



Report on the performance management practices of organisation: The case of American Insurance Association in Malaysia

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Abstract

The purpose of this study is to provide readers with a comprehensive understanding of how people are managed for performance with the emphasis of putting theory into practice. The report also introduces the strategic importance of managing people for performance and general considerations of performance management implementation and employee development. An explanatory case study method is done using a literature review, whereby secondary data is used; document reviews and observations. The findings help the reader to understand theories and approaches to managing people for performance. The report also analyzes the importance of performance management processes in the organizational environment. This report enables readers to seek the relevant people and organizational design issues and get specific examples of how these managers implement a performance management system in their organization.

Keywords: Effective Communication; Human Resource Management; Malaysia; Performance Management; SWOT.

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1. Introduction

AIA (American Insurance Association) has been a leading insurance company in Malaysia since 1948. It provides financial solutions at every stage of life, which includes Personal Accident, Health, Protection, General Insurance, etc. The company was founded in 1919 and evolved into a mature brand in the Singapore insurance industry. It is the leading independent publicly listed pan-Asian life insurance group, having the financial power, service center network, expertise, and trained team of over 2,600 employees to support 3.6 million customers globally. Their new strategy will turn the business to take full advantage of structural acceleration, building a strong record and competitive advantages to drive sustainable growth in the future (Aia.com, 2021).

Five primary pillars have been established, which are:

- Health and Wellness: Improve results in health by increasing commitment and providing extensive care.
- Green Operations: Reduce the carbon footprint of the company's operation.
- Sustainable Investment: Invest in firms that can create long-term success and values.
- People and Culture: Inspiring employees to achieve desired outcomes while maintaining a friendly workplace culture.
- Effective Governance: Ensure companies adhere to ethical standards of business procedures.

Their new strategy is implemented after the evaluation of the company's current situation. The strategy is being done by the collection of input from external and internal stakeholders. It assisted AIA Berhad to have a better grasp of its concern regarding sustainability and drive significant impact. As a result, AIA will focus on the aspects that provide the most value to its stakeholders.

1.1. Purpose of study

The purpose of this study is to provide readers with a comprehensive understanding of how people are managed for performance with the emphasis of putting theory into practice. The report also introduces the strategic importance of managing people for performance and general considerations of performance management implementation and employee development.

2. Method

This research is a literature review. Data is collected from secondary sources on Performance Management Practices of Organisations. The study focuses on a particular case. The case under study is that of the American Insurance Association in Malaysia.

3. Results

3.1. Environmental Analysis of AIA

Researchers Vlado and Chatziniolaou (2019) explained the purpose of SWOT analysis for strategic planning and management in organizations. The strength and weakness are internal factors, whereas opportunities and threats are external factors. Based on Gürel & Tat (2017), the results obtained from SWOT analysis display an objective situation of an organization. Hence, an organization can formulate appropriate development strategies and plans. Table 2.0 lists down all the factors in four different columns.

Table 1

SWOT Analysis for AIA

| | |
|--|---|
| <p>Strength</p> <ol style="list-style-type: none"> 1. Strong Distribution Network 2. Strong Cash Flow Position 3. Diversified Portfolio Mix 4. Strong customer satisfaction | <p>Weakness</p> <ol style="list-style-type: none"> 1. High Turnover rate 2. Competitive Pressure |
| <p>Opportunities</p> <ol style="list-style-type: none"> 1. Growth Opportunities in Existing Countries 2. Change in Customer Preferences 3. Low Penetration 4. Efficiency increment through Digitalization | <p>Threats</p> <ol style="list-style-type: none"> 1. Competition Pressure 2. MCO |

3.1.1. Strengths

AIA has several strengths, one is that AIA has established a strong distribution network that can meet major potential dealers in the market. The strong distribution network is a strong competitive advantage to AIA and it helps the company to stay competitive. A reliable distribution network leads to decreased costs, more transparency, collaboration, and wider customer reach. In addition, AIA has a large cash position above and beyond its current liabilities. A stable cash flow position allows AIA to cover its current liabilities with a combination of cash and assets. A strong cash flow brings opportunities to invest in company growth. AIA can use the resources from strong cash flows to expand into new projects. For instance, AIA could open new locations, provide more training, and invest in research and development to grow their business. Excess cash flow position helps AIA operate strategically and proactively rather than in an unrealistic way.

