam memastikan kejayaan sesebuah organisasi. Oleh yang demikian, dalam makalah ini dicadangkan pelaksanaan sistem pengukuran organisasi yang memaparkan secara ringkas pengukuran aspek-aspek tidak zahir, iaitu nilai-nilai teras organisasi melalui Model Kecemerlangan Prestasi berasaskan Nilai Teras. Model ini mendedahkan kedudukan keseluruhan dan pencapaian agensi-agensi awam dan menunjukkan ruang penambahbaikan selanjutnya berdasarkan penunjuk nilai teras berkenaan. Implikasi kajian adalah amat penting kepada organisasi awam untuk meningkatkan dan memperkasakan pendekatan penilaian berteraskan nilai yang menekankan aspek-aspek tidak zahir daripada aspek zahir semata-mata. Ini adalah penting dalam memastikan setiap sumber manusia dalam organisasi benar-benar menerapkan nilai-nilai teras dan berusaha mencapai kecemerlangan organisasi menyeluruh seperti yang ditekankan dalam konsep 1Malaysia – ‘Rakyat didahulukan, Pencapaian diutamakan’.

Kata kunci: Nilai; sistem pengukuran organisasi; model kecemerlangan prestasi berasaskan nilai teras (VBTPEM)

1. Introduction

Achieving organisational excellence through the Performance Measurement System has been given a due and appropriate consideration. Historically, performance measurement has meant measuring tangible things only such as return on investment (ROI), cash flow, and increase in revenue and profit. In recent years, attention and focus have shifted toward measuring intangibles such as quality, customer satisfaction and safety. In light of this transition, companies began investigating ways of incorporating both financial and non financial performance in an effort to achieve optimal organisational well-being.

To realise this, all agencies must conduct internal transformation effort for accelerated excellence. This could be achieved through various programs and among others is the absorption of good values. Many studies have found that values play a crucial role in the organisation to drive towards excellence (Mokhtar *et al.* 2003a; Mokhtar *et al.* 2003b). Therefore, performance measurement based on core values as an intangible performance indicator is considered important in achieving overall success. This paper focused on the Performance Excellence Model based on the core values or Value-based Total Performance Excellence Model (VBTPEM) which is a continuation of Total Performance Excellence Model (TPEM) (Nooreha *et al.* 2001; Mokhtar *et al.* 2003a; Fazli *et al.* 2003; Fazli 2004) and to propose its implementation as a tool for 'Value-based' organisational transformation in government agencies by emphasising the core values as essential indicators for achieving excellence in the organisation.

2. Literature Review

As the 21st century has passed its first decade, organisations face a variety of changes and challenges that will have a profound effect on organisational dynamics and performance. In many ways, these changes will decide who will survive and prosper in this century and who will not. Among these challenges come from global competition, new technologies, increased quality, employee motivation and commitment, managing a diverse workforce, and ethical behaviour of workforce. In order to respond quickly to these challenges, organisations need structures and systems that are clearly defined yet flexible, fully implemented yet capable of rapid change.

The world has also witnessed the collapse of leading companies such as Enron, Arthur Andersen, Lehman Brothers and Worldcom due to reckless practices of their leaders who abandoned the organisational values that they themselves have advocated and embraced since the early days of their organisations' establishments. According to McLean and Elkind (2003) in their book *The Smartest Guys in the Room*, "The Enron scandal grew out of a steady accumulation of habits and values and actions that began years before and finally spiralled out of control." The impact of Enron's collapse was both profound and widespread: Enron's share price plunged from a 52-week high of \$43 on August 13, to less than \$1 by the end of 2001; thousands of Enron employees were left facing retirement without retirement funds (Smith & Quirk 2004). There are many causes of the Enron financial debacle. According to Kirk Hanson, Executive Director of the Markkula Center for Applied Ethics U.S, among the *values*-related factors are: (a) the lack of *truthfulness* by management about the health of the company and its business operations, and (b) the *culture* of Enron whereby the senior executives believed Enron had to be the best at everything it did and that they had to protect

their reputations and their compensation as the most successful executives in the U.S. When some of their business and trading ventures began to perform poorly, they tried to cover up their own failures.

Perhaps a possible solution and a step forward in relation to these financial debacles is that it demands for the leaders to reflect and operationalise the values and guiding principles of their organisations. In their book *In Search of Excellence*, Tom and Waterman (1982) rightly pointed out that “Every excellent company we studied is clear on what it stands for, and takes the process of values shaping seriously. In fact, we wonder whether it is possible to be an excellent company without clarity of *values* and without having the *right sort of values*. One of the outstanding leaders of HSBC’s early days — Charles Addis — wrote in a letter over a hundred years ago that “the ultimate basis for all economic conceptions is *ethical*”. This was echoed again by Stephen Green on Nov. 13, 2009, the Group Chairman of HSBC Holdings plc., who said that “In short, it is time to recognise that *values* matter, in business as much as in our personal lives, the (financial) market can only succeed if we restore good value to the corporate agenda”.

