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**Contextual barriers for convergence to performance management best practices: Evidence from Pakistan**

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## **Contextual barriers for convergence to performance management best practices: Evidence from Pakistan**

### **Abstract**

This research examines the convergence divergence debate through the lens of performance management systems (PMS). Responding to calls for more contextual research on the Asia-pacific region and more specifically to South Asia, this study examines how PMS in Pakistani banks, despite seemingly being consistent with Western best practices, diverge significantly in terms of how they actually manifest. The study employs a qualitative research design with interviews from 65 employees and HR managers of five banks. Findings reveal that despite employing modern tools such as the forced ranking and 360 degree evaluation systems, there is a huge gap between intended and implemented PM policies. This can largely be explained by the social and cultural context of Pakistan as well as the unique legacy of nationalization of Pakistani banks. The paper makes a contribution to the convergence divergence literature by making a strong case for the prevalence of macro convergence in terms of best practices being adopted but micro divergence in terms of how they are actually implemented.

Key words: Performance management, convergence, divergence, Pakistan, HRM

(6987 Words)

## **Introduction**

After the publication of Huselid's (1995) seminal work on high performance work practices and the proliferation of standard American and British texts and curriculum for human resource management, there was an expectation that the universalist thesis would prevail (Clinton & Guest, 2013). The universalist perspective maintained that management practices would start to appear similar to one another owing to the free flow of communication, ideas and capital between countries due to globalization. In developing countries like Pakistan, the business curriculum which was patterned after the American MBA programmes played an important part in designing HR policies (Khilji, 2003). These developments ensured that management ideas were flowing to generations of managers in emerging markets and developing countries. However, despite the apparent proliferation of Western management ideas, we have scarce knowledge of the nature of HR practices that result when western HRM prescriptions interact with local contexts and cultures (Budhwar, Varma & Patel, 2016). In order for HR to be playing the role of strategic partner (Ulrich, 1998) and contributing to the bottom line of organizations, it is important to understand if these versions of HR systems in non-Western settings are working and contributing to organizational success (Budhwar et al., 2016). This is also important for ensuring employee well-being in organizations (Guest, 2017). In other words, the critical issue for scholars is not just to determine if convergence to common best practices is taking place but also what degree of convergence is taking place and what it looks like.

Convergence refers to the idea that due to the 'flattening of the world' (Friedman, 2005), technology (including management technology) is diffusing around the world and as practices derived from the Western management paradigm prove to be effective, they are increasingly adopted by other countries and regions (Brewster, Mayrhofer, & Cooke, 2015). Thus, management models including those of HRM would tend to look like Western best practices as these ideas are disseminated through MNCs, business schools, consultants and general trade. On the other hand, the divergence perspective states that indigenous socio-cultural norms would prevent this convergence from taking place. In fact, these practices would look very different (or diverge) from western best practices (Brewster et al., 2015). This debate requires considerable attention in HR literature as the vast diversity of non-Western settings and developing countries are likely to reveal divergent scripts of how this convergence is taking place, if at all (Budhwar et al., 2016).

This study focusses on performance management system and examines the factors that help to explain why convergence to best practices of performance management is not taking place in its entirety for Pakistani banks. By examining employee perceptions regarding the form and application of PMS best practices, as well as HR manager accounts, the research points towards the idea that convergence to PMS best practices may be taking place in form but not in substance. Put differently, the basic idea, model and types of performance management systems seems to have reached Pakistani commercial banks but they display various levels of implementation and effectiveness, forwarding the idea that in Asian societies at best 'macro convergence' is taking place (Gu & Nolan, 2017).

The study make a contribution to the PMS literature by presenting rich accounts of how these systems are perceived and used in an underrepresented settings giving further insights in relatively underexplored settings such as Pakistan, which is lacking in literature (Budhwar et al., 2016).

It also contributes to enriching the convergence divergence debate, highlighting a particular case of micro divergence where the tweaks, distortions and changes in the best practices of PMS, though, are reflecting the contextual reality of this particular setting but at the same time are leading to negative employee experiences with the system. Thus, pointing to the idea that local adaptability might not necessarily a positive development. (Chiang, Lemański, & Birtch, 2017).