3.1.2. Weakness

The weakness of AIA is the high turnover rate compared to other organizations in the industry. AIA also spends more cash and time on the training and development of its employees compared to its competitors. The long working hours and lack of teamwork between agency forces have caused a high turnover rate in AIA. A high turnover rate can also result in the low morale of employees. This may happen due to the overworked employees who have increased their workloads due to the lack of workforce. New employees may also suffer from stress as they struggle in learning new job duties. A high turnover rate has a direct impact on the performance and profitability of the company. The expenses of the company increase as AIA needs to hire new employees to fulfill the ordinary role. Lower productivity can result from daily operation due to low numbers of the workforce or inexperienced employees without complete training. This may bring a small impact on customer satisfaction.

3.1.3. Opportunities

AIA expects future growth opportunities in Malaysia. AIA has a market that has reached maturity and positive signs of growth resemble future growth driven by a dynamic and young labor force. For instance, AIA had a 23 percent increase in the value of the new business to RM815 million in 2016 (AIA.com.my, 2017). Next, the increase in awareness of lifestyle-related diseases, the increases in the need for retirement savings, significant wealth creation, and the increase in the aging population are the factors contributing to the change in customer preferences. The increase in healthcare awareness among people has provided opportunities for AIA to expand its business. According to the business times (2020), the middle-class population in Malaysia is expanding rapidly which brings a large customer base to the company. Furthermore, technology and innovation are factors that AIA used to cater to the needs of

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people while digitalization is used to bring opportunities to AIA. Digitalizing the operational processes, systems, and distribution of the company helps in increasing the customer base, reducing costs, and simplifying customer experiences. For instance, AIA built their insurance Chatbots that offer 24 hours instant service to their customers. Lastly, AIA could use private cloud and big data in the market by consolidating multiple data centers into it. For instance, AIA could provide a mobile application to customers to resolve their queries, the latest news of new services or programs, and time notification for payment. The development of mobile applications increases the interaction with customers and thus improves the customer experiences.

3.1.4. Threats

The stable profitability has increased the number of competitors in the industry over the years. The pressure among top competitors such as Allianz, Great Eastern Life Insurance, and Prudential is intense. The increasing number has affected the ability of AIA to sustain the business and expand the customer base. Additionally, the current situation of the economy in Malaysia has been gradually deteriorating due to the COVID-19 pandemic. The environment has affected the performance of the business as the economic situation has directly influenced the purchasing power and spending behavior of the consumers. The demand for insurance has gradually declined during the movement control order period. The rise in inflation also increases the cost of production which has a big impact on the profitability of the business.

3.2. Demographic Level Diversity Practices

3.2.1. Features of the performance management system implemented

According to Schleicher et al (2018), performance management is continuous communication between the employees and the manager to refine the responsibilities of the job as well as enhance performance continuously. Decramer, Smolders, and Vanderstraeten (2013) highlighted fifteen ideal characteristics of a performance management system (PMS). More and more characteristics are needed for a successful system, although not every PMS of a company incorporates every single characteristic. Hence, only specific features could be found on AIA Berhad, which are nine out of fifteen characteristics, this includes congruence with strategy and context, practicality, thoroughness, specificity, meaningfulness, validity, openness, and reliability. The manager or supervisor roles play an integral part in the succession of all these features.

Additionally, some characteristics might be more important than other features. Firstly, strategic congruence is essential to ensure the goals of both employer and employee are in the same alignment. In fact, without this feature, it could be more difficult to achieve one of the key benefits of PMS indicated by Buckingham and Goodall (2015), the execution of a strategy or business plan. In AIA Berhad, the multinational organization put more concern on the finalization of reporting the objectives or business plan for the next coming financial years. There goes the plan of formal performances, where Key Results Areas (KRAs) for every worker will be determined as well as agreed by both parties. Based on the company report, it is noticed that the AIA's HR department had arranged KRAs planning workshops to assist in translating the objectives of business into individual KRAs for ensuring the alignment of the organization's PMS strategy. AIA is required to be more concerned and essential to the service provided to the customers, hence the performance measurement utilized must be customer-centric. As stated by the company report, the organization could quickly access various business parameters through a highly interactive dashboard interface, where top management can perform monitoring over multiple sales forces across Malaysia's business units. Top authorities such as district managers and unit managers can review the performance of their team daily with the help of a performance management dashboard. The Chief Agency

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Officer (CAO) as well could easily track and guide the performance of complete sales forces such as Life planners. The functionality of the performance management dashboard could enable the business manager to taking quick decisions as well as ensure a dramatic improvement in the new business acquisitions.

