Assignment Title
Challenges of a Global Performance Management Program – Final Assignment

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1 Abstract

Leadership in an international context relates to global organizations. When implementing a global performance management strategy, change will be all over the place. Change management techniques should be integrated with proper leadership styles. These leadership styles must include the awareness of different cultures, nationalities and organizational structures (Zimutzavan & Mitchie, 2015).

The cross-cultural context of international organizations has a great influence on the way a global performance management program should be implemented. Managing diversity is a key factor in driving the global performance management program towards a successful implementation (Ashdown, 2014).

This divers and international leadership must be embedded in ethical behavior that is an expression of good global citizenship motivating the multi-cultural context to follow this example. Global organizations have the responsibility to be a spearhead of people focused, emotional intelligent, sustainable and social leadership (McCalman, et al., 2016; Mullins, 2005; Goleman, 1995). These elements should be at the front of the strategic focus when implementing a global performance management program.

These responsibilities and behavioral demands of global organizations when implementing a performance management program do raise some challenges that must be addresses to make the endeavor a success. Some of these challenges are reflected in this short research against possible solutions and directions of behavior.

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2 Introduction

The concept of performance management (PMM) was first used by Beer and Ruh in the seventies. It started as the idea that performance development is done through experienced workers and feedback from managers. It was therefore often emphasized that performance management is largely dependent on the managers and leaders executing the process. It became a recognized organizational process in the eighties and nineties as a strategy related to all actions in the context of people, policies, cultures and communication systems (Baron & Armstrong, 2004).

PMM can be used to achieve the goals of the organization through managing the efficiency of employees and influence overall behavior (Pulakos, 2009). Implementing a PMM program means paying attention to the effectiveness of the organization. It entails many facets of the company. Executing assessments and feedback loops are important to increase the quality of performance management (Cardy & Leonard, 2015). Double loop learning is essential to be able to adjust the process when needed and react to change (Mullins, 2005).

Implementing and executing PMM within organizations meets many challenges. Although there are different types of PMM (Kandula, 2014, Graham, 2005), this paper has a focus on the strategy, leadership, culture, and organizational structure. The challenges a global PMM implementation faces is briefly described in chapter 3 after which in chapter 4 some of these challenges are addressed.

3 Analysis of challenges around a Performance Management Program within a global organization

3.1 Organizational Strategy

Organizational strategy and organizational performance should be a fundamental part of the strategic management process when thinking about implementing a global PMM program. Foundational to organizational performance are formulated goals and having clearly defined objectives at strategic levels (Verwiere & Berghe, 2005).

There are different kinds of PMM. Kandula (2014) for example reflects on - reward based, - career based, - team based, - culture based, - measurement based, - competency based and - leadership based PMM. All need their own strategy. He also mentions three basic objectives of PMM on which an overall strategy can be based, being; - convert human potential into performance, - improve the foundation of the organization and increase its competitiveness in a changing environment and lastly - the needs of the people and how this can be served with the different cultures in mind (Bono, 1990; De Witt, 2005).

Narrowing down the seven strategies of Kandula (2014) to his three basic objectives of PMM, makes it easier to work with. This is also more in line with the simplification brought into the PMM strategy game by Graham (2005) in his well titled book "Strategic Planning and Performance Management, Develop and Measure Winning Strategy". Graham puts a focus on the stakeholders of an organization to define objectives and a strategy that fits them all.

Because implementing a PMM changes many layers in the organization it is necessary that an organization is able to cope with these changes. An organization that faces the needs of performance optimization requires a strategy that is able to adapt and adjust towards change and innovation. This becomes more complex when the organization is global, where the PESTEL (Politics, Economic, Social, Technical, Environment, Legal) forces increases in complexity and have an influence on the changes needed (Johnson, et al., 2008; Kaplan, 2001; Beer, 2009).

3.2 Organizational structure

Choosing the right organizational structure when implementing a global PMM is very important to increase its success. This organizational structure is closely related to the right management control structure. The management control structure is the foundation of the organizational structure. It answers questions about the structure of its various departments, the responsibilities of the different managers and how the activities of various departments are coordinated. Finally it can shed some light on the process definitions around these elements within the organization (Verweire & van den Berghe, 2004).