The rest of the paper is as follows. First, it presents a brief overview of the concept and importance of performance management systems. Then it examines PMS through the lens of the convergence divergence debate. Next, the methodology and analysis is presented. Afterwards the interview findings are shown. The paper concludes with the discussion and ideas for further research.

### **The ubiquitous world of performance management systems**

Despite the almost universal application and usage of performance management systems in industrialized societies, relatively little is known about how and why exactly are these instruments used (Capelli & Conyon, 2018). There is evidence that performance management systems lead to better individual performance but honing in on how exactly this performance is measured has been problematic, as most PMS combine both subjective and objective measures of performance. Dan Hartog et al., 2004 define performance management as the function that ‘deals with the challenge organizations face in defining, measuring, and stimulating employee performance with the ultimate goal of improving organizational performance’ (pp. 556).

Reviews of the PMS literature reveal various best practices that have been popularized for this sub-function of HRM (Denisi & Smith, 2014; Hartog et al., 2014) or what an ideal PMS looks like. First, performance management is a process rather than an event. Most organizations focus on the appraisal form and the appraisal meeting itself but do not always treat it as a holistic activity which combines different elements of the HR system such as training and compensation nor do they link it with organizational strategy. Second, although the HR department runs the process, it is primarily driven by the line management. Thus, leadership and communication are key anchors for PMS to work (Boselie, Farndale, & Paauwe, 2013). Third, effective performance management systems link the strategic objectives of the organization to the departmental and individual objectives. Fourth, the performance management system should be designed in a way that it is fair and transparent and ensures procedural and distributive justice. A corollary to the fourth point is that it should be able to differentiate individuals based on performance and thus objectively and rationally evaluate performance.

In order to meet these objectives, organizations came up with more innovative ways of assessing performance. The most popular of these have been forced ranking or forced distribution systems and 360 performance management systems. Forced ranking systems or ‘rank and yank’ was an idea popularized by General Electric under the tough leadership

of then CEO, Jack Welch. Forced ranking system entails assigning a relative ranking and grade to employees in comparison to his or her peer group. In other words, the highest, middle and lowest grades are assigned to a predetermined proportion of employees, despite their absolute grades with the lowest band often being dismissed in the more draconian versions of the performance management system (Hazels & Sasse, 2008). In order to make the performance management system more holistic the 360 performance appraisal system was proposed. In its full form employees' performance is assessed by their superiors as well as subordinates and peers. In the more expansive version of this, even customer feedback is attached to appraisal (Campion et al., 2015).

Some variant of the idealized system with various upgrades such as online appraisal systems and intranet based evidence (such as sales figure being automatically inserted into the form) emerged as industry best practices. Also, in the newer versions of PMS, there is more emphasis on the development of employees and not just on rating them (Boselie et al., 2012).

Research on PMS have focused more on micro level variables such as individual performance, effectiveness of rating scales and on Western settings (Denisi & Smith, 2014). Although, there is increasing interest in studying PMS in non-Western and developing countries, much more needs to be done to understand the cultural and institutional underpinnings of these settings that can potentially impact PMS (Varma, Patel, & Norlander, 2018).

### **The convergence and divergence debate and PMS**

The convergence perspective states that as societies become more intertwined due to fluid communication, increase in trade, and influx of multinational corporations and as the world gets flatter- to use Friedman's (2005) phrase- they will increasingly adopt similar ways of organizing, managing and shaping their organizational systems, including HRM (Al Ariss & Sidani, 2016; Brewster et al., 2015). The divergence perspective maintains that because of the differences in employment systems, national regimes, country culture, and a high prevalence of the informal sector in developing countries, the convergence to best practices may not be taking place in a straightforward fashion (Al Ariss & Sidani, 2016). At the same time, as a middle of the road approach, some scholars are of the view the crossvergence may be taking place. Here firms negotiate with the local environmental factors and modify HRM practices to best suit the conditions prevalent in these diverse settings. Despite the mixed opinion about the type and extent of convergence taking place, there is agreement that performance management systems have penetrated formal organizations in most countries (Varma et al., 2018).