Many organisations have also instituted decentralised structures that rely less on control by a central office and more on a shared sense of belonging to the same company (Vogelsang 1998). This type of organisation structure requires a shared understanding of their core purpose and core values and how to continually use that ideological base to reshape their strategic directions and structures. As pointed out by Collins and Porras (1996), companies that enjoy enduring success have values and a core purpose that remain fixed while their business strategies and practices endlessly adapt to a changing world. The dynamic of preserving the values while stimulating progress is the reason behind the success of those leading companies such as Microsoft, Apple, Hewlett-Packard, 3M, Johnson & Johnson, Procter & Gamble, Merck, Sony, Motorola, Nordstrom, and many others. They have become elite institutions that are able to renew themselves and achieve superior long-term performance.

3. Conceptual Framework of Value-based Total Performance Excellence Model (VBTPEM) *

As pointed out earlier, many studies have found that values play a crucial role in the organisation to drive towards excellence (Mokhtar *et al.* 2003a). Actually, the question of values is a matter of intangibles and cannot be measured in absolute terms. Therefore, performance measurement based on core values is considered important in achieving overall success despite its abstract meaning. This type of measurement is made feasible and accessible through Value-Based Total Performance Excellence Model (VBTPEM).

In fact, VBTPEM provides a holistic and comprehensive framework to assess the performance of organisations incorporating both Islamic and universal (corporate) values in the performance measures. The guidelines are based on the framework that incorporates a well-defined set of organisational core values in each of the performance criteria as in Figure 1. VBTPEM provides cause-and-effect relationships among “Values-related KPI’s”.

It is imperative to note that the original version of VBTPEM, namely, the TPEM was published in *International Journal of Total Quality Management* (Nooreha *et al.* 2001). Also two books on the VBTPEM were published by IKIM (Mokhtar *et al.* 2003a; Mokhtar *et al.* 2003b), prefaced by Tun Ahmad Sarji Abdul Hamid (former Chairman of IKIM) and officially launched by the then Deputy Prime Minister Y.A.B Dato’ Sri Najib Tun Abdul Razak. In essence, this article proposed the core values that support the criteria in TPEM

(Figure 1). Furthermore, this study would relate the relationship between the core values that contribute to the overall performance in the context of the organisation.

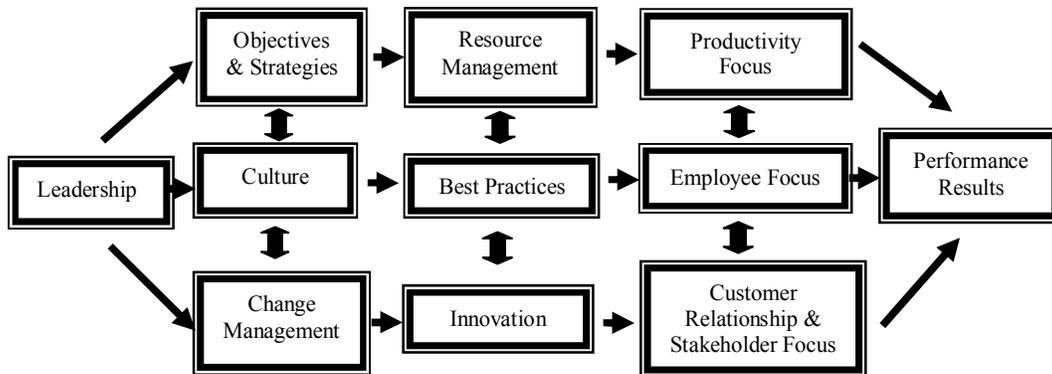


Figure 1: Total Performance Excellence Model (TPEM) (Nooreha *et al.* 2001; Mokhtar *et al.* 2003a)

As mentioned earlier on, the world now is facing the biggest challenge i.e. the values crisis such as abuse of power, corruption, public funds mismanagement, greed, financial fraud etc. These obviously reflected abandonment of good core values – integrity, transparency, accountability etc. The global economic crisis and the collapse of the world’s leading financial institutions have close links with the issue of appreciation of ‘core values’ of the organisation. Following this, it prompted the demand for reinforcement of good core values in organisations. Simply said, core values can be used as deterrent or preventive measures to curb undesired values, bad behaviours and malpractices in the organisations. In today’s fast-changing environment, it is more important to have the right behaviour than the right mission as the people with the right behaviour will automatically develop the right mission and accountabilities. Therefore, in VBTPEM model, the core values play a major role according to the 11 criteria in TPEM (Figure 1). This study emphasises the core values as essential indicators for achieving excellence in the organisation, as there must be a value attaching to the relationships in the model (Philips 2006). This is done through theoretical basis towards the development of the model. Readers are referred to Fazli *et al.* (2003) for the comparison between the Total Performance Excellence Model and other available models in the market worldwide.

