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## An Examination of the Performance Management System in the Malaysian Health and Beauty Private Sector: A Qualitative Case Study



**Abstract:** - This paper investigates the relationship between people, processes, and performance management systems in Malaysia's health and beauty industry. It emphasizes the role of the retail sector in addressing issues and offers insights to policymakers, business professionals, and academics. The study underscores the importance of better understanding the retail industry's interactions and potential threats. Research on performance management systems in Malaysia indicates that, although they can fulfil objectives and enhance authority proficiency, there is insufficient clarity regarding effective practices. Research has concentrated on the execution of performance management systems, the significance of training and development, and the influence of various motivational factors such as feedback, leadership style, and employee self-efficacy. Nevertheless, the research is deficient in its comprehensive understanding of the influence of motivation on employees, executive management support, performance evaluation, organizational culture, and organizational disposition. Therefore, additional research is required to enhance comprehension and effective application of these systems.

**Keywords:** *comprehension*, management, professionals, authority, proficiency

### 1. INTRODUCTION

Performance management system is a corporate tool used by managers to assess employee performance and create an environment where employees can perform at their best. It includes time, improvement, scope, objectives, checking, productivity, needs, and performance appraisals. Performance management systems are crucial for organizations to support performance, address well-being, and manage stress in the changing workplace. Strengthening, empowerment, and recognition can improve worker performance and organizational outcomes in the Health and Beauty industry. The retail climate, especially in the Health and Beauty industry, constantly changes with new schedules and strategies. Top management's requests spiral, leading to confusion among workers. Customers are the priority, and responsibility increases due to labor supply cuts and reduced working hours. Organizational culture and commitment significantly contribute to organizational success, as employees' satisfaction and support from managers increase their motivation and contextual performance. Motivation, derived from the Latin word "movere," is an inward power that drives individuals to achieve their needs. Reward management systems consider all aspects of remuneration, focusing on employee commitment, motivation, and development. Theory like Maslow's Hierarchy of Needs (1954) contributes to understanding motivation. Performance management systems in organizations motivate employees, foster a culture, provide training, support top management, and maintain a hierarchical structure, with human resource practices determining advancement and termination. However, there is a lack of clarity on what makes a performance management system effective. In the job market, companies like General Electric and Capital One have implemented performance management systems to force out low performers, leading to an increase in industrial relations cases. The functioning populace is additionally mindful of the utilization of the performance management system namely through the performance appraisal, to efficiently wipe out lower-performing employees from the organization (Bartol, 2023). This has resulted in poor performance due to harsh working conditions and burnout, particularly during COVID-19, causing significant retrenchment and legal issues in industrial relations courts. Performance management systems assist employers and managers in setting goals and tracking progress using shared tools like performance appraisals. These tools identify risks, analyze underused sources, and reward high-performing employees.

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Frequent performance evaluations boost employee motivation. A precise and unprejudiced performance appraisal system ranking positively impacts work performance and motivation. Companies can mitigate the pandemic's effects by implementing multi-stage emergency management, operational continuity of human assets, and transparent communication. Smaller organizations may need to cut expenses, borrow, or declare bankruptcy, while larger companies have more reserves and better government policies. Performance management in the health and beauty sector is crucial during challenging times, and obsolete systems need to be replaced. As detailed by The Star, on Friday Sixteenth July 2021, more than 50,000 retail workforces have ended. 97 percent of the retail respondents answered that they just have 4.5 months of cash flow to support their business because of the tremendous drop in sales. The New Straits Times, Twenty-Second June 2021, revealed that 30 percent of shops at shopping centres have shut down and 300 thousand workers lost their jobs over the past 16 months ([www.nst.com.my](http://www.nst.com.my)). Research on performance management systems in Malaysia has shown gaps in knowledge and applications. Studies have focused on the mandated implementation of performance management systems, the role of training and development on employee performance, and the impact of different motivation factors like feedback, authority style, and employee confidence. Studies have explored the impact of motivation on retail sector employees, top management support for key performance indicators, performance appraisal, human resource practices, organizational culture, and organizational attitude.

