Performance management and reward in emerging markets

A particularly crucial part of successful talent management in emerging markets involves setting up appropriate performance management, remuneration and benefit structures. Employees are hired by organisations for the purpose of performance. The nature of the performance varies, but the expectation of compensation in exchange for performance does not. Just as employees have a right to expect to be paid for the work they perform, so organisations have a right to measure performance and reward employees commensurately with this measurement.

The apparent simplicity of this quid pro quo relationship is dispelled when one delves a little deeper and starts to question how performance is measured, and what qualifies as fair/appropriate remuneration. The complexities become even more pronounced when considering the differing local-versus-expatriate pay universes and cross-cultural differences in seeking to understand what constitutes both performance and value for organisations and employees. This chapter examines the importance of performance management and describes how to set up a balanced, equitable – yet competitive – reward and remuneration system in an emerging market context.

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Global practices or the need to contextualise/localise
Some experts argue that globalisation has been a contributor to convergence of managerial mind-set and practice. Others suggest that there is a need to contextualise human resource management practices for the country and company. In this case, the following factors need to be considered:

- National culture across countries and differences in values across societies. This has a bearing
on whether to lean towards, for example, 360-degree feedback or traditional performance feedback by the manager – or whether to focus on individual or team incentives.

• Employee attitude to performance management, and collective versus individual outlook.

• Industry type and job family category have a bearing, because certain processes lend themselves better to certain industries and job families. For example, consulting companies are more likely to measure contribution, outputs and billing.

• The extent to which the chief executive officer (CEO) owns the performance management process. In high-performing organisations, CEOs own the performance management system and use it to drive organisation strategy.

The suggested approach, especially for multinational companies (MNCs), is to use a hybrid approach of providing the international or corporate framework, but guiding organisations on how to adapt it for local circumstances. In my experience having worked in 23 countries across all continents, there is one golden rule – keep the performance management and reward system simple and easy to explain and understand. Do not overcomplicate the process or the system.

In emerging markets, there is the opportunity to take the best practices and lessons learnt from developed economies and improve on them. Similarly, one has the opportunity not to adopt the strategies and systems that did not work. Set out below is a description of some of the global practices that have been adopted in many emerging markets because they work there, plus strategies and practices that may be unique to emerging markets. There are many emerging-market practices that could be exported to developed economies, but that is a subject for another time.

Rating scales
It is important to note that no single performance appraisal method is suitable for all jobs and situations. It may therefore be more appropriate to use a combination of methods. The most successful implementations have involved the concept of setting objectives or preferably outputs, within key result areas (KRAs) and key result indicators (KRIs). A five-point rating scale is most commonly used with the following descriptors, with approximate, desired distribution of scores in brackets:

1. Far exceeds expectations (15%);
2. Exceeds expectations (25%);
3. Meets expectations (40%);
4. Meets some expectations (15%); and
5. Does not meet expectations (5%).

The most common method of rating performance is still the manager rating the subordinate. The use of multisource (360-degree) feedback is becoming more popular. With this approach, performance information is collected from managers, supervisors, peers, customers and subordinates. The information from all these sources is collated, provided to the employee and discussed with the manager. The employee and manager collaborate to compile a personal development plan to address any weaknesses that are identified. Multisource feedback is more effective when all the participants know that the information will be used for development purposes and not for making promotion or salary increase decisions. In some organisations, it may be essential to guarantee that raters will remain anonymous, although this may have a negative influence on the ability of multisource feedback to improve organisational communication.

Choose the right performance measures
Not only can the appraisal instrument assess the wrong performance dimensions, it can also unintentionally drive the wrong behaviours. Design your systems carefully, because they will affect the behaviour of your staff. Measuring and recognising accomplishments rather than activities can often improve results.

Dr Mark Bussin is Chairperson at 21st Century Pay Solutions Group, www.21century.co.za.