Development of Values-Based Performance Indicators for Organisations

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ABSTRACT: *This paper addresses the development of values-based performance indicators that can be used to measure organisational excellence. Core values considered in this paper are those defined in the Value-Based Total Performance Excellence Model (VBTPEM™) proposed by Mokhtar et al. (2004) and Nooreha et al. (2001). The purpose of the development is to create a holistic measurement and management system that is designed to facilitate organisations in achieving performance excellence. The core values incorporated in an organisation should be intangibly connected to the significant facets of performance management criteria like leadership, objectives and strategy, culture, change management, resource management, productivity focus, innovation, best practices, employee focus, customer and stakeholder focus and performance results. All the core values related to each of these criteria are identified. This article focuses on the development of qualitative and quantitative indicators based on the identified core values assigned to each performance criterion. The value-based indicators can be used as a tool for baseline assessment of the organisations' performance within the context of the model. The results of an empirical baseline assessment of two government-link companies (GLCs) using the VBTPEM™ framework is also illustrated.*

1. Introduction

For an organisation to achieve excellence, its performance must be assessed. Normally, organisational goals are described in terms of measures or indicators, their current performance, desired performance and strategies for their accomplishment. The Value-based TPEM (VBTPEM™) proposed by Mokhtar et al. (2004) and Nooreha et al. (2001) was developed with the purpose of stimulating organisations' development and providing a structured framework for achieving performance excellence. Figure 1 illustrates the VBTPEM™ framework. Baseline assessment using the VBTPEM™ framework is designed to help organisations to measure performance gaps at all levels of their performance measurement system.

The underlying foundation of the VBTPEM™ is the establishment of a value system. A value system here refers to the moral principles embedded in an organisation's culture and aligned accordingly to the organisational goals and strategy as well as the needs of the organisation's stakeholders. Ferrel (2009) pointed out that values are based on the choices made by leaders, external constituents, or the organizational culture.

2. The Core Values

The VBTPEM™ (as shown in Figure 1) consists of eleven criteria, namely, *leadership, objectives and strategy, culture, change management, resource management, productivity focus, innovations, best practices, employee focus, customer and stakeholder focus and performance results[i]*. All these eleven criteria are strongly correlated with significant consistency (Mokhtar et al., 2003). The model is further consolidated by a set of well-defined core values that become the bed-rock of the organisation's workplace belief system. The core values provide the foundation for all the performance measures or indicators which then lead to performance excellence.

The main core values identified in the VBTPEM™ are Sense of Direction (for *Leadership*), Righteousness (for *Objectives and Strategy*), Caring (for *Culture*), Meaningfulness (for *Change Management*), Prudence (for *Resource Management*), Exemplary (for *Best Practices*), Beneficial (for *Innovation*), Efficiency (for *Productivity Focus*), Fairness (for *Employee Focus*), Respectfulness (for *Customer Relationship and Stakeholder Focus*) and Integrity (for *Performance Results*). According to Hultman and Gellerman (2002) the values should be assessed based on four criteria; i.e., *Balance* (the degree to which values are given proper emphasis), *Viability* (the degree to which values are workable in the current organisation scenario), *Alignment* (the degree to which compatibility exists among individuals' and organisations values), *Authenticity* (the degree to which values are used in a genuine and sincere manner). This article describes only the development of the values-based indicators.
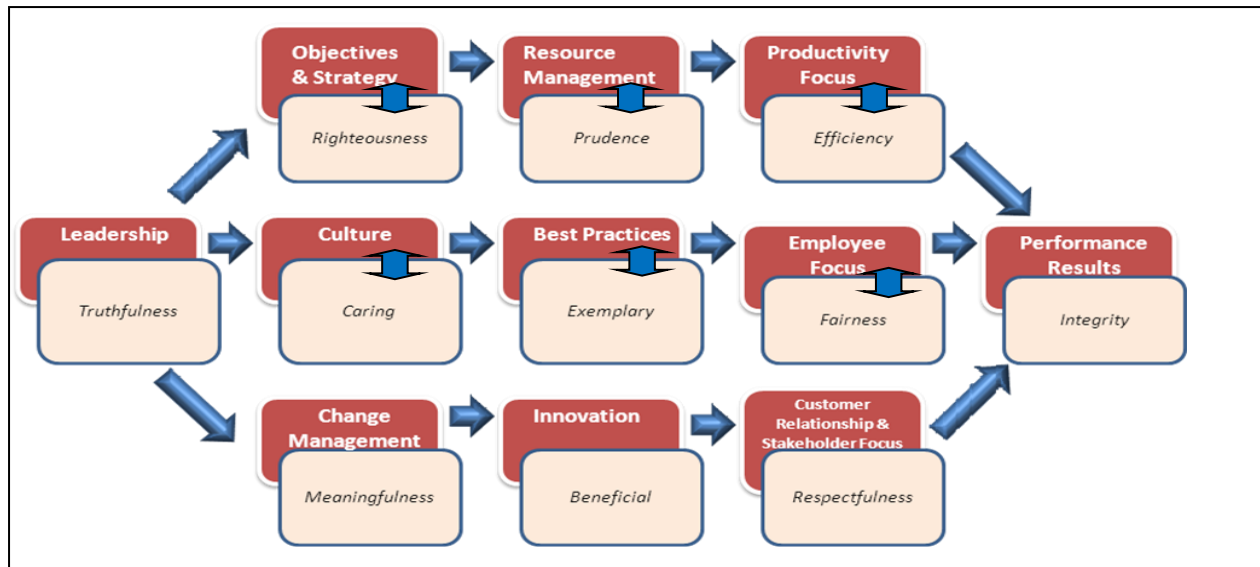