This could be attributed to both the proliferation of MNCs and the flow of development funds to emerging economies. Since the 1970's, as a precondition for availing funding from international agencies such as the IMF, developing countries were required to undertake structural adjustment policies. One method of this adjustment was privatization and/or reform of state units in developing countries. The most definitive feature of this move towards a more efficient public sector has been the introduction of market-based and performance oriented appraisal systems. PMS, at least in theory, shifted from being seniority-based to being performance-based owing to the efficiency and lean

requirements of these newly privatized entities (Deifenbach, 2009). This was the first wave of mass diffusion of PMS best practices around the world.

In addition, the diffusion of HR policies took place horizontally through multinational companies entering developing countries. With the pressure of peer to peer isomorphism, these best practices were not only accepted by MNC subsidiaries but also domestic companies (Boon et al., 2009). The Pakistani banking industry was impacted by both these influences. Most of the hitherto public banks were privatized and these and other new banks also learnt latest HR practices through the process of horizontal diffusion from MNC banks (Khilji, 2003).

However, there are various examples of how the basic essence of these practices did not become part of PMS in many countries. We have limited research to suggest if these new performance management systems actually took hold beyond MNCs and their affiliated organizations or large privatized units (many state units were sold to MNCs). This was owing to both the institutional and cultural realities of individual countries. These problems tend to manifest in the implementation of HR policies where local cultures can overrule best practices (Al Ariss & Sidani, 2016). We can see this trend in different regions.

For example, in Turkey, where there has been a lot of influence of the EU, 92 percent of large and medium sized organizations use performance appraisal systems based on the Western best practices. However, only a fraction of them use employee inputs and the determination of rewards is based largely on non-performance based factors, such as seniority and loyalty (Aycan & Yavuz, 2008).

Similarly, evidence from Saudi Arabia suggests that western PMS based on the ideals of objectivity and rationality seem to be clashing with the Saudi culture. More specifically, *wasta* or family connections seem to be an important factor in determining the outcome of appraisals. Although, there is some indication that employees want to move towards a merit based system focused on individual performance (Harbi, Thursfield & Bright, 2017).

A study of private and state owned banks in China highlighted the fact that the implementation of performance appraisal was heavily influenced by the *guanxi* or personal relationships and this was more prevalent in state owned enterprises than in private enterprises (Gu & Nolan, 2018).

The above mentioned examples demonstrate that there is a large disparity between what these best practices are supposed to look like and how they actually function in the midst of contextual realities.

Despite an upsurge in the interest in HRM research in non-Western settings, the convergence-divergence debate is still underrepresented for Asian countries (Al Ariss & Sidani, 2016, Budhwar et al., 2016) and HRM issues from the Indian subcontinent, especially from Pakistan has been underrepresented in literature. (Budhwar & Varma, 2012). Furthermore, even though the implementation of performance management has been studied relatively extensively, there is need for more in-depth research for developing countries and more specifically for research on local organizations in these countries (Boselie, et al., 2012). This because when the implementation of performance

management systems takes place across national boundaries, it is not necessary that the same results or outcomes would be manifested in different settings. For example, there is likely to be a different reception for employee participation practices based on the whether the country has low or high power distance. (Denisi & Smith, 2014). Thus, there is need to explore how Western best practices play out in non-Western settings. Here not only the culture is an important explanatory element but also the sectoral peculiarity of the industry being studied (Datta, Guthrie, & Wright, 2006).

In addition to this performance management research has largely focused on the micro level of performance management, including emphasis on individual performance and assessment of appraisal system. Less attention has been paid to the link between individual performance and unit level performance, (Denisi & Smith, 2014). Moreover, most of the research has focused on the managerial or efficiency aspects of PMS. This strand of research also tends to downplay the importance of socio cultural and institutional aspects of PMS effectiveness (Denisi & Smith) and also what this means for employee well-being. (Guest, 2017). Mainstream HR literature has focused on organizational efficiency as the main outcome of research endeavors and employ well-being as a secondary concern (Guest, 2017). It can be argued that few things are more important for an employee than seeing his or her efforts being fairly assessed and rewarded. Since employees are the most important stakeholders of PMS, it is important to keep them in the forefront of research (Guest, 2011).