Role / Importance of Core Values

Core values or dominant beliefs specify what is important to or be cherished by individual, group or organisation that creates a cultural glue or bond within the organisation. In addition, core values form a uniform/consistent behaviour among people as desired by the organisation. It creates a true identity for the people in the organisation.

Measurement Aspects of Core Values

Core values are abstractions whose meanings are imprecise i.e. cannot be measured exactly and vary considerably among people. Core values are considered theoretical concepts or constructs. The question of values is a matter of intangibles and cannot be measured in absolute terms. Nevertheless, the measurement of intangible aspects is also important and should be heeded to optimise the organisational performance. Measurement is the act of comparing some object, thing, or entity against a known standard (Mokhtar *et al.* 2008).

Henceforth, all the predetermined core values would be transformed into statistical indicators through appropriate items to gauge the desired core values in the organisation. Moreover, the statistical indicator is a label, concept, term, or name representing set of operations defining how measurement was, or will be, undertaken (Mokhtar *et al.* 2008). These statistical indicators could be either quantitative or qualitative.

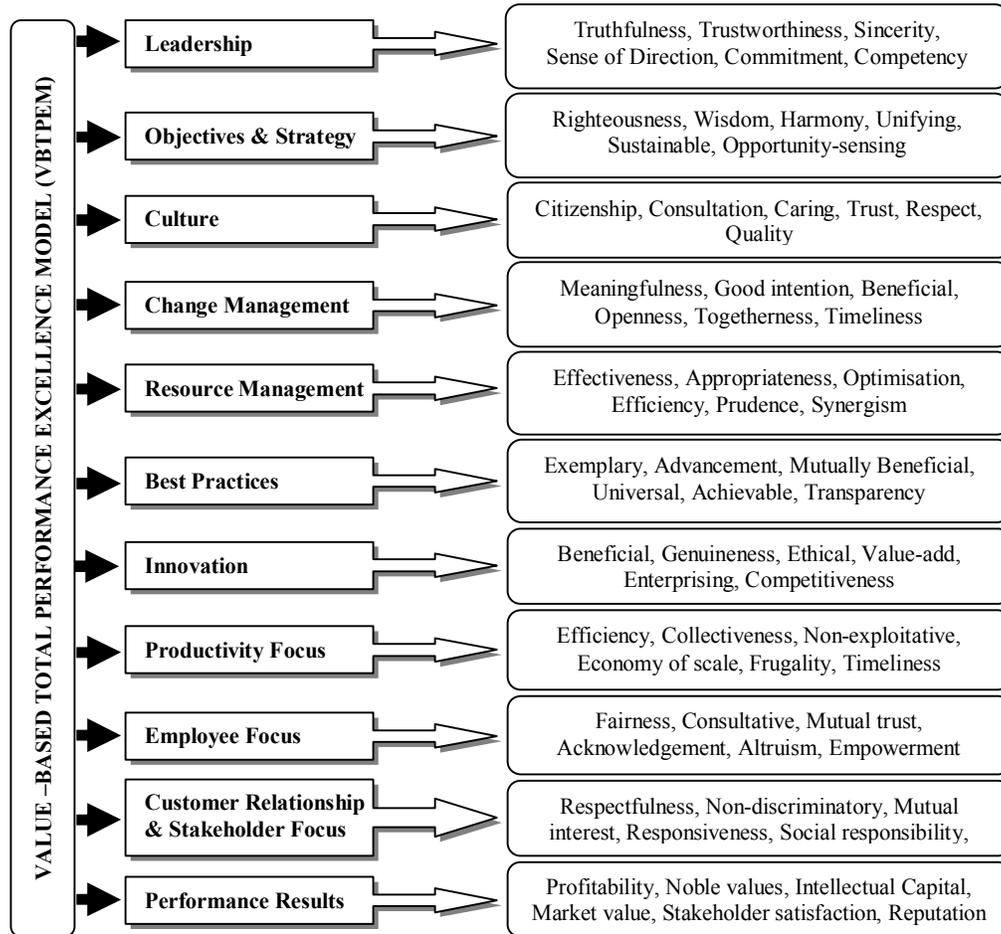


Figure 2: Value-Based Total Performance Excellence Model (VBTPEM)