Secondly, for context congruence, some key aspects could be essential in the culture of AIA, which are customer centricity, result orientation, and developing of people with teamwork collaborative (Aia.com.my, 2019, p.35). The system is congruent with the company's culture as well as the broader cultural context of the nation. It can be seen that in the scenario of developing performance planning, the KRAs with task-related tasks have been assigned a 45%, and the compliance will only account for 25% and the remaining 20% is for client value. Given that, almost half percent of the weight is on the task-related KRAs indicated that AIA Berhad is more concerned with the results rather than the behavior, which is also consistent with the organization's culture which mentioned 'result-orientation' as a key aspect. However, some weight included on the customer centricity and teamwork collaboration also shows that the essence of behavior is taken into consideration when evaluation.

Thirdly, thoroughness is indeed present in AIA Berhad. It can be concluded that the PMS of AIA is adequately comprehensive as it covers some important criteria which are considered in the PMS. All employees are evaluated, and this also includes the evaluation of the management. Every major responsibility of the job, both results, and behaviors should be evaluated. In AIA Berhad, the key responsibilities of a job are covered when setting up the KRAs, although the larger weight is given to the performance scale which is task-related. For the performance evaluation, not just evaluate on weeks or months before but spanning the entire review period. Based on the company report, the assessment year of AIA Berhad has been broken down into four quarters, which shows that the company had evaluated throughout the whole period. Lastly, the given feedback on aspects of positive performance as well as those individuals that are in the need of improvement. With characteristics of thoroughness, both negative and positive feedback is present in AIA, which implies that feedback is essential and effective to the organization.

Fourth, practicality is also one of the characteristics that are present in the AIA's PM system. The performance management system is well designed to be more user-friendly. This could be explained that the PMS is most efficient to utilize by employees with different backgrounds. Management involves providing coaching and feedback, as well as recognizing the excellent task builds among the workers. Besides, workers in the organization are eager to know and understand how they are performing all the time to improve their productivity. Thus, employees can view what needs to be improved and also know to evaluate themselves in the organization. This shows that there is an ongoing conversation between the employer and employees, where the management has brought up a culture of informing the performance goals, coaching, and learning are happening. According to the comments of the managers, the AIA's performance of employees has been enhanced after the implementation of the existing PM system. It can be concluded that the majority of the workers are satisfied with the existing system, and already perceive the system as an effective method of motivation.

Fifth, successful implementation of a comprehensive PMS could provide individuals the support and direction they need to improve and enhance their productivity as well as a standard basis. Thus, the PA system that is applied in the organization must be meaningful. If the PMS has proceeded but no meaning behind on every evaluation might lead to failure. In AIA Berhad, the evaluation and standard conducted for every single job function are considered relevant and vital. Next, the evaluation also must be taken at regular intervals and at every appropriate moment in the organization. Based on the comment from the company report, informal quarterly reviews are recommended because formal evaluations per

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year are not sufficient. As stated earlier, AIA also conducts performance review meetings for their managers and workers quarterly. Every worker is allowed to discuss any grievances and concerns on their performance appraisal.

Conversely, the PMS currently in AIA Berhad can be noticed for the lack of acceptability and fairness. According to the company report, it can be observed that some workers aren't prepared to accept the PM system as most of them already perceive it as an unfair situation. From the findings, the majority of the workers felt that rewards and evaluation were not consistent among everyone because lack of understanding of how the system works. The rate of turnover among workers might increase if this issue is persistent. PMS could not serve the aim of designing the organization, thus making ineffective decisions by HR. The AIA's management, especially the HR Department should be a duty for the proper alignment of the PMS in the company. Ensuring consistency in rewarding the workers might lead them to understand the fairness of the company in treating their workers. Another situation can be seen, where fairness is affected during the comparisons of paying with others by employees. Thus, it is advisable to have a transparent PMS to ensure all workers are clear and understand being treated fairly. This method also helps to avoid accusations of favoritism, for example, having an auto-platform that could rearrange the rewards for certain achievements to workers.

