IMPLEMENTATION OF KEY PERFORMANCE INDICATORS AND THE ISSUE OF OCCUPATIONAL STRESS IN MALAYSIA

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Abstract

Due to the increasing competition especially in the business in today's world, most organizations are obliged to adjust their way of doing business and follow the new mechanism to evaluate their performance. As such, it's now become worldwide trend including Malaysia where organizations are using the Key performance Indicator's (KPIs) to measure their performance and achievement. KPIs often been use to evaluate the success of an organization or of a particular activity in which it engages for each year. In Malaysia, though KPIs has been using by private sectors for the last many years, the country public sectors has recently implement it in response to the government circular in 2005. In 2009, the new country leader has give emphasized for the fully adoption and implementation of KPIs for every sector within the country in particularly the public sectors. The use of KPIs has also now become part of the government strategy to transform the country and to fulfill its ambition to become fully developed nation by year 2020 and fulfillment of its transformation programs by year 2050. Though the implementation of KPIs brings many advantages for the organization as they would able put target which they ought to achieve, it also could lead to problem if it not being observed cautiously. Often there are KPIs that being design which are not in line with the reality. As such, it leads to the issue of unrealistic or unachievable KPIs which affected the workers health, leisure time and their relationship with family. This eventually will give rise to the issue of occupational stress which affects the workers. It is the object of this paper to further analyse the advantages as well as the disadvantages on the use KPIs, the issue of bad KPIs and its connection with occupational stress, the implementation of KPIs in the country, and finding steps to produce a more reasonable, realistic and holistic KPIs which are suitable to be adopted and implemented by the organization.

Keywords: Key Performance Indicator, Occupational, Stress

1. INTRODUCTION

The used of key performance indicator (KPI) is today's world is undeniable. Practically, every industry that are known to us today whether it's big, medium or small size industry have used and adopt such mechanism and approach in doing their business. In the past, businesses are often difficult to be carried out or be implemented due to lack of proper mechanism and clear outlines which can clearly show, guide or lead them
especially their workers on the aims, goals, and ambitions of the businesses that they are running. As such, it often leads to confusion, chaos and sometimes disorder at both in management level as well as at employee’s level. The absence of such mechanism or approach eventually gives rise to the issue of occupational stress. Before going further into the area in detail, it is very important for us to identify the meaning of key performance indicator (KPI).

A key performance indicator (KPI) or in some place known as key success indicator (KSI) is a sort performance indicator and a type of performance measurement (Carol Taylor Fitz-Gibbon, 1990 and David Parmenter, 2012, p. 76). Normally, KPI being used to evaluate the success of any organizations of a particular activities or programs in which they set out earlier or already planned within any specified period either within weekly period, monthly period, or yearly period. (Noriah Bidin & Sachi Sellasamy, 2009, p. 81). If the organization able to met with the KPI which they have planned, it will consider as success. Along with the success, the organization will feel proud over such achievement and will call for a celebration. If the organization unable to meet the targeted planned, it will automatically consider as a failure on their part. Along with the failure, the organization will be subjected to scrutiny and criticism within the organization themselves and from the public and even possible legal inspection or investigation by ay relevant authorities. KPI are used by any industries or organizations to gauge their progress towards their goals. (Abdul Aziz Yusof, 2004, pp. 1 – 6 and Abdul Aziz Yusof, 2009, p. 14). However, it is crucial for us to note that KPIs normally vary from industry to industry as well as organization to organization as every industries and organizations have different nature of business they conducted thus having a different target to bring in or to generate their profit. (F. John Reh, 2016).

