Effects of Performance Management and Incentive Allocation on Development of Thai Public Services and Officers

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Presentation Topics

- Problem statements
- Research objectives
- Research Framework
- Research Methodology
- Findings
- Discussions & Recommendations
Problem statements

- Annual performance agreements (PA) and annual performance evaluations (PE) have been standard practices in Thai government units since 2004.

- The PA reflects an important change in the conceptual framework of Thai government administration which previously concentrated on processes, regulations or budgeting to a results-based management orientation.

- The concept of this new PMS approach is to tighten measurement of mission or project success by employing incentive motivations such as reward allocations to organizational units or individuals that achieve set standards.

- The PA, PE, and the incentive allocation are crucial steps in the broader strategic management system. The Office of Public Sector Development Commission (OPDC) has applied the system to the Thai public sector as a mechanism of government management improvement as well as a mechanism to improve the efficiency of Thai government agencies and the working performance of the government officers and employees.
Research objectives

1. To investigate the effects of the performance management system of Thai public sector during the period 2004-2007.

2. To give some recommendations on how to improve the system.
Research Framework

Performance management system

- Performance agreement
- Performance evaluation
- Incentive allocation
  - Management financial incentive
  - Staff financial incentive

Effects

Unit level
- Efficiency
- Effectiveness
- Quality of Management

Individual level
- Efficiency
- Quality of work
- Employee satisfaction
The research methodology in this study includes collecting primary and secondary data from various sources.

There were 2 methods in collecting primary data:

(1) **In-depth Interview**
- Top management and government officers and employees who participated in the annual performance agreement and annual performance evaluation, and other general official and employees who received the incentive allocation were interviewed.
- There are 20 organizational units represented in the sample and at least five persons in each unit selected. A total of 124 persons were interviewed: 61 persons from departments / comparable departments, 30 persons from higher education institutes, and 33 persons from provinces.
(2) Survey by Questionnaire

- Questionnaires were completed by two groups including top management (the officials who were granted annual extra cash award), and the staff (government officers or government employees who were granted with incentives).

- The research data are from simple random sampling and stratified multi-stage sampling from officers and government employees of 170 out of 290 organization units of ministries, departments, provinces, and higher education institutes.

- The reliability test and the coefficient of Cronbach Alpha is 0.93.
Respondent profiles

- There were 512 management responses giving a response rate of 37.1%.
  - The majority of the management respondents were
    - male (64.9%),
    - 50 years up of age (73.4%),
    - more than 25 years of services (76.0%), and
    - master’s degree of highest education level (62.3%).

- There were 1,969 staff responses or a 59.3% response rate.
  - The majority of the staff respondents were
    - female (56.5%),
    - between 40-49 years of age (40.7%),
    - more than 25 years of services (32.2%), and
    - bachelor’s degree of highest education level (45.4%).
## Findings (1 of 3)

<table>
<thead>
<tr>
<th>Topics</th>
<th>Results of study by Management</th>
<th>Staff</th>
<th>Management</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Effects of annual performance agreement</td>
<td>High level</td>
<td>High level</td>
<td>High level</td>
<td>High level</td>
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<tr>
<td>2. Compare effects of the annual performance agreement at organization unit level and individual level</td>
<td>Units&gt; Individual</td>
<td>Unit &gt; Individual</td>
<td>Unit &gt; Individual</td>
<td>Unit &gt; Individual</td>
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<tr>
<td>3. Effects of the annual performance appraisal</td>
<td>High level</td>
<td>65-70% seeing the effects</td>
<td>High level</td>
<td>High level</td>
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<tr>
<td>4. Compare effects of the annual performance agreement at the organization unit level and at the individual level</td>
<td>Units&gt; Individual</td>
<td>Equivalence</td>
<td>Units&gt; Individual</td>
<td>Units&gt; Individual</td>
</tr>
</tbody>
</table>
### Findings (2 of 3)

<table>
<thead>
<tr>
<th>Topics</th>
<th>Results of study by Management</th>
<th>Results of study by Staff</th>
<th>Results of study by Survey Management</th>
<th>Results of study by Survey Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Appropriateness of the criteria and procedures of the incentive allocation</td>
<td>Half and half between Appropriate/Not-Appropriate</td>
<td>Appropriate</td>
<td>Appropriate</td>
<td>Appropriate</td>
</tr>
<tr>
<td>6. Extra cash reward / incentive bonus have advantage to Government Development</td>
<td>Not clear</td>
<td>Not clear</td>
<td>High Level</td>
<td>High Level</td>
</tr>
<tr>
<td>7. The extra cash reward / incentive bonus leverage Organization Units efficiency</td>
<td>Not clear</td>
<td>Not clear</td>
<td>High Level</td>
<td>High Level</td>
</tr>
<tr>
<td>8. The extra cash reward / incentive bonus support Government Officers and Employees’ satisfaction and support their contribution and improvement more efficiency and quality of the services</td>
<td>Impact</td>
<td>Impact</td>
<td