Another characteristic that is vital and lacking in the AIA Berhad is correctability, which refers to an assigning rating process that creates a system as an essential aspect of the evaluation process. By looking in the light of the company report by AIA's manager, there was no such process stating that the workers could challenge incorrect decisions. It is noticeable that the numerical standards might not be corrected until the next coming year of evaluation. Hence, when workers perceive the error has been made, there should be a corrected mechanism that can be done. Workers in AIA could challenge their unjust decision through the appeals process, which also brought about the good aspect of PMS. Last, of all, ethicality is also lost in AIA Berhad as most of the leaders have a high chance to use their personal views when evaluating an employee regardless of work ethic. Therefore, this causes some workers to lose a promotion even though they are well deserved. To add on, there were also no such guidelines given that evaluation of performance will be done on merit, the reason that some supervisors tend to be more favorable towards one employee and this implies no privacy for employees. Hence, supervisors or managers should treat all workers with care and dignity to promote objectivity in providing a rate for performance.

3.2.2. *Processes of the Performance Management*

There are six steps in the performance management process. The first step is prerequisite performance. Employees have a clear understanding of the company goals as well as the knowledge of their job. A deep understanding of their job description boosts the confidence level of an employee which leads to an increase in job satisfaction. For instance, Mr. Ng, the newly hired CEO of AIA, explained the company's goal and objectives to Ms. Chow, District Manager. He expected that Ms. Chow in turn explained them to her subordinates and how they could contribute as individual staff. Giving chances to employees to set their own goals which are linked with the company's goal helps to create a sense of accomplishment when all the goals are achieved. Ms. Chow provides opportunities through one-on-one meetings with her subordinates and allows them to link their performance to reach the goal of AIA. Ms. Chow utilizes AMO theory as a management tool to guide her subordinates. AMO theory is defined as employees can be motivated by line managers through HR practices. AMO is a combination of 3 terms, A =Ability, M=Motivation, and O= opportunity. The purpose of theory is to increase the ability, motivate the employees and provide opportunities to contribute to the companies (Van, Waeyenberg, and Decramer,

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2018). When all three characteristics are achieved, the performance of the company will increase. High employee performance is one of the important roles that contribute to the success of the company.

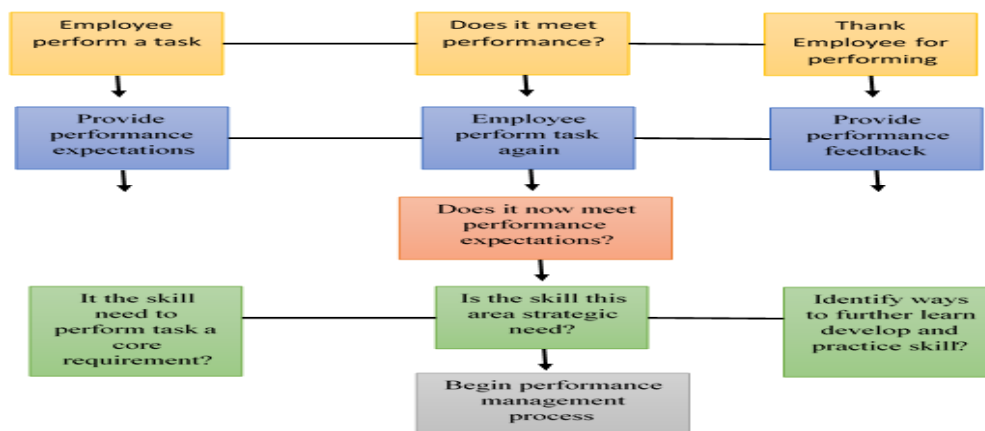
The second step is Performance Planning. Na-nan, Chaiprasit, and Pukkeeree (2017) stated that performance planning comprises three aspects results, behaviors, and development plan. The results represent the outcomes of the job task that needs to be done in clear quantifiable terms. The behavior represents attributes that need to be followed during the execution of the job such as steam commitment. The development plan explained the lack of capability that the employees currently have on the result and behavior. In the case of AIA, Performance Planning is shown when Mr. Ng introduced Ms. Chow to the concept of setting targets for her subordinates. Ms. Chow's team defined some outcomes as increasing their sales by 20% and reducing errors in the key system to one error a month. Employees realize their goal brings greater job satisfaction and employee retention.