For effective performance management a global company can choose from several organizational structures. Mintzberg (1983) and Johnson et al, (2012) wrote about several of them like the 5 basic parts framework and the FMMTP model, which can partly be placed in the 7-s model of McKinsey (1981).

Mintzberg (1983), Johnson et al, (2012), Lim et al, (2010) and others tried to find and detect the right structure for the right strategy. What they have in common is that they searched for the optimal form of coordination of the organizational parts to define the most successful mechanisms of leadership and management, as far as this is possible in the first place (Vance & Paik).

At the basis of various possible structures are the functional, product or market oriented organizations. All have their own specific needs of strategy, leadership and management when implementing a global PMM. The big challenge around implementing a successful global PMM is the strategic knowledge that exist in the organization around its structure and related strategy, leadership and management styles. When this knowledge is insufficiently available, developed and applied, than the ideas of PMM will not be embedded in the reality of the organization and failure is lurking around the corner (Hughes, 2005; Beer, 2009; De Witt, 2005).

3.3 Organizational Culture

Organizational culture is a relative new phenomena which became known as such in the eighties. Before that time it was not seen as something related and of influence to the characteristics and functioning of the organization (Holbeche, 2006; Lewis, 1996).

Organizational culture is about shared values and common goals. As such it can have a profound influence on organizational politics which is about the elements influencing personal agendas and interests. Different groups have different goals often steered by their culture. Culture is about "the way we do things around here" but is fundamentally influenced by organizational politics (Morgan, 2006; Nargunde, 2013).

When implementing a global PMM strategy it will have an influence on the organizational culture. To make PMM a success, it has to be aligned with the culture of the organization. The cultural differences within a global organization are more divers than found in small companies acting in smaller markets. Global PMM must be embedded in the existing organizational culture or should be able to grow with the company towards an overall shared working culture (Ashdown, 2014).

The challenge for a global acting organization is the diversity of cultures and how they interact with each other. Often the organizational culture is closely related to the national culture(s) it operates in. It can be difficult to create a strong overall organizational culture when employees from different countries have other belief systems and attitudes (Daft, 2007). Creating a sense of cohesion and belonging based on a shared organizational culture can be difficult when implementing a global PMM within many different cultures.

3.4 Organizational Change

In the eighties high impact changes occurred in fundamental assumptions concerning organizational performance and change management. There was a shift from bigger is better and growth as the most desirable process in the life cycle of organizations, towards adaptability, flexibility and culture focused (Huber & Glick, 1995, Johnson, et al., 2008; Yukl, 2010).

Together with this movement went thinking global and changing teams into a hybrid group of people often working in virtual environments. This formed a steady movement towards more globalization and people focused leadership where different cultures play an important role (Shani & Noumair, 2014).

When implementing a global PMM program many things will change on levels and within the environments just mentioned. There will be huge challenges when an organization is unaware of global changes in communication, virtual team changes, cultural differences and related change management theories and techniques. When not addressing these things properly, the organization will walk blindly in economic darkness (Isaksen & Tidd, 2006).

3.5 Organizational Cultures and Global Governance

Within national markets cultural differences are difficult to manage. This complexity increases when organizations operate on a global level. These cultural differences exist on different levels but some main issues often enter the surface of cultural conflicts. The most common cultural difference exist on the religious, ethnic, regional and gender levels. This is true for national organizations and more prominent for international companies (Schein, 2004; Hofstede, et al., 2010; Johnson, et al., 2008).

Global organizations have social, political, ethical, economic and environmental responsibilities in the countries and cultures they operate. Even more so than smaller companies because more people are dependent on their behavior and example in executing their business (Idowu & Filho, 2009; Lee & Carter, 2012).

When implementing a global PMM there is a challenge in how to create the right balance between leadership and management and formulate, communicate and execute the vision reflected in global governance. Proper leadership formulation is often not present when global organizations execute their daily activities through transactional management. The transition from management towards global transformational, responsible and ethical leadership in an increasing complex environment is one of the biggest challenges of international organizations, while this can be the road to success (Singh & Bhandarker, 2003; Bass & Avolio, 1994).