Having explained the meaning of KPI above, it’s now equally important for us to examine several benefits or advantages which KPI offers. Beyond doubt, the implementation of KPI within any organizations and industries offers many benefits or advantages, provided if it’s being drafted or organized properly (Leanes Lowrie, 2016) Amongst the benefits or advantages which can be highlights here are KPIs can assist to unearthing or detect any arising problems immediately and effectively. Examples of such problems include labor productivity issues or the matter which concern on the area of failure to meet the expectations of clients or customers. By having KPI, things will become much easier as the targeting productivity by the organization and expectation which they need to achieve are clearly written down and identify. Identifying these problems will eventually allow the organization to undertake any appropriate action to correct them and improve the service quality and maintain their survival in the competitive world. KPI will also allow the organization to classify any cost or financial saving opportunities within their organization and formulate ways of curtailing wasteful spending in the future. In KPI, spending are being planned cautiously and been clearly written down, as such, the organization activities and programs must be spend according to the given drafted KPI and not to overspend beyond the allocated money. Using KPI will also involves tracking uncommitted costs while increasing committed costs where necessary. Every spending should come together with it evidence or proof of spending which normally being attach together with the KPI. By having such evidence or proof in place, it would make the KPI more reliable and easy to be audited.

KPI can be an important tool in catching potential clients or customers because the clients or customers usually use KPI to assess the suitability of potential organization. The client or customer would usually ask the organizations to provide information’s regarding their performance and achievement and cautiously examine the KPI as well as do some comparative study with the KPI from other organization before giving their final decision. Generating such information without having proper KPI in place would be difficult for the client or customer, which would mean that the client or customer would not be able to assess the efficiency and the suitability of the organization which they would like to engage with. As a result, the client or customer will go other places which can offers clear information’s about their performance and achievement. KPI can also benefit the organization by revealing their own potential strengths. When there is a proper KPI in place, the organization will have a clear view on what they suppose to achieve within the targeted time period and the allocated money. If the organization able to fulfill all these targets, then they have able to meet the KPI thus exposing them to their own strength. Strength can be identified when a post – project review reveals a high score, which could be an indicator that they are doing well in their projects. (Ed Shelley, 2015).

At the end of day, the used of KPI will show the organization professionalism and transparency in doing their business as they will able to share with the public with their activities and programs along with their performance and achievement they have accomplished.

2. THE ISSUE OF UNREALISTIC KPI AND THE ISSUE OF OCCUPATIONAL STRESS

Duties and responsibilities are an essential part of work. Both employer and employee are expected to carry out their duties and responsibilities efficiently and with due diligence and to come up to the work
expectations which being set out by the organization which they belong to. As mentioned earlier, all organizations having their own key performance indicator (KPI) which they need to fulfill. All workers would be expected to achieve the predetermined work targets according to key performance indicator (KPI). Though KPI’s is becoming a trend in many organisations all over the world including Malaysia, we cannot ignore with complains and criticisms which come from the workers themselves over the used of KPI which is not realistic to be implemented within the organization. Unrealistic or unachievable KPI’s usually find workers grappling to achieve the set goals at the expense of their health, leisure time, family and causing them to spend a considerable amount of time at the workplace, to meet the demands of their employers, thus give rise to the issue of occupational stress (Further reference on the issue of stress and KPI can be made to Rohami Shafie, p. 13, 2016).

In worst case scenario, it can even lead to serious legal implication which involves civil or criminal action be taken against the workers themselves. What make things more stressful, if the workers faces constrains in achieving such unrealistic KPI, his or her performance would inevitably deteriorate. The worker would constantly worry that he has not achieved the set targets stipulated through the unrealistic KPI. It would add to his anxiety and stress when he has to compare himself to his colleagues and how his superiors would rate or judge him based on his performance. If the superior fail to initiates corrective action plans and pressures for the employee to achieve the target, this could in turn cause extra pressure on the employee, resulting in serious stress related diseases.