## 2. RESEARCH PROBLEMS

This research endeavours to examine the influence of performance management on human resources and industrial relations within the health and beauty sector, with a particular focus on Malaysia's retail economy. The researcher, possessing 33 years of retail experience, will employ Maslow's Hierarchy of Needs Theory (1954), McClelland's High Achievers Theory (1961), and Adams' Equity Theory (1965) to tackle relevant issues. Performance management plays a crucial role in inspiring the retail workforce to realise their utmost capabilities and fulfil organisational goals and profitability. Recent upheavals have led retailers to contemplate the possibility of reducing their employee headcount or even eliminating their workforce. The absence of studies on performance management systems within the Malaysian health and beauty private sector underscores a significant research gap. This research delves into the significance of performance appraisal in enhancing employee motivation, the complexities of organisational paradoxes, and the influence of functional interdependency on employee satisfaction. The study seeks to fill the recognised research gap and enhance comprehension of performance management within the health and beauty industry.

## 3. LITERATURE REVIEW

For example, the organization's most basic job is to support and get execution and proficiency through efficiency and strong rein of the organization. The predominance of a viable human asset is commensurate to the achievement substance of any organization (Sami, 2021). The inspiration and execution of the workers are fundamental variables of the outcome of any organization and assuming the strengthening, empowerment, and recognition is increased, so too will the workers' accomplishment and the organizational performance (Indiyati & Ghina, 2021). The customers are usually the main priority, and the workers are supposed to keep a decent affinity with the customers despite the rising weight of the responsibility. Moreover, the responsibility is expanding because of the cut in labour supply and diminished hours distributed to the workers per worked each week (Gupta et al., 2023). Further, the goals typically incorporate inspiring execution of its labour force, assisting them with arriving at their most noteworthy potential, creating a performance culture and attitude, having adequate training and development programs, and the support of top management to facilitate the smooth decision-making from top to bottom, the appropriate hierarchical disposition of its workers, human asset refreshed practices and strategies, human resource updated practices and policies and industrial relations, and the proper organizational attitude of its employees. Adamu et al., (2023) explored and found out that when there is intense demand, the workers suffer under outrageous working conditions and burnout, which results in poor performance of the workers. The retrenchment of poor performers especially during Covid 19, has been enormous and the industrial relations courts have been immersed with unfair dismissal, questions in working circumstances, and aggregate understanding (Malaysianlawyer, 2021 <http://themalaysianlawyer.com>). In other words, some modest estimated organizations must cut expenses, take on extra debt, borrow from the banks, or declare bankruptcy. The bigger companies have more reserves to fall back on and most government policies will incline towards the bigger companies when it comes to obtaining help (Bartik et al., 2020).

## 4. METHODOLOGY

This section discusses research methodology, including data collection, interview techniques, validity, reliability, question categories, and ethical considerations. The qualitative research methodology focuses on understanding people's perspectives, emotions, and behavior. The study uses a single case study design, using techniques like

semi-structured and unstructured interviews, documentary reviews, direct observation, and primary data from the author. The chapter also emphasizes the importance of ethical considerations and coded thematic for qualitative analysis.

The study uses Maslow's Theory (1954) and Robert Yin's (2003) qualitative case study to explore the impact of performance management in the health and beauty sector. Thirty (30) health and beauty respondents will participate in a face-to-face interview and the research questions are:

RQ1: What is the perception of managers and non-managerial employees on the concept of performance management in the health and beauty private sector in Malaysia?

RQ2: Why the performance management is important to improve industrial harmony among the managers and non-managerial employees in the health and beauty private sectors in Malaysia?

RQ3: How can the performance appraisal tool enhance the performance of the managers and non-managerial employees in the health and beauty private sector in Malaysia?

RQ4: Any other factors apart from performance management that can impact the performance of managers and non-managerial employees in the health and beauty private sector in Malaysia?

The research objectives are:

RO1: To discuss the perception of the managers and non-managerial employees on the concept of performance management in the health and beauty private sector in Malaysia.

RO2: To examine why performance management can improve industrial harmony among the managers and non-managerial employees in the health and beauty private sector in Malaysia.

RO3: To analyse how the strategies of the performance appraisal tool can enhance the performance of managers and non-managerial employees in the health and beauty private sector in Malaysia.

