

Executive Summary

1.0 Performance Management Systems

Performance Management Systems is increasingly being implemented to enhance productivity and competitiveness at the firm level. This is evident in the studies carried out among selected APEC economies of Australia, Korea, Malaysia and Chinese Taipei. This report documents the economic development, competitiveness, productivity and wages, performance management systems, performance based remunerations systems and case studies of companies who have implemented such systems. The impact, issues and challenges faced by organizations who have implemented performance based systems are well reflected.

1.1 Developing Key Performance Indicators

The performance management process consist of three main steps of defining the job and developing evaluation criteria, performance appraisal; providing evaluation feedback. There is also a need to determine specific measurable goals or key performance indicators. Key performance indicators (KPIs) are comprehensive, organization-wide goals established to gauge whether the targets had been established. KPIs have to be specific, measurable, acceptable, realistic and timely. The main objective is to manage, direct and measure performance to implement and realize corporate strategies.

1.2 Linking Remunerations to Performance

Performance-based remunerations schemes comprises of two components, a fixed component and variable component. Some of the schemes include: Long term incentives which are used to encourage executives to focus on business activities which can lead to improved organizational performance; Sales compensation plans which are intended to motivate and align goals with those that are of most benefit to the organization; Gainsharing plans which motivate employees to use their skills to boost company performance. Payouts are made

periodically in accordance with overall company performance improvements; and productivity linked wage system which links the payment of wages to enhanced productivity performance.

1.3 Practices among Selected APEC Economies

The common features of performance based systems among the four selected APEC economies of Australia, Korea, Malaysia and Chinese Taipei includes the increasing emphasis by organizations on performance. Various performance monitoring systems such as the Balanced Scorecard, McKinsey Seven-S Model, Management by Objectives, Key Performance Indicators, Excellence Models and Productivity and Wage Systems are being increasingly implemented at the firm level. Among the benefits of such systems are enhanced performance as indicated in the various financial indicators as well as enhanced productivity and competitiveness.

1.4 Conclusion

When designing an effective compensation plan, organizations need to take into account the overall package offered to employees. "Total Rewards" is a generic term used to describe such compensation and incentive packages and may include; pay, bonuses, incentives, core benefits, and recognition. The Total rewards package should comprise a fixed component that provides income stability and a variable component which reflects the contribution and performance of the employees. In this era of intense competition, performance based remunerations systems had been identified as an important initiative to be implemented at the organisation level to enhance productivity and competitiveness.