Based on the above discussion, the main research question of the paper is to examine how the cultural and institutional norms of a particular setting and industry impact PMS best practices from the perspective of employees using the system. In other words what does the divergence (or convergence) look like for PMS for banks in Pakistan as assessed by employees?

## **Methodology**

HRM literature has predominantly been quantitative and positivist in its orientation (Fleetwood & Hesketh, 2010). Indeed, a large body of work assessing the impact of HR policies on organizational performance has tried to establish statistically relevant connections between the two variables. However, there is an increasing realization that human resource management research must embrace more in-depth qualitative methodologies in order to understand the nuanced connections and relationship of HRM and its context (Fleetwood & Hesketh, 2010; Paauwe, 2009). Similarly, there is a recognition of the fact that employee perceptions are a key to understanding how HR policies are successfully implemented (Wright & Nishii, 2013).

Following this line of reasoning, this research is based on in-depth interviews with HR/senior managers and employees of commercial banks in Pakistan. The data collection formed a part of a larger study which examined the employee perceptions of HR policies. This study focuses on the performance management aspects.

Pakistan is an appropriate setting to study the convergence of HR policies because of its sectoral and ethnic diversity that manifests itself in the business culture. The corporate culture of Pakistan is shaped by different historical and cultural influences. The organizational culture is influenced by a mix of Islamic, South Asian, and Anglo-



American styles of management found in multinational firms (Ahmad & Allen, 2015; Khilji, 2003). However, a significant proportion of employment is generated by family-run businesses which are often characterized by a patriarchal style of management and nepotism. There is also less eagerness to depend on professional management in such organizations (Saher & Mayrhofer, 2014). In addition, high power distance and uncertainty avoidance are often observed in Pakistani organizations (Ahmad & Allen, 2015). Therefore, the diversity of the cultural effects makes Pakistan an interesting case to study. Moreover, the management style in Pakistan exemplifies the tension between old, bureaucratic modes of management and the new performance-based styles of management (Khilji, 2004). These effects are likely to manifest in the implementation of HR systems, making this setting particularly appealing for researchers. The banking sector in Pakistan is particularly interesting as formal HR practices have existed in most banking firms since the last 20 years and these practices are widespread (Ahmad & Allen, 2015), and until the 1990s most of the banking sector was under state control (Khilji, 2003). Thus, it makes it an ideal sector to study not just the prevalence but also the implementation of HRM practices.

The study is focused on young professionals as they form a large portion of the workforce in Pakistan and also because these highly educated professionals (almost all of them from business schools with Anglo American curriculum) are not only aware of the best practices in HR but they also have a heightened expectations from employers. Thus, they are in a unique position to be able to compare the actual policies with what they are supposed to be. The questions relevant to performance management in the interview protocol focused on the format of the system, its link to reward, the employees' recent experiences with them as well their perceptions about it. The HR manager accounts focused on what the extant system looks like and challenges with its implementation. In total there were 11 interviews from HR professionals and 54 from young professionals. The five banks represent a cross section of the banking sector in Pakistan. Two banks are large banks, one under public control and one recently privatized. One of the banks is an Islamic bank and two further banks are medium sized and under private ownership and are relatively new. These banks provide a diverse mix of settings to study the phenomenon.

Our sampling was primarily based on snowball and convenience sampling. The recruitment of participants was done through social media and participants were asked to suggest other professionals interested in the research. For two of these banks, the participants were suggested by the HR or a senior manager.

The interviews were 45-60 minute in duration and were recorded and transcribed. As mentioned earlier, this study is part of a larger study and thus the interview did not only focus on PMS issues.