Figure 1: The Value-Based Total Performance Excellence Model (VBTPEM™)

3.   Measuring the Core Values

The core values embedded in an organisation are intangible traits that need to be gauged from people who drive the organisation. In assessing the core values, some manifest variables are used to indicate their realizations, from which the corresponding indicators are then developed. Based on the identified core values and the corresponding manifest variables, qualitative and quantitative indicators are derived. The qualitative indicators are based on perceptions of people in an organisation while the quantitative indicators are created as a means of supportive evidence to check whether all the perceptions made are acceptably true.

The formulated questionnaires from the set of indicators designed will be used as an assessment diagnostic to measure the gaps at all levels of performance. The assessment diagnostic is designed to help the organisation in developing an understanding of its current status of its performance and for decision-making process. The assessment diagnostic is both broadly scoped (i.e. addresses all facets of organisational criteria) and in-depth (all senior managers, most middle managers, some supervisors and support staff).

Among major issues that might be of some concerns to many organisation development professionals are:

1. Why are we passionate about putting trust's flow back into organisations?
2. What makes owners and employees trustworthy in multiplying value for everyone involved in an organisation and its networking world?
3. How do we test whether an organisation's strategy is developed righteously and on-purpose?

The indicators will be the basis in designing the performance assessment instrument, i.e., questionnaires. This would enable the management team to assess the performance in relation to the eleven organisation criteria with its associated core values comprising of *leadership (sense of direction), objectives and strategy (righteousness), culture (caring), change management (meaningfulness), resource management (prudence), productivity focus (efficiency), innovations (beneficial), best practices (exemplary), employee focus (fairness), customer and stakeholder focus (respectfulness) and performance results(integrity).*

We now describe how the indicators of main core values are derived for the first three Value-based TPEM criteria, i.e., *Leadership, Objectives and Strategy, and Culture.* For other criteria, a similar approach can be used to establish the respective main core values indicators.

3.1 Leadership

In essence, the VBTPEM™ model measures how far the core values influence the organisational performance. In this case, it measures the core values of leadership in measuring the university performance. This article features an intangible type of measurement, finding and determining the appropriate core values of leadership considered important and vital for validation of VBTPEM™ model. To begin with, many definition of leadership had been given in the literature and among others is Selznick (1957) through many studies. On top of the many definitions of leadership given, the main idea of being a leader is being good in the decision-making process. In recent years, many researchers consider the values as critical challenge facing the organisational leader worldwide and most organisations put forward the organizational core values above their vision and mission statement (Mokhtar et al., 2003). Among the primary values for leadership are honesty and integrity, concern for others, fairness and justice (Russel, 2001). Furthermore, De Pree (1992) identified justice, personal restraint, concern for the common good and courage may also be the critical leadership values. In the VBTPEM™ model, *truthfulness* is identified as one of the core values of leadership (Mokhtar et al., 2003; Lebow & Simon, 1997) were well protected (Mokhtar, et al., 2003). This means that by being a leader, the person would always talk about good things, show a good example to the subordinates and always stand to the truth in making wise decision for organisations. In other words, it is the measure of the degree of an action taken by a leader to be truthful enough at all times (Mohd Rashid et al., 2010). In relation to this, *trustworthiness* is another core values derived from literature for leadership (Mokhtar et al., 2003; Russel, 2001; Lebow & Simon, 1997; Joseph & Winstion, 2005). This is the key for a successful and excellent organisation (Mokhtar et al., 2003). *Trustworthiness* can be defined as a virtue in someone whom we can place the trust and rest assured that the trust will not be betrayed. In the context of an organisation, leader must be fully embraced to this value as it also portrays the integrity as a trustworthy leader (Mohd Rashid et al., 2010).