Any worker which faced such serious level of stress will eventually developed some symptom in their body and mind. Such symptom can effect the worker health, social life, or personal relationship. (Grant Brecht, 2001, pp. 22 – 34 & Gail Ratcliffe, 2003, pp 82-101). According to many researches, stressful working conditions can lead to three types of major effect namely behavioral effect like absenteeism or poor performance by the worker, physical effect like having headaches, sleeping disorder, high blood pressure, coronary heart disease and others, and psychological effect like having an anxiety or mood disorder (Jex, S. M. (1998) & Gilbert Rethual, 2003, pp. 97 – 159). If exposure to stressors in the workplace is prolonged, then chronic health problems can happen which include the death of the worker. (Tsutsumi, Akizumi; Kayaba, Kazunori; Kario, Kazuomi; Ishikawa, Shizukiyo (2009), pp. 56 – 61). The effect of stress is not limited to the body and mind of the individual workers, as it can also disrupt the worker relationship with family and friends. The long term effect of the stress will eventually reach the organization whereby the worker will become unhealthy or unfit to work thus will certainly effect the productivity of the organization. (Roberts, Rashauan; Grubb, Paula L.; Grosch, James W. June 25, 2012 & Chua Bee Seok, Abdul Halim Othman, & Mohammad Haji Yusof, 2001, pp. 2 – 5). What being mentioned above are some of the effects which can happen once the organization fail to adopt suitable and realistic KPI.

In order for us to connect the idea between occupational stress the issue of unrealistic KPI, it is important first to examine the meaning of the word occupational stress. According to the World Health Organization (WHO), occupational or work – related stress is the response people may have when presented with work demands and pressures that are not matched to their knowledge and abilities and which challenge their ability to cope. When people or in this context, the worker are being presented with works demand stipulated through the unrealistic KPI and being expose with the pressures that are not matched with the surrounding situation in the organization it will give rise to the issue of occupational stress. Amongst the examples of unrealistic KPI which can be given here includes the unrealistic time period which being given to complete any task, unrealistic amount of money allocated to carry out certain program or activity, unrealistic amount of workforce or manpower to carry out certain plans specified through the KPI, failure to match the KPI and the abilities and capabilities of the workers they have within the organization, failure to connect with the workers before setting up the KPI, imitating other organization KPI which are clearly not suitable to be implement in the organization, and others. All examples mentioned above will eventually create an unrealistic KPI and thus will lead to the issue of occupational stress if it being implemented by the organization.

3. THE ISSUE OF UNREALISTIC KPI: THE EXISTING LAW AND PRACTICE IN MALAYSIA

As Malaysia going forward to become fully developed nation by year 2020 set by then Prime Minister, Tun Dr. Mahatahir Mohamad and with the new vision in place namely National Transformation 2015 set by current Prime Minister Dato Seri Mohd Najib Tun Abdul Razak, the use of KPI cannot be ignore any longer. As highlighted above, due to increasing competition in today’s world, most of organizations are obliged to adjust to new ways of enhancing their performance and productivity. This improvement is mainly linked with the implementation of performance management systems, new strategic directions, or important shifts in the strategy of the organization. As a result to this, the Malaysian government has decided to employ Key
Performance Indicator (KPI) as one of their main performance measurement tools. In Malaysia, KPIs has been using by private sectors for the last many years. Seeing its importance, the country public sector has decided to implement it. This can be seen through the government circular in 2005 released by the country Public Service Department (PSD). (Norjah Bidin & Sachi Sellasamy, 2009, p. 80). In 2009, many transformations plans in place, the new country leader has give emphasized for the fully adoption and implementation of KPIs for every sector within the country in particularly the public sectors. (Zaherawati Zakaria, Mahazrli ‘Aini Yaacob, Zuraini Yaacob, Nazni Noordin, Mohd Zool Hilmie Mohamed Sawal, Zuriawati Zakaria, 2011).