RO4: To discuss other factors apart from performance management that can impact the performance of managers and non-managerial employees in the health and beauty private sector in Malaysia.

A qualitative case study is an effective research method that focuses on a single item and develops conclusions based on feedback and characteristics. However, it requires a small sample size to gather sufficient data for analysis. Data collecting is challenging, requiring high linguistic proficiency and direct interaction with participants. The advantages and disadvantages of case studies can help evaluate the efficacy of this research technique. Data collection methods include direct observation or measurement, face-to-face interviews, focus groups, and qualitative methodologies like coded theme analysis. The researcher can also use participant observation, archival research, field studies, thematic analysis, oral histories, and community attitudes to understand the subjects' daily lives. Systematic sampling maintains randomness while selecting a population at a defined interval. Data, consisting of numbers, photos, or records, is collected for analysis and decision-making. The researcher will wear appropriate attire and obtain authorization from the University of Cyberjaya before conducting interviews at retail stores. Participants will be informed of the study's objective, scope, and purpose, and their informed consent will be recorded on a survey questionnaire. Privacy will be safeguarded, and data will be stored in password-protected computer files. Participants will be aware of how to voice concerns or file complaints. The researcher will also get their consent verbally for interviews done over the phone, the internet, Zoom, and video call. The online laddering interview will be more relaxed and friendly for the participant. The recorded audio will be kept in computer files that require a password to access. The password will only be accessible to approved researchers.

## 5. ANALYSIS

As of to date, 30 respondents have been interviewed in the health and beauty case study group which consists of 12 managers and 18 non-managers (supervisors) of an international company. The case study utilizes the coded thematic analysis and highlights challenges, success factors, context, and implications for health and beauty sector performance improvement (PM) in organizations. However, three contextual factors are identified from the 30 respondents feedback and preliminary suggestions are being drawn for improvement. This study explores the implementation of performance management (PM) in health and beauty public organizations, providing a comprehensive view of its experiences and context, and indicating future research directions for a new model of the performance management system approach. The research, based on the case study of the health and beauty sector in the organizations, may not be universally applicable to other organizations in the same country.

## 6. FINDINGS

Most respondents felt that the company's performance management system was not caring, with too many responsibilities and a rigid system. They also reported being tired of late emails and a lack of clear job descriptions. They also wished for more manpower and benefits to help them multitask. The study suggests that

modernization of performance management is needed to align with contemporary developments. Additionally, they noted that both managers and non-managerial employees were not receiving adequate support from upper management. To improve efficiency, the current management system should be enhanced, with clear job descriptions and more organized marketing promotions. Strategic agility can override rigidity, leading to a better and faster career path for employees.

The performance management system at XYZ company has been criticized for its fairness, lack of transparency, and lack of proper learning and coaching guidance. Some employees feel that the system is unfair, with unclear performance reviews and salary cuts. To address these issues, managers should ensure clear communication and address workplace dignity through strategic planning. Training, coaching, mentorship, and leadership can enhance employees' capabilities, as demonstrated by the Big C program. However, the current payment by performance system may be viewed as unfair by senior managers. Employee dissatisfaction can be attributed to factors such as performance and remuneration, which can contribute to individual dissatisfaction. The company's current performance system, which is payment by performance, may not be effective in addressing these issues. Additionally, employees desire financial rewards to motivate them to achieve their objectives, and XYZ operates over 600 outlets, which could negatively impact the company's performance if employees are dissatisfied with the incentive programs. Axonify's impact on employees is uncertain, with machine learning algorithms assisting in performance exploration. Its exclusivity to new staff may create skill gaps. However, Axonify is a key performance indicator in performance management systems, influencing strategy development and rewards, benefits, and penalties based on performance.

The study focuses on the challenges managers and non-managerial employees face in a company with inadequate staffing. The respondents expressed concerns about missing learning opportunities and the impact on performance. They suggested that future online training could include pre-recorded sessions for better knowledge retention. Both managers and non-managerial employees have not received their allowances, indicating an unfair reward system. They also expressed dissatisfaction with the allocation of slow-moving inventory and the need for more control over warehouse orders. The study suggests that the warehouse and supply chain could be improved to enhance operations. The respondents also expressed concerns about the lack of communication among managers and industrial harmony. They believe employees' motivation is primarily financial, which could lead to reduced productivity. The study concludes that addressing these challenges is crucial for fostering a more harmonious work environment and ensuring employee motivation.