As an illustration, the type of qualitative and quantitative indicator(s) of the specific core values for the related criteria are shown below. Tables 1 – 3 illustrate examples of questions with scale measurements for the truthfulness, righteousness and brotherhood, respectively.

Table 1: Main Core Value for Leadership and its indicators

Value-based TPEM Criteria	Main Core Value	Types of Indicator	Indicators	Scale of Measurement
Leadership	*Sense of Direction*	Qualitative	1. Ability to demonstrate the sense of direction in a clear manner. 2. Some facts about strategic direction of are not being made known of (not transparent).	0 - 10
		Quantitative	1. No of delays in decision making process 2. No. of excuses in making agreement	Count

Scale measurement	Tick (√)	Degree of Leadership Approach and Deployment
0		*There is no evidence of a systematic leadership approach to setting direction, unable to articulate the vision and purpose. Not able to communicate their ideas clearly. Some facts are not being made known of (not transparent)*
1 to 2		*The beginning of a systematic leadership approach to setting clear direction and performance expectations is appearing but major gaps exist in communication*
3 to 4		*An effective, systematic leadership approach to setting direction is evident. However, some area are in early stage of deployment*
5 to 6		*An effective, systematic leadership approach to setting direction and reviewing performance expectation and communicating them to employee is evident but this deployment is not consistent.*
7 to 8		*An effective, systematic leadership approach to setting direction and reviewing performance expectation, communicating them to employee and guiding improvement and innovation is evident. This approach is well deployed to all departments/units with no significant gaps*
9 to 10		*An effective, systematic leadership approach to setting direction and reviewing performance expectation, communicating them to employee and guiding improvement and innovation has been evident for some time. This approach is well and fully deployed to all departments/units without gaps.*

3.2 Objectives and Strategy

This is concerned with how the organisation develops clear strategy based on right objectives. The formulated strategy of organisation should reflect how the values or basic beliefs are introduced into the way the organisation operationalizes (Mokhtar et al., 2003).

Table 2: Main Core Value for Objectives and Strategy and its indicators

Organisation Criteria	Core Value	Types of Indicator	Indicators	Scale of Measurement
Objectives & Strategy	***Righteous-ness***	Qualitative	1. The objectives of the organisation are as prescribed (in tandem with) by the vision and mission. 2. Strategy developed to achieve organisational targets are free from corrupt practices	0 - 10
		Quantitative	Number / proportion of objectives being regularly revised, tracked and monitored	

Scale of measurement	Tick (√)	Degree of Objective & Strategy Deployment
0		*There is no evidence of a systematic approach to developing right and strategic objectives based on the vision and mission. There is no evidence of any systematic conversion of strategic objectives into action plan. The strategy developed to achieve organisational targets is entangled with corrupt practices.*
1 - 2		*The beginning of a systematic approach to developing and deploying action plan to achieve strategic objectives is appearing. No guarantee that strategy developed are free from corrupt practices.*
3 - 4		*An effective, systematic approach to developing and deploying right and strategic objectives based on the vision is evident.*
5 - 6		*An effective, systematic approach to developing right and strategic objectives based on the vision is evident. Key development activities are subjected to fact based and evaluated for improvement.*
7 - 8		*An effective, systematic approach to developing right and strategic objectives based on the vision is evident. There is clear evident that key development activities are evaluated and refined for improvement and are free from corrupt practices.*
9 - 10		*An effective, systematic approach, fully responsive to all requirements of strategy development (consistently free from corrupt practices) and subject to a very strong, fact based evaluation and refined for improvement is widely practiced.*

3.3 Culture

This is concerned with how the organisation incorporates a set of values, beliefs, operating style, internal work environment embraced and practiced by every individual in the organisation (Mokhtar et al., 2003).