In terms of the analysis of the data, roughly we followed the step-wise method of conducting Braun and Clarke's (2006) thematic analysis as explicated by Nowell, Norris, White, & Moules (2017). As the data was part of a larger study, initially all the interview transcripts was entered into NVIVO CAQDAS software. In the first stage we focused on the NVIVO nodes related to performance management as well as the query research within our interview transcripts of mentions of either performance management or HRM

policies related to it such as training or career development. The second and third stage for us overlapped as we developed an initial set of codes based on the literature. We were interested in mapping the best practices related to PMS and comparing them with the young professional accounts. Thus, we had initial codes such as, ‘fairness’, ‘linked to rewards’, ‘strategically oriented’, etc., many of which were retained as the major themes that we report in the findings below. We were mindful of the fact that having a priori codes might have prevented us from discovering other elements of the data (Nowell, et al., 2017); however, because of the focus of our research question, we were primarily interested in themes that would have told us more about the PMS or its component parts. Thus, having an initial template was helpful in structuring our findings (King, 2012).

## **Findings**

Our analysis of the interviews with HR/senior management indicated the prevalence of a functioning PMS and best practices, confirming previous research on the banking sector in Pakistan (Ahmad & Allen, 2015; Khilji, 2003). These best practices of PMS were prevalent on paper in varying degrees with which the employee perceptions were matched. Each of the five banks had a forced distribution system of ranking employees, all of the banks required appraisal reviews and objective setting and were linked to rewards, training and promotions. Two of the banks had 360 evaluation systems and one of them used the balanced score card approach in addition to the forced distribution system. In this paper we focus on the voices of young professionals who expounded on the various contextual factors that impeded the effectiveness of the PMS. The themes presented below along with employee responses indicate how the best practices are not being implemented as intended. It is interesting to note that many of the implementation issues are common to developing contexts. However the unique setting of the banking sector reveal some nuanced understanding of the convergence-divergence process.

### *Fairness and transparency*

The participants were particularly sensitive to fairness and transparency issues. The PMS does not seem to take into account the multiple sources of information that can be incorporated in the appraisal nor does it take into account the complex nature of work. As a participant shared: (Bank D8)

First of all I will fix this appraisal system. The bell curve will be out of it and instead of bell curve it would be pure performance based and what my work says about me rather than what my line manager has to say about me. For example I deal in five departments so I am a line manager obviously so one person’s opinion shouldn’t be the final call for you. For example you have personal grudges with me so your rating would never be fair for me. So it should be like 360 degree not only the line manager’s opinion should count but other departments in which I deal with.

And (Bank C1)

It’s very formal. Once a year. I am happy with it. Sometimes that does happen, it is not as transparent as it should be. According to the books it’s perfect.

There are a few parts of policies which we don't like and people even complain about it.

*For example?*

We have bell curve. It's ridiculous. You have to give a zero to somebody because you have to give five to somebody else. That does not make sense to me. HR people may find it fair, I don't. Does somebody have to be zero? I don't get it. Secondly favoritism is there too because there are certain elements which only your boss could rate and the range is quite extensive. Like if my boss likes me and doesn't like somebody else he will just withdraw his favours on him.

### *Open communication*

The best practice of performance management entails a two way open communication and a proper appraisal meeting in which the targets are discussed and negotiated (Boselie et al., 2012). However, high power distance and deference to authority in the subcontinent, especially in Pakistan (Budhwar & Varma, 2012), tends to prevent this crucial step to take place as indicated by the following quote (Bank D9).

[The appraisal] outcome was announced in February along with the bonus. Everybody got their bonus but I didn't. I thought there is some technical fault. [I thought maybe] it will come the next day or the next. When it didn't, I thought the bonus will be added in salary. But it didn't make sense that my bonus would come with my salary when others have received theirs. I approached my colleagues. Then I sent an email to line manager asking if there was any specific reason that I hadn't received my bonus. But no one replied to my email. Well, then I got a call from HR saying that your manager has given you a rating of 'D'. 'D' is equal to fair and those who are fair haven't been given any bonus. What my complaint was that no one discussed anything with me nor replied to my email.

It is also important to understand that performance management systems are negotiated constructs. In other words the users of the system, i.e. the employee participation also determines how well these best practices function the way they were designed (Boselie et al., 2012). The high power distance in Pakistan (Hofstede, 2001) may mean the crucial step of employee participation might not be followed through as highlighted by the following statement (Bank E5)

To some extent [we have an appraisal review meeting] but they tell you that if you want to make any comments or if you want to raise an argument you can but I don't think it will have any impact on the results. It's [appraisal form] kept in front of you, you can have an argument but it is rare that any change would take place.