4 Addressing some challenges of a Performance Management Program within a global organization

4.1 Strategies

For global companies it is imperative to think strategically when implementing a PMM strategy. Strategic thinking is closely related to strategic leadership. It is about influencing the organization to guide it towards a certain external and internal direction after setting the stage and a well formulated and communicated vision statement (Kaplan & Norton, 2001; Hughes & Blatty, 2005; Kotter, 1996).

Within a PMM program there are more strategies possible as mentioned by Kandula (2014). Against the diversity of Kandula stands the simplification of Graham (2005) when he tries to come up with an overall strategy serving the relevant stakeholders within all different organizational cultures. This is also well formulated by Dressler (2004) when stating that the context of PMM must be aligned to the general business strategy to become effective.

But maybe the strategy could be adjusted to increase the success of an overall PMM implementation. A static and rigid strategy can be dangerous for the survival of an organization (Rumelt, 2011). While an overall PMM seems to be flexible and sometimes fluid in nature, then combining it with a strategy that is not open for change is asking for trouble.

The PMM and supporting strategy must also be driven and supported by the right stakeholders (Dressler, 2004). Without the proper foundation failure is unavoidable and the three objectives of Kandula (2014) as mentioned in 3.1 Organizational Strategy must be covered by this strategy.

Because there is much change needed when implementing PMM on a global scale, the strategy chosen must include these needs. There are some basic types of strategy being linear, adaptive and interpretive. Linear is probably the least useful because it is an almost fully planned strategy upfront with much logical thinking. It is transactional in nature and based on the execution of rational strategic tasks by managers (Chafee, 1984; Huges & Blatty, 2005; Collins, 2001). Global PMM is often not a linear logical process, but entails many changing and hard to define or measure elements. The chosen strategy should take this into account.

Adaptive strategy does take into account change through a double loop learning process. This means that changes are detected and new behavior is formulated to adjust the strategy to the change. Implementing PMM within the context of PESTEL forces entails many internal and external forces pushing and pulling against the strategy. If the strategy is rigid it will break. If it is flexible it will adapt. Hence an adaptive and flexible strategy will increase the chance of a successful PMM implementation (Hooijberg, et al., 2007; Kaplan, 2001; Beer, 2009)

4.2 Leaders and managers

Just as organizational culture was an entity not recognized as such until the eighties, in earlier days leadership was seen as a collection of traits belonging to a person executing it while leading an organization. This person with the traits was the leadership of a company and it was very top down organized. Just before the acceptance of culture as being an asset on its own influencing the effectiveness of the organization, was the recognition that leadership was more than a set of traits linked to a single person. This led to different models of leadership being aligned with the needs of the organization at any moment in time (Yukl, 2010; Pardey, 2007; Adair, 2007).

There is a difference between leadership and management, where the first is done on a higher motivational level and the second on a more rational and operational level. Leadership is more about building a relationship with the people and cultures. Managers are the operators of what the leaders envision (Adair, 2007; Yulk, 2010; Kotter, 1990).

Three common leadership styles are well known and used being transactional, transformational and situational leadership. They can be mapped to the characteristics of the three strategic approaches linear, adaptive and interpretive in the sense that their basic fundamental approach seems to show correlations (Bass, 1985; Bertocci, 2009; Conger, 2006; Johnson, et al., 2008).

Where linear strategy is rational and based on extensive planning there is transactional leadership often the best fit because it is also rational and task oriented in nature. Transformational leadership is being flexible to change as is adaptive strategy and situational leadership is based on the needs of the moment as is often done with interpretive strategy interpreting the needs for the organization based on the moment and changing environment (Gill, 2011; House, 1995; Kouze, 2007)

Implementing a global PMM is all about change and adapting to a fluid environment. Based on previous analysis of strategy and leadership styles it is safe to assume that the transformational and situational leadership style in combination with an adaptive and interpretive strategy will probably increase the chance of a successful and still constantly changing global PMM program implementation.