Figure 2 describes the values that are used to gauge the organisational performance. In general, these studies define the core values of the aspects or criteria of leadership, objectives and strategies, culture, change management, resource management, best practices, innovation, productivity, employees, customer relationship and stakeholder focus and performance results (Nooreha *et al.* 2001). Each criterion is supported by the core values (CV) that are applicable in the organisational transformation program. Several preliminary studies have also been conducted on this purpose (Ab Hamid *et al.* 2010a; Ab Hamid *et al.* 2010b; Ab Hamid *et al.* 2011a; Ab Hamid *et al.* 2011b). Mokhtar *et al.* (2003a) and Fazli (2004) classified the first three of the dimension as the organisational capability (OC) and the next three as the Organisational Focus (OF) and the last criteria as the total performance (TP). Fazli (2004) had

tested the model empirically and resulted in a good fit total performance excellence model for Malaysian companies.

Value-Based Organisational Capability (VBOC)

Fazli *et al.* (2003) categorised the leadership, objectives and strategy, culture, change management, resource management, best practices and innovation as organisational capability (OC). For further details on this, readers are referred to Fazli *et al.* (2003).

Value-based Organisational Focus (VBOF)

In this section, criteria such as productivity, employee and customer relationships and stakeholders are grouped under VBOF. These 3 criteria are classified to be the central focus of any organisation worldwide. It is understood that without these 3 focuses the organisation could not achieve a total excellence as these 3 criteria are interrelated to each other.

Value-based Performance Results (VBPR)

Many studies in business disciplines signify reputation as vital for creating sustainable competitive advantage for the organisation (Cravens & Oliver 2006). They also added that there was lack of reputation-related metrics in the corporate assessment. They said that reputation is a tangible resource that involves non-financial performance measures and therefore it is difficult to measure. Many studies showed that non-financial metrics can be successful in enhancing performance. Figure 3 shows the relationship between VBOC, VBOF and VBPR schematically or simply said the VBTPEM framework.

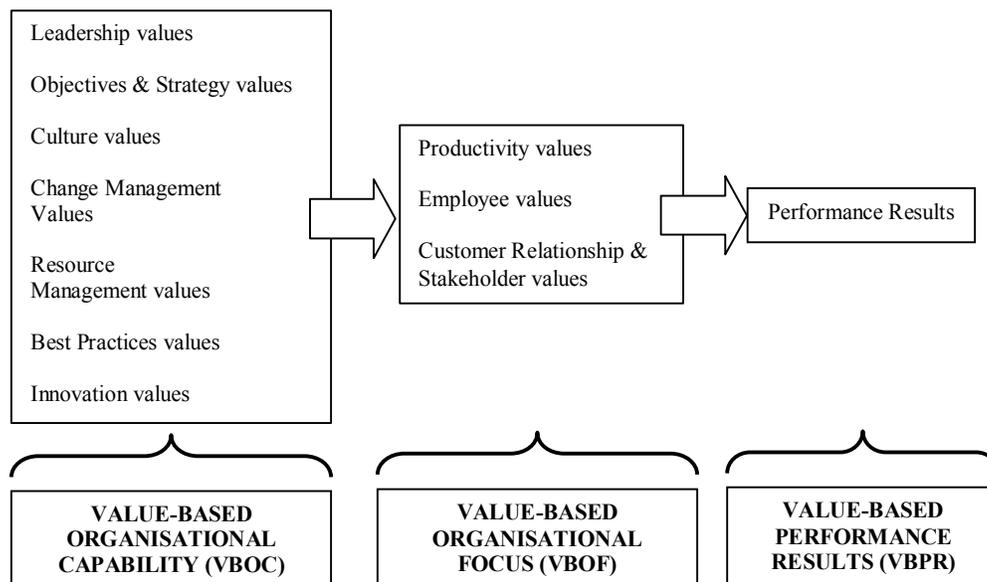


Figure 3: Value-Based Total Performance Excellence Framework

4. Overview of the Implementation of Value-Based Total Performance Excellence Model and Organisational Transformation

Figure 4 outlines clearly the summary of the proposed implementation of VBTPEM in any organisation, and Figure 5 portrays the phases in the guidelines for implementation of VBTPEM in a comprehensive manner.