### *Objective and rational criteria and evidence of performance*

One of the key elements of a good performance management system is to combine subjective and objective measures of performance and use evidence-based data to make decision (Capelli & Conyon, 2018). There is still a strong element of connection and

favoritism or what is colloquially known as '*sifarish*' as highlighted by the following (Bank C3)

It doesn't exist. My appraisal has happened though I have still not done my appraisal form. I will be submitting it in June when HR will call and say that the audit will object. So it doesn't exist. It's only about whom your boss favors.

*Did you have one before that?*

Yes, the same story and it's not just with me, other places as well. I have a small department but favoritism is there. For example, our department was given a target of cash balance to be achieved. I saved my bank 210 million [rupees]. That was my achievement. It was all over my boss and seniors' appraisal but not mine.

Another employee was given an 'E' grade because she was on a maternity leave. However her response suggests that the bell curve is fitted on a predetermined criteria, rather than on performance metrics (Bank A1):

My immediate boss gave me 'C'. I agreed to that, and it was fair enough as my maternity leave was for this year. But they said they have to apply the bell curve. So they gave an 'E' to the ones who got it last year too, including me. This is a general norm. For four years I have prepared appraisals for the operations group and I am told that those who are about to retire should be given a 'D' and those who are working and are going to work the whole year they should be given a 'B'. But then the pension of the ones getting retired depends on their basic salary. So at the end of day they also suffer.

#### *Strategically oriented performance management systems*

Another feature of PMS (and other sub-functions of HR) to be considered a high performance work practice is that they have to be efficient and strategically oriented (Brockbank, 1999; Denisi & Smith, 2014). However, the lack of development of HR departments could be attributed to the fact that the HR function in Pakistan is in its infancy (Budhwar & Varma, 2012) and perhaps has not even graduated to the role of an administrative expert (Ulrich, 1998). Thus, the level of development of the HR function itself could be why convergence to best practices is not taking place according to Bank B1:

The second impression is that our HR is little lax. They delayed appraisals. They said they would start in March but they didn't. They started in April. People were hoping for their bonuses and promotions. The appraisal got finalized but they weren't able to disburse the money. Our money market guy put this money on a fixed deposit account for interest earnings. The money we invested in the market. He was like, 'you guys aren't going to get these bonuses yet. Since we are the one's investing the money we get to know that now we will get the bonuses on the 24th of next month.

So, we see evidence of short term orientation of the HR department.

### *Cultural and sectoral fit*

Another reason for negative perceptions is that some of the best practices cannot overcome the cultural momentum of the organization or the country. In this public bank the bell curve retains the seniority flavor as indicated by a participant (Bank A4)

The people are (put in the pool) from different levels and that's the worst part. You cannot rate a senior vice president with a 'C' grade and assistant vice president with an 'A' grade. You just can't do that. The deputy treasurer is also being judged on the same grounds as the treasurer. It cannot happen that the deputy treasurer gets a 'C' grade and people reporting to him directly or indirectly get an 'A' grade."

In Pakistan, similar to other emerging markets where there is a legacy of privatization, and two distinct employee categories exist. The new and the old. The performance oriented systems and the attending rewards are more focused on the younger lot as Bank B2 states:

He [older employee] is doing just what he is supposed to do. The bare minimum. 'If I put 50 hours I will get a C, if I put 8 hours I will get a C so why should I not put 8 hours and go home?' I think the banks reciprocity or rewards or giving to employees who has been there for years is a bit distorted. The mechanism sounds more like a factory- old is not gold any more. Old is more like mold. They want new people. I don't know what the mechanism is. You hear at a conference ... that we have to hire young professionals. They are the future. You come back energized but what about the people who are already there?

We see a tension between the older employees (not necessarily in senior positions) and younger employees in banks which have been recently privatized and still have a large stock of employees who are surplus from the days when the bank was a public entity- also leading to perceptions of unfair treatment.