However, when it’s come to the issue of unrealistic KPI, the laws in the country are still silent. Currently, there are no clear laws on the matter. If any of the organization adopted unrealistic KPI, the best legal option which the grievance party can do is to take any of legal actions provided under various laws and practices which include criminal action under the Malaysian Penal Code (Act 574), labour laws or pursue the matter under any possible civil action. From the Malaysian labour perspective, there are various statues in place which are designed to protect the right and interest of the workers as well as protecting their well being, health and safety in the workplace in the country. The labour statutes that currently being enforced in Malaysia are (i) Employment Act 1955 (the law applicable in the States of Sabah and Sarawak are the Labour Ordinance Chapter 67 and Chapter 76, respectively); (ii) Employment (Termination and Lay-Off Benefits) Regulation 1980 (iii) Employee’s Provident Fund Act 1991; (iv) Employee’s Social Security Act 1969; (v) Industrial Relations Act 1967; (vi) Trade Unions Act 1959 (Revised 1981); (vii) Factories and Machinery Act 1967; (viii) Occupational Safety and Health Act 1994; and (ix) Workmen’s Compensation Act 1952. Though having many statutes in place, non of it mentioned about the issue concerning unrealistic KPI. (Siti Zaharah Jamaluddin, 2000, pp. 153 – 177, Sharifah Suhanah Syed Ahmad, 2012, pp. 179 – 196, & Ashgar Ali Ali Mohamed, 2014, pp. 35 – 74). However, it is important to note that the existence of the mentioned statutes above will set a reminder for all employers and the management sin the country about the need for them to respect the rights of their workers and not to do anything which can jeopardize or tarnish such relationship. This will be a good reminder to all organizations in the country not create hostile working environment which includes initiating an unrealistic KPI.

Amongst all the mentioned statutes above, the most relevant to be discuss here is the Industrial Relations Act 1967 (Act 177). Unlike other statutes, its cover varieties types of workers in the country and has wider application of its jurisdiction. Act 177 is aimed at (a) regulating the relations between employers and workmen and their trade unions; and (b) the prevention and settlement of any difference or dispute arising from their relationship. The most important part which can be refer to under the statute, where a worker considers that he has been dismissed without just cause or excuse (Unfair dismissal) by his employer, the worker may make representations in writing to the Director-General of the Industrial Relations Department to be reinstated in his former employment. This is clearly provided under section 20 of the Act. The representation may be filed at the office of the Director General nearest to his former place of employment. Such representation must be filed within 60 days of the dismissal. The Director General may take such steps as he may consider necessary or expedient so that an expeditious settlement is arrived. He could notify the Minister if he is satisfied that there is no likelihood of the representation being settled. The Minister has the discretion to refer the representations to the industrial court for an award. The Industrial Court, a court of equity and good conscience, will normally settle disputes referred to it by the Minister within 30 days from the date of its reference.

However, interesting to note that, the mentioned section above does not limit to the issue concerning unfair dismissal only. The section also covers the area on constructive dismissal. This issu has been established clearly in Malaysia Supreme Court case of Wong Chee Hong v Cathay Organisation (M) Sdn Bhd [1988] 1 CLJ 298 (Rep) at p. 302 the Supreme Court Judge, Salleh Abas LP argued that the notion on “constructive dismissal” could also be brought within the ambit of section 20(1) of the Act when the word dismissal in this section was interpreted with reference to the common law principle. He stated that “The common law has always recognized the right of the employee to terminate his contract of service and therefore to consider himself as discharged from further obligations, if the employer is guilty of such breach as affects the foundation of the contract or if the employer has evinced or shown an intention not to be bound by it any longer”. With this ruling by the Supreme Court, the doctrine of constructive dismissal was firmly established in the industrial law of Malaysia. (V. Anantaraman, 1997, p. 242). As such, any grievance party can bring legal action for constructive dismissal under Section 20 of the act. Under employment law, constructive dismissal, which also known as constructive discharge, is where an employee tender resignation due to their employer behavior or hostile working environment due to failure of the employer to control (B. Lobo, 1999, p. xc). When the matter brought to court, the employee must substantiate their allegation that the behaviour or the working environment was unfair and cannot be tolerated that the employer’s actions amounted to a
fundamental breach of contract or the law (Steven D. Anderman, 1981, p. 75). The employee may resign over a single serious incident or over a pattern of incidents. Generally, the employee must have resigned soon after the incident.