The third step is performance execution. Performance execution shares commitment with employees to carry out the tasks in a manner that reflects Ms. Chow considering development plans (McClendon et al., 2020). The fourth step is performance assessment which involves continuous feedback and review on performance, collecting performance data, and preparing for the next review meetings. Mr. Ng and Ms. Chow meet monthly to review the performance of Miss Chow's team. Ms. Chow also had monthly one-on-one meetings with her subordinates to update their progress. During the review meeting, the performance was collected on the progress towards meeting the goals. Furthermore, corrections and feedback were also collected in the meeting. The planned results and behaviors versus the actual results and behaviors can be assessed through this method.

The fifth step is the performance review. A performance review can be performed by appraisal meeting. In this step, employees and managers could analyze areas that can be improved. Current commitment and new goals also are discussed in appraisal meetings. Ongoing meetings between managers and employees have been identified as the factors that promote employee engagement (Idowu, 2017). For instance, Mr. Ng and Ms. Chow have regular review meetings every month and Ms. Chow has regular review meetings every week with her subordinates. The last step in the performance management process is performance renewal and reconstruction. In this step, the performance management planning cycle is repeated and the insights and information from previous phases are used for the new phase. Performance renewal and reconstruction involve a reaffirmation of development gaps, behaviors, and outcomes, and an amendment procedure is required when necessary.

Figure 1

Performance Management Process Flow Chart for AIA Berhad



3.3. Benefits and Challenges of a Performance Management System

An effective PMS will strive to increase the overall performance of an organization. To do so, the performance of individuals and teams must be well- managed to ensure the goals are met (Awan et al., 2020). The first advantage of PMS is that interactions are performance-based. Effective and well-planned PMS is valuable among managers and employees as minor mistakes and infractions can be identified and corrected from time to time. In most cases, managers and supervisors are busy, and overlooked situations may occur in the workplace (Amiri and Nobakht, 2016). However, minor mistakes will have an impact on the organization's performance. Companies that utilize PMS will receive feedback consistently and conduct performance-based interactions with employees frequently. Performance-based interactions increase the knowledge of challenges faced by a company, encouraging them to solve the issues, which will achieve the goal of the company (Noroha, Aquinas, and Manezes, 2016). Secondly, remunerations to employees. Company bonuses and remunerations act as an efficient reward to motivate employees to improve and enhance performance. Employees often link remuneration with recognition from the company for their hard work (Sahlin and Angelis, 2019). Hence, incentives and support from managers and supervisors will motivate them to perform better. Thirdly, inactive and disloyal employees are removed. Underperformers can be determined through performance assessment. Managers can decide what steps to be taken after the assessment. These individuals can be asked to work based on corporate standards or they might be terminated because of the obstruction of the success of the organization (Modipane, Botha, and Blom, 2019).

The first challenge of PMS is complex and extensive. If an organization has a significant number of individuals, the process of PMS will be challenging. It will take some time to evaluate the entire department, and long hours of discussion will be implemented to check the errors of employees (Panda and Reddy, 2016). Secondly, bias against specific employees. The process of PMS will be impeded because of favoritism upon a particular employee. Hence, maintaining a fair and unbiased process is challenging as it relies on the manager to be unbiased (Jyoti and Mohsin, 2020). A poor evaluation of performance will occur when managers evaluate each employee on their biased perceptions. Thirdly, low self-esteem resulted in employees. Employees may feel unappreciated and irritated when working under defective PMS. In another situation, when unethical employees outperform those who strived hard for success, they will feel discouraged in that organization (Kaupa and Atiku, 2020).

4. Discussion

Changing workplace dynamics is bringing a cultural shift to today's workplace. Hence, effective communication between managers and employees is the strength of the PMS in AIA Berhad. Good communication practices result in employees who are engaged and happy. It also ensures an alignment between individual and business objectives. Employees working as a team must know their peers' goals, succession planning, and ideas—to work well together. Based on the company report, managers do take out the time to indulge in one-on-one interactions with employees. This shows AIA promotes collaboration and communication as an essential part of the workplace culture. Additionally, continuous feedback and coaching through performance reviews by encouraging career development is also a strength that can be seen by AIA's managers.