### *Administrative efficiency*

There is also evidence that the appraisal system in practice are administratively weak. This ties together with the idea that the appraisal systems are not as democratic as they are expected to be according to best practices. The quote from a participant demonstrates that appraisals and outcomes can often times be arbitrary and applied retrospectively (Bank B4)

Yes, it was fair though there were some loop holes. Weightage is given to the amount of deposit and I have issues with that because I am working as a relationship manager for corporate assets and not deposits. My primary job is to disburse the funds to the client and not to take deposits from them. If in my appraisal, I have weight of getting deposit around 250 million [rupees] and I get 20% of that, then that can tilt my grade from a 'B' to a 'C' or from an 'A' to a 'B'. I have issues with that. So employees should be included while framing the weight.

### *Robust and relevant appraisal tools*

The dissatisfaction with the bell curve seems to be an overriding theme and how the template does not fit into all departments neatly in the industry

I have a target to train a specific number of people, but what was the quality of training I was imparting? The number is easily available that I trained 200 employees, but the subjective part being how well I trained them, is not visible. So this criteria causes grievance. Secondly, business and operations are assessed on the same bell curve. If the bell curve is same again problems arise. If, for example, I am a unit head and I have 10 resources I am bound to give an 'A' rating to only one person as only 10 percent can get an 'A' rating and if others are performing well and I am bound by the curve then harsh feelings and resentment develop.

Similarly, the implementation of a 360 degree feedback system was problematic (Bank B5)

In a way it is a 360 degree system. But we always give our bosses positive remarks (laughs) because we have to fill the form in an electronic system in which the boss can easily make out who gave the remark. So we don't want to get into trouble."

### *Link to other elements of the HR function*

Another aspect relevant to studying convergence to best practices of PMS is not just how robust the policy is itself but also how other HR functions are linked to the PMS and contributing to its efficacy (Denisi & Smith, 2014). The following quote reveals that if the linkages are weak then policies would not resemble best practices on the ground:

There is no requirement from the bank but in performance monitoring by HR, where they monitor the objectives and achievements, they have a column, where we have to fill the training we require for our work. I have always given them different options for my training and also applied to few but I was never given an opportunity to go for training. In the past those who were not working were sent on training although it should be the opposite. But here the ones who are not working are sent on training as their going on training will not affect any routine bank work.

So we see from the findings that there is widespread reports of divergence from PMS best practices.

## **Discussion**

The Asia Pacific region has seen an exponential increase in foreign direct investment and entry of multinationals (Budhwar et al., 2012) well as the influx of new HRM ideas and best practices through Western style business schools, consultants and literature. So a question that arises is whether and how HRM policies are actually converging to Western best practices (Budhwar et al., 2016; Khilji, 2003). In other words, the big question in this debate is; as emerging markets start to resemble Western economic systems, would the management systems be the same or similar? There is a dearth of research in answering

this question, especially for the Indian subcontinent, including Pakistan (Budhwar & Varma, 2012) and thus the need for context specific research owing to the diverse cultural, economic and social set up of this region. The idea is that these countries instead of following the best practices would adopt what works best for them (Budhwar et al., 2016, Zhang, 2012).

There is evidence from diverse international settings, that firms are increasingly adopting Western best practices of HRM or high performance work systems (Tzabbar, Tzafirir, & Baruch, 2017) even though this may not be necessarily leading to positive organizational outcomes (Fleetwood & Hesketh, 2010). This is true for the Pakistani banking sector as well where after the infusion of foreign banks and a long process of privatization, the basic Western practices have been adopted, at least on paper and as reported by HR managers (Ahmad & Allen, 2015; Khilji, 2003). The biggest emphasis and input has been in the area of performance management. The central bank of Pakistan itself instituted sweeping changes in banks to make the process more performance based and to eliminate the negative effects of favoritism (*sifarish*) and seniority based promotions (Husain, 2005). Commercial banks have followed suit. However, this research, based on responses from employees, throws light on the fact that best practices are implemented in varying degrees.

Employee responses show that there is widespread dissatisfaction with how the process plays out in actual settings. Both the best practices of forced ranking system and 360 evaluation systems require a transparency and fairness, objective and rational measurement of work related behaviors and results as well as open communication between the assessor and assessee (Capelli & Conyon, 2018; Dan Hartog et al., 2004). This seems to go against the local cultural norms where hierarchical distances and deference to authority prevail leading to frustration of young professionals.