Feedback suggests that KPI Axonify should be expanded to include a wider range of topics for performance appraisals. Personal bias in the appraisal process is a concern, and incorporating 'experience biases' could improve the system. Employees prefer a more diverse representation in split-level outlets, as it increases stock transportation effort and reduces sales experience. A single official leader is preferred to avoid excessive pressure on staff. Consecutive promotions can cause confusion and dissatisfaction among employees. Emotional touchpoints in marketing strategies can impact employee satisfaction and satisfaction. The promotion process can be complex and time-consuming, leading to customer disputes and potential negative consequences for managers. Ethics violations can cause chaos, resource wastage, frustration, and work disruption. The complexity of multi-layered promotions can lead to customer disputes and potentially negative consequences for managers. The need for re-establishment can cause mental anxiety among managers and non-managerial employees, ultimately affecting marketing strategies.

## 7. DISCUSSIONS OF THE FINDINGS

According to the research, the majority of participants acknowledged that the current workforce crisis was impacting the company (Sahu & Arrawatia, 2024; Dharmawan et al., 2024) and that it was also a significant obstacle for them, leading to stress, burnout, and decreased performance on an individual level. Concerns about the capacity and resourcefulness of human resources in attracting top talent were also voiced by the respondents. Along with them, they thought that higher-ups needed to be open to new ideas and innovative to improve communication, HR practices, store operations, training and development, and compensation and benefits (Gao, 2023) among other areas. Respondents also reported feeling their immediate supervisor was unconcerned with their well-being, having a lot on their plates, and dealing with worsening marketing promotional setups. According to some respondents, upper management got their facts mixed up and gave out confusing instructions, which made things worse (Shang et al., 2024). According to their feedback, there are both good and bad aspects of the performance management system that could be enhanced. For instance, instead of handing out the March bonus to a select few, it should be distributed to all full-time employees. Promoting and providing smooth regulations for the working relationship between employers and employees is the goal of industrial harmony. Reduced staffing levels, more paperwork in the background, increased pressure on employees, and difficulties in communicating

all contributed to a tense working relationship (Vuori et al., 2023). For instance, employees left due to dissatisfaction, generational differences in expectations, and conflicts.

## 8. CONCLUSION

Performance management is crucial in organizations where managers assess employees' accomplishments and efficiency. It offers a continuous alternative to traditional appraisal systems, providing multiple opportunities for managers to correct team members.

It supports goal setting, motivation, transparency, staff improvement, and leadership development. Goal setting is made easier through SMART goals, motivation is increased through regular meetings, and transparency is promoted through shared organizational goals. Continuous performance management improves staff performance, enables self-management, and helps identify top performers. It also aids leaders in developing leadership skills by reinforcing accountability among team members. The research paper aims to provide strategies from the grassroots workforce for the health and beauty sector to enhance performance management and efficiency, potentially serving as a guideline and new performance appraisal tool model.

The study reveals that managers and non-managerial employees at XYZ company have a limited understanding of performance management and its impact on their work experiences. They are perplexed by the lack of a defined career trajectory, a manpower shortage, and an escalating workload. The integration of Axonify as a KPI in performance evaluations is affected by its late integration and unengaging content. The study also highlights a communication gap between management and employees regarding promotions, training programs, and stock allocation. The findings suggest that while there are hopes and aspirations, realizing these outcomes appears improbable.

The study identifies four areas for future research on performance management systems in Malaysia. The first is the widening gap between marketing management and store operations people. The marketing team could use email surveys or surveys to gather feedback and cooperation from floor people. The second area is the importance of performance appraisals as a tool for managing employee attitudes and perspectives. The third area is the inefficiency of the provided platforms, such as VoiceCount, which lacks feedback and follow-up. The fourth area is industrial harmony, which involves a healthy, cooperative working relationship between employers and employees. The health and beauty private sector, which relies on employees' lives, needs to be studied to ensure business continuity and maintain industrial harmony.

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