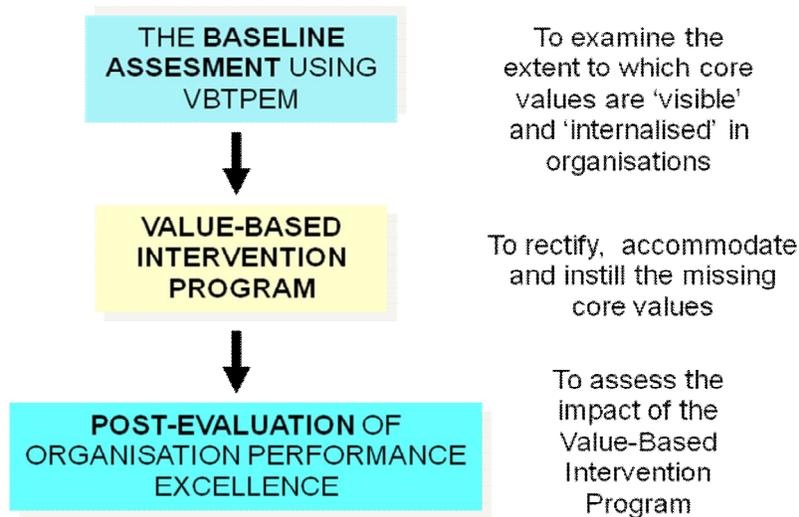


Figure 4: Implementation of VBTPEM in the organisation (Mokhtar *et al.* 2008)

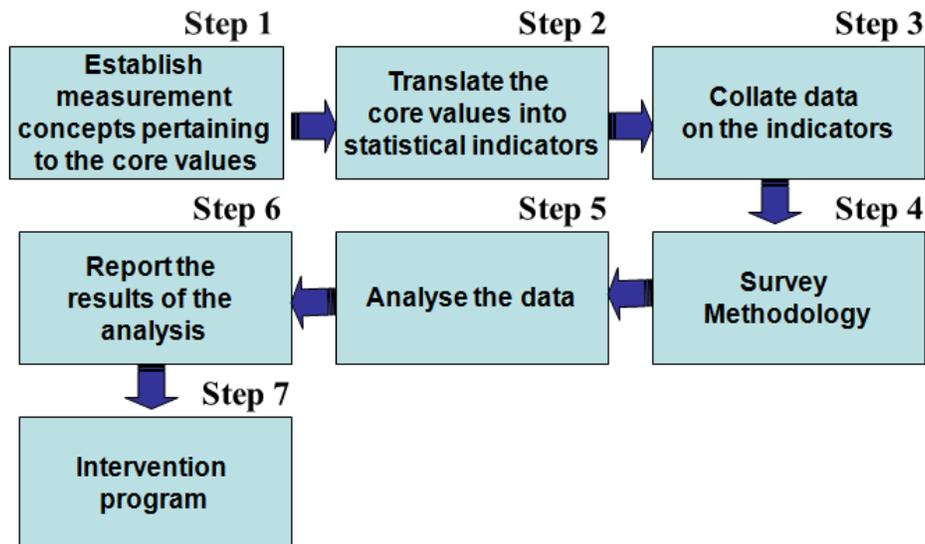


Figure 5: Phases in the guidelines for implementation of VBTPEM (Mokhtar *et al.* 2008)

5. Conclusions

In a nutshell, VBTPPEM is a formal way of operationalising core values in strategic management of organisations. It also acts as a powerful 'Public Relation (PR)' tool for the government to enhance its image in the eyes of the public. VBTPPEM can help organisations to succeed as the appreciation of the core values that will not only strengthen the system of governance of the organisation, but it also could curb the spread of negative symptoms (corruption, misconduct, delay in delivery systems, etc.). The strength of the internalisation and embracement of core values among the employees in the organisation can be used as 'enabler' or 'driver' in realising efforts to elevate the organisational performance.

Therefore, VBTPPEM provides a tool / mechanism for 'core values' to operate objectively and systematically in order to increase the level of organisational excellence. It takes into account all aspects (criteria/dimensions) as important element in the organisation. For every important aspect of the VBTPPEM, the role of core values are measured (via the 'Baseline Assessment') to see how far it can be appreciated and how much stronger influence on overall organisational performance. Measuring the level of appreciation of 'core values' is carried out through the formulation of 'indicators' that are suitable. The process of measurement (baseline assessment) provides factual information about strengths and weaknesses/problems of an organisation based on the appreciation of certain fundamental values.

By identifying aspects of the 'strength' and 'weaknesses' that occurs, the organisational performance can be carried out in concrete and effective way. In short, VBTPPEM can be considered as a 'winning formula' for top management to win/capture the heart and mind of the people in the organisation. Besides that, it is a value-added initiative to the realisation of the national agenda "IMalaysia: People First, Performance Now".

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