Pakistan's business culture is affected by colonialism, military rule and feudalism which reinforce authoritarian modes of management with top down communication prevailing. (Jhantial et al., 2004; Khilji, 2003). This is true for other former colonies of England, such as India (Saini & Budhwar, 2014). Furthermore, Pakistani banks were government owned prior to 1990. Despite the influence of privatization, seniority and loyalty based PMS seems to perpetuate. Another contextual development which can explain the intention implementation gap has been the relative inexperience of HR departments and HR personnel who do not seem to have come out of their administrative role. This could explain the lack of linkage between different elements of the HRM system (for example PMS and rewards).

Budhwar et al., (2016) have advocated for investigating emerging HRM models from non-Western settings. The paper, thus, makes a contribution to the convergence-divergence literature by presenting a vivid picture of what PMS best practices look like in the wake of socio cultural reality of Pakistan.

Specifically, the paper makes a contribution to the convergence divergence literature by supporting the idea of micro divergence and macro convergence instead of crossvergence (Gu & Nolan, 2017). Micro divergence refers to the idea that even though best practice prescriptions of HRM policies are introduced in organizations and would have the same labels and outward appearance of the best practices but the essence of these practices may

not be the same. This is different from crossvergence which implies a reasonable level of negotiation of Western best practices, with countries adapting these practices to suit their needs (Saini and Budhwar, 2014). Furthermore, it is debatable whether convergence towards best practices is, in fact, an ideal that firms should even be interested in (Chiang et al., 2017). The evidence presented in this paper suggest that in case of PMS in Pakistani banks, there does not seem to be a happy equilibrium between Western practices and local and institutional norms. Put differently, it is questionable whether adapting best practices to local norms is a good thing or, conversely if convergence to best practices is undesirable. Evidence from countries like China and Japan suggests that this adaptation has been beneficial to organizations in these countries (Varma, et al., 2019). This does not seem to be the case in Pakistan based on the largely negative perceptions of employees.

The paper also makes a contribution to the PMS literature by highlighting how best practices can be drastically altered due to various contextual factors. Leadership styles and communication modes, crucial drivers of performance management systems, are informed by culture as well as the unique historical legacy of certain sectors, such as the era of nationalization of banks in Pakistan (Jaffry et al., 2008) and may have a lasting impact on PMS (Boselie, et al., 2016; Zhang, 2012). The largely negative perceptions and assessment of best practices in Pakistani banks by young professionals clearly demonstrate their dissatisfaction with how the distorted version of best practices manifest themselves, in turn affecting their career development and thus their well-being. In this way, the paper makes a contribution to the convergence divergence literature by highlighting that the intention-implementation gap (Wright & Nishii, 2013) in PMS due to the contextual realities of a country is likely to result in only macro or surface level convergence but not real or substantial convergence (Gu & Nolan, 2018).

Finally, the paper makes a contribution to methodology by presenting rich qualitative accounts from employees which are essential for understanding HRM in its context, but are underrepresented in HRM literature. (Fleetwood & Hesketh, 2010; Guest, 2011, Paauwe, 2009).

## **Conclusion**

The research on PMS in Pakistan indicates that there is large gap between intended PM practices and implemented PM practices, giving support to the idea that even though the PMS Western best practices are proliferating in developing countries, they may not be manifesting their 'optimal' versions. This is not surprising as the progress of this diffusion is often slow as resistance from culture of seniority and loyalty is common, as is the case of China (Cook, 2008). Indeed, despite the evidence of these Western practices making inroads, it is unlikely that the deeply embedded cultural values such as 'logical of collaboration' (Zhang, 2012) would be completely eliminated from PMS. Thus, finer grained analysis of developing countries with sector specific settings is the way for understanding the convergence and divergence debate in the its sense.

An area of future research could be comparing the perceptions of young professionals with more seasoned employees. There are many similarities in the contexts and cultures of the countries comprising of the Indian subcontinent (Budhwar & Varma, 2012). Future



research could unpick the subtle and obvious differences and commonalities in the implementation of performance management systems in this region.

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