Some challenges can be identified in the implementation of PMS. The company report concluded that the achievement direction is one of the challenges. According to Franco-Santos and Otley (2018), it is an obstacle for organizations to implement the PMS perfectly. The direction of achievement implied by AIA is more focusing on short-term decision making, which somehow shows a lack of strategic planning skills. The company might be too reliant on the network systems, which proves a lack of awareness and understanding of the importance of PMS. From the company report, there are some changes in their PMS,

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which required all workers to be compulsory follow, hence AIA's employees had to subscribe to a new environment immediately. Changes in the job description and lack of training are obstacles that might happen when implementing new PMS. In response to the uncertainty of new software and measurement, employees encountered difficulty to familiarize themselves with the software which lead to following the techniques, rather than understanding the utilization of the software. Problems such as identifying suitable measures could be difficult as the job description was not aligned with the responsibilities assigned to them. Thus, employees are faced with situations where the perceived correct course of action is unclear, and they may mimic the action of another employee or utilize existing measurement which is inaccurate.

Past research has proved that alignment with the strategic goals and objectives of the company is one of the factors of a successful PMS. According to Harvard Business Review Buckingham (2013) argued that the key performance indicator is a faulty way of improving the performance of a company. Managers should have regular check-ins on employees' performances weekly or monthly. Therefore, the performance of an individual needs to align with the business strategy of the company (Závodský et al., 2019). The alignment with the strategic goals of the company can be introduced as the first improvement of the company's performance. Aguinis (2019) stated that the PMS aims to assure that the objectives and goals of the company are on an ongoing basis and the efforts of individuals toward achieving the goal in their forms of contribution are introduced. For instance, Ms. Chow could communicate the goals of the company set by Mr. Ng, the CEO of AIA. She can schedule a meeting that displays the contribution of Mr. Ng to achieving the company's goals. Mr. Ng introduced and explained the goals and objectives of the company in the meeting. The process is essential as people take ownership of what they build.

Besides, goals and objectives were measurable thus the achievement can be determined by predetermined indicators. For instance, Mr. Ng as ahead of the company was responsible for ensuring the actualization of goals and objectives with subordinates. Based on the goals, Mr. Ng was expected to schedule meetings with each member of his team to recommend what contribution they could provide that aligned with the company's goals. For instance, Mr. Ng could schedule a meeting with the receptionist in improving customer service, where the customer's call could only ring a maximum of 5 before the call is answered.

Secondly, the recommendation for the introduction of continuous feedback and communication on department and individual performance. Communication also plays a role in providing continuous feedback and monitoring employees' progress. Aguinis (2019) stated that continuous feedback is one of the factors of an effective PMS. For instance, Ms. Chow could schedule a monthly meeting with Mr. Ng to review the performance of the department with the goals he created. This practice was further passed on among Mr. Ng and each of the members of his team. In conclusion, Ms. Chow helped the head of the company to see the picture and the significance of their contributions through the development of the department's goals which were linked with the company's goals. Therefore, the performance was measured based on the progress towards achieving the set goals.

5. Conclusion

In conclusion, the PM is the driver that assists a company to meet its objectives. It acts as a significant tool to access and monitor group and individual performances. An organization that intends to strive for success should not overlook the performance management system. Having a close connection with stakeholders will achieve the success of PMS. Yet, some organizations have failed to adopt the correct performance management system. The PMS system that an organization adopted must be able to meet the expectations of various stakeholders.

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The organization will examine all critical phases of the strategy implemented carefully to ensure the PMS system is aligned with the organization's vision. Moreover, the PMS system allows employees to enhance individual capabilities and help the organization to achieve its long-term success by offering useful insights. An organization's appraisal process empowers employees and motivates them to achieve the objectives that have been set. The ability gaps of an individual are identified through a performance review process. As such, the training process provided by an organization will aid in correcting employees' performance and increase their level of competence.

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Conflicts of Interest

The authors declare no conflict of interest.

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