Table 3: Main Core Value of Culture and its indicators

Organisation Criteria	Core Value	Types of Indicator	Indicators	Scale of Measurement
Culture	***Caring***	Qualitative	Exist mutual concerns in the well-being of the staff consistently	0 -10
		Quantitative	No. of initiatives / programs that promote unity among the staff	Count

Scale of measurement	Tick (√)	Degree of Culture Deployment
0		*There is no evidence of a systematic approach to developing genuine concerns for the well-being of the organisation's stakeholders- customers, employees and shareholders.*
1 - 2		*The beginning of a systematic approach to developing genuine concerns for the well-being of the organisation's stakeholders is appearing.*
3 - 4		*An effective, systematic approach to developing genuine concerns for the well-being of the organisation's stakeholders is evident.*
5 - 6		*An effective, systematic approach to developing genuine concerns for the well-being of the organisation's stakeholders is evident. Developments activities towards promoting competitiveness and unity among employees are observed.*
7 - 8		*An effective, systematic approach to developing genuine concerns for the well-being of the organisation's stakeholders is evident consistently. Developments activities towards promoting competitiveness and unity among employees are observed.*
9 - 10		*An effective, systematic approach to developing genuine concerns for the well-being of the organisation's stakeholders is fully embarked. Consistent developments activities towards promoting competitiveness and unity among employees are observed.*

Other core values with the qualitative and quantitative indicators are shown in Table 4 (Mokhtar et al., 2003).

Table 4: Main Core Values of other criteria and their indicators

Value-Based TPEM Criteria	Core Values	Types of Indicator	Indicators	Scale of Measurement
Change Management	*Meaningful-ness*	Qualitative	New policy/reforms put forward by management are believed to bring benefit to the organisation	0 - 10
		Quantitative	No. of new policy/reforms put forward by management that bring benefit to the organisation	
Resource Management	*Prudence*	Qualitative	Cost saving is the prime concern in any implementation of initiatives/programmes	0 - 10
		Quantitative	Proportion or % of costs saved per year	Percentage
Best Practices	*Exemplary*	Qualitative	The organisation's achievements are always benchmarked by others	0 - 10
		Quantitative	No. of recognition/awards given by external parties	
Innovation	*Beneficial*	Qualitative	Only new ideas that will lead to improvement are considered	0 - 10
		Quantitative	No. of new ideas accepted	Count
Productivity Focus	*Efficiency*	Qualitative	1. Efforts tailored towards achieving maximum output at minimal utilisation of input. 2. Widespread usage of technology for enhancing productivity	0 - 10
		Quantitative	1. The rate of increase in cost saving 2. The rate of reduction in waste (non-value added activities)	Rate

Value-Based TPEM Criteria	Core Values	Types of Indicator	Indicators	Scale of Measurement
Employee Focus	*Fairness*	Qualitative	1. Career paths are available and open to all level of employees 2. Clear criteria and proper implementation of promotion exercise	0 - 10
		Quantitative	1. Number of promotion exercises 2. Number of employee-related policy revisions	Count
Customer Relationship & Stakeholder Focus	*Respectful-ness*	Qualitative	1. Systems or mechanisms exist to ensure customers are served accordingly, e.g., customer loyalty programmes 2. Policies towards protection of social harmony and environment	0 - 10
		Quantitative	1. Types of customer loyalty programmes 2. Charity programmes involving society and protection of environment	Count
Performance Results	*Integrity*	Qualitative	1. Policies on voluntary disclosures 2. Open line of communication within organisation 3. Mechanisms to ensure compliance of products/services to Rules & Regulations	0 - 10
		Quantitative	1. Levels of voluntary disclosures 2. Types of lines of communication 3. Certifications by relevant Islamic authorities	Count

The goal behind this assessment is to improve management practices and organisational effectiveness. Responses will be evaluated by summarizing/averaging each department and for the entire organisation. The score or rating to each of the values for each perspective is aggregated to obtain the average score for each perspective and presented via the Radar Chart. The output from the assessment diagnostic is a formal report to the top management of the organisation. The report details out the specific issues, identifies the evidence that brought each issue to light, and provides recommendations and potential benefits.