4.3 Leading change

Global PMM will need change throughout the organization. To make these changes stick around it is important to create a vision and communicate this constantly. Walk the talk and talk the walk. Furthermore it is important to create a group of change-sponsors, often key stakeholders of different cultures and departments having huge influence on other followers. This will create the necessary followership and cohesion finally resulting in commonly shared goals supporting the global PMM implementation (Kotter, 1990; Howell & Costley, 2006).

It is important to have the right leadership style in a culture of change with the strategy being adaptive and flexible (Fullan, 2001). Change come in different forms and can be mapped to linear, adaptive and interpretive strategy in the way these changes can be approached. Basically there are three types of change being incremental, revolutionary and reactive/anticipatory changes (Senior & Fleming, 2006; Yukl, 2006).

Change is about reinterpreting existing patterns in behavior and communication and make adjustments where needed (Hayes, 2010). Incremental change is linear and sequential in nature where revolutionary change is radical and often disruptive. Changes around voluntary PMM can in many cases be done incremental where a forced PMM implementation is often disruptive and asks for a non-linear and a more adaptive change management approach (Axson, 2010).

Besides the mentioned types of change there is the separation between hard and soft changes. They go under different names but in essence it is about the ‘hard’ technical and procedural changes against the ‘soft’ changes in culture, communication and behavior (Senior & Fleming, 2006). The soft changes are often difficult to implement and especially these are the tough ones to crack within global PMM programs (Hayes, 2014).

But all things are very dependent on the vision statement, strategic intentions and how these things are communicated within the organization. It is imperative that people will create a sense of belonging and that followership through project sponsors is implemented at an early stage of the PMM process (Kotter, 1990; Howell & Costley, 2006)

4.4 Leadership and ethics in global organizations

The people factor of leadership is very important in global organizations where so many different cultures are involved. Management and leadership needs another approach within the increasing organizational complexity of international operating corporations. They should be fundamentally driven by empowered ethical leadership where cross-cultural ethics are properly addressed (Morgan, 2011). Organizational behavior must be adjusted and based upon this foundation of global leadership (Conger & Riggio, 2006) to make its execution a success.

As being expressed by Kotter (1990) the global vision must be clear, easy to understand and constantly communicated to make it part of the organizational culture and "the way we do things around here". While expressing the vision, ethics and strategy is so important, effective communication must be a key element of the global organization to reach all relevant stakeholders.

All elements of noise causing distraction in the communication must be eliminated (Pardey, 2007). Effective communication is served by a well-defined chain of command which is even more important in an international setting (Mullins, 2005). With so many different cultures emotional intelligent leadership (Goleman, 2000) where empathy causes a feeling of trust and safety among followers will increase the sense of belonging and mutual understanding (Humphry, 2014).

The behavior and ethics of international organizations are dependent on global leaders who behave as cosmopolitans promoting responsible global corporate and ethical citizenship (Scherer & Palazzo, 2008). The future is about global sustainable leadership where responsibility, durability and transparent organizational behavior will determine the success of global organizations (Yukl, 2013; Yukl, 2006).

5 Conclusion and recommendations

This short research showed that implementing a global PMM program influences many areas in the organization and that especially the people and culture element of change is where difficulties and challenges arise (Cummings & Worley, 2009). When the organizational strategy is not fully aware of its structure, business processes, communication flows and cultural differences, than it is also not fully aware of how to successfully implement change in these areas to optimize its performance management program (Verweire & Berghe, 2004).

There are many challenges in the areas of organizational structure, strategy, change management, and governance when implementing a global PMM program and it seems that choosing the right leadership style could be the key to success (Zimutzavan & Mitchie, 2015). It are basically the soft areas of the organization like culture, communication, teams, people and questions around cohesion that are the most important ingredients which should be embedded in the right leadership and change management style (McCalman, et al., 2016; Ashdown, 2014).

It is therefore recommended that the organizational structure, its cultures, communication and leadership styles should be at the forefront of a successful global PMM implementation. The strategy must be mainly focused on the soft elements previously mentioned and the organization should especially be aware of these soft spots and how to influence and motivate those areas.

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