The notion of constructive dismissals comes from the case of Courtaulds Northern Textiles Ltd v Andrew [1979] IRLR 84, EAT, which stated the concept that “An employer must not, without reasonable or proper cause, conduct himself in a manner calculated or likely to destroy or seriously damage the relationship of trust and confidence between the employer and the employee”. Examples of constructive dismissal claim might include putting the employee into excessively difficult work situations or occupational stress, harassment, workplace bullying, and others (M.N.D’ Cruz. (2001), pp. 101 – 102). With this explanation, its open a possibility for legal action be carry against the employer due to the implementation of the unrealistic KPI. However, the court must first decide and determine that any stress case must be due to the occupation which the grievance party had to endure with not because of other reasons outside that perimeter. (Please refer to the case of Ringrose v Brazin Ltd and Bras n Things New Zealand Ltd unreported Y S Oldfield, 5 Feb 2008, AA 31/08, Davis v Portage Licensing Trust [2006] 1 ERNZ 268, and Koia v the Attorney-General in respect of the Chief Executive of the Ministry of Justice [2004] 2 ERNZ 213).

4. SUGGESTIONS

Based on the above research, it is clear that the issue of unrealistic KPI and occupational stress are interconnected each other. To say that both have no connection is being unrealistic. It is crucial for the organization to set up more realistic and reasonable KPI in place so that it will not create a hostile environment which will lead to constructive dismissal claim by the worker. The organization must develop and implement realistic and reasonable KPI. (David Parmenter, 2007, p. 54). It will take considerable effort to develop a high quality set of KPI. Managers and functional experts will need to constantly work together to propose a set of measures and to debate the relative importance of the various measures. A number of key challenges when developing a realistic and reasonable KPI include: If the organization's strategy and key objectives are not clear, then measures normally tend to focus on the profit outcomes, too much reliance on financial indicators offers a very imbalanced and incomplete view on the health of the organization, measures which being deemed important by one area may not be viewed as important by others, if compensation is tied to key targets for the performance indicators, this might introduces a conflict of interest and considerable bias into the process, identifying leading indicators is a very difficult process, and the ability to accurately measure and report on the identified measures may be difficult or impossible. Regardless all the challenges in developing a realistic and reasonable KPI, the organization must try their very best to have more sensible and practical KPI for the interest of their workers and for the benefits of their organization. A healthy process for identifying and implementing KPI involves the managers and contributors regularly revisiting and revising the measures. This process of tuning takes time and diligence by all parties. (David Parmenter, 2007, p. 19 – 26, David Parmenter, 2012, pp. 61 – 67 and Robert Bacal, 2007, pp. 21 – 25).

At managerial level within the organization consultation, discussion, and meeting must be made with their workers before drafting any KPI. This is to ensure the organization received the feedback and suggestions from their own workers before initiating the KPI. The organization must ensure the KPI that they going draft must be realistic taking into account the allocated money they have, the abilities and capabilities of their own workers, and the number of workforce or manpower they have. The organization must remember every industry has their own KPI and their own target to be achieved. Each industry is differ from one another in terms of their financial capabilities and the strength of their human resources, as such imitation or simply copying other organization KPI and have it in their place will not work. At the national level, the idea to have specific law on the matter is not necessary at the moment due to the fact that the existing laws in the country are capable to deal with the arising issue. However, the government can consider setting up a special unit to monitor or audit organizations KPI within the country. Having a special unit will deter any organization to implement unrealistic KPI thus at the same time would protect the interest of the workers and prevent the issue of occupational stress.

5. CONCLUSION

Key performance indicator (KPI) is an effective tool to measure the success of the organization. Nowadays, having a KPI in place is a must for all sectors in the country whether at public or private sectors. Accordingly, choosing the right KPIs relies upon a good understanding of what is important to the organization. The question of what is important often depends on the department measuring the performance. If KPI is drafted in realistic way, it will bring benefits not only to the workers but would also able to increase the productivity of the organization. A good or realistic KPI will surely prevent the issue of occupational stress as the KPI was
drafted in a holistic way by taking into account various factors that relate to practical or realistic issues. However, a bad or unrealistic KPI will surely give rise to the issue of occupational stress as it will give rise to many negative effects. The time has come for all organization to take the matter seriously and start to develop a more realistic KPI.

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