Figure 2 displays the (radar chart) results of a baseline assessment study of government-link companies (GLCs) in Malaysia using the Value-based Total Performance Excellence Model (VBTPEM™) as reported by Mokhtar et al. (2006). A total of six Government-link companies (GLCs) were identified for the study. Due to some confidentiality matter, the actual name of each of GLCs is not allowed to be disclosed, and we shall label those GLCs as GLC A, ..., GLC F, respectively. This study utilized both qualitative and quantitative methods. The use of both methods can enhance understanding of social phenomena (Creswell, 1994; Tashakkori and Teddlie, 1998). Qualitative methods were used in the first stage to provide an understanding of the contextual background for core values internalization in those GLCs. Quantitative methods were used in the second stage primarily for confirmatory analysis, including hypothesis testing. In the first stage of data collection, a briefing was given to six GLCs heads or the corporate section managers to explain the purpose of this research. In the second stage of data collection, questionnaires were distributed to managers and executives in the six GLCs through the appointed coordinators. The respondents were asked to rate the extent to which the 'visibility' of core values being internalized in their respective organisations on a 5-point Likert scale. A total of 450 questionnaires were returned. However, due to the use of listwise treatment of missing values, a final 390 questionnaires were utilized for data analyses. The pilot test revealed that all measurement scales used in the study had

Cronbach's alpha above 0.70 as generally accepted lower limit (Hair et al., 2006) and exceeds 0.60 as suggested by Nunnally (1978).

The results (as shown in Fig. 2) indicate that GLC A outperformed GLC B in most of the performance criteria. However, GLC B performed better than GLC A in the areas of *Resource Management* and *Customer Relationship and Stakeholder Focus.*
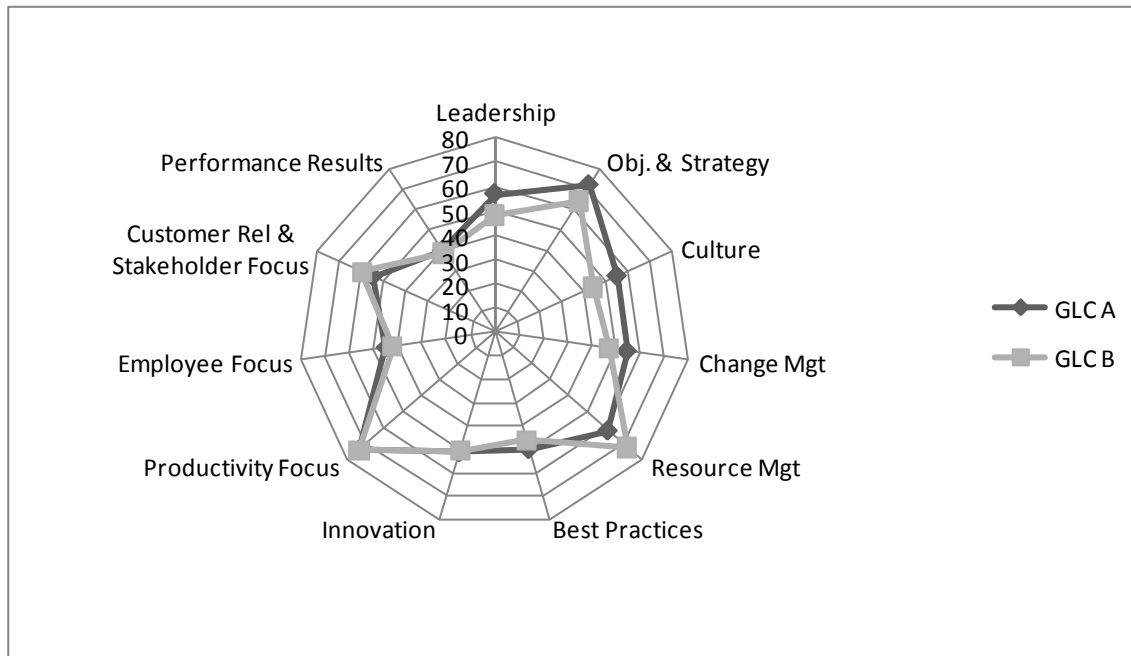

Figure 2: The Results of Baseline Assessments of Two Government-link Companies (GLCs) in Malaysia

4. Concluding Remarks

A real challenge for organisations in managing a proper performance measurement system is in the assessment of intangible or qualitative aspects of performance excellence criteria such as *leadership, organisational culture, innovations* etc. The work becomes even more difficult when core values associated with those performance criteria are involved and have also to be measured. This is due to the fact that any core values such as *truthfulness, sincerity, honesty* etc. are basically intangible and qualitative in nature and they cannot be measured directly. The use of indicators or manifest variables would help measure qualitative or intangible variables in a more objective manner. This paper addresses the development of indicators of performance excellence criteria and the corresponding core values. We proposed some examples of qualitative and quantitative indicators of core values of some important performance excellence criteria such as *leadership, objectives and strategy* and *culture* in organisations. The measurement of core values of other performance excellence criteria in the Value-based TPEM (VBTPEM™) can be developed in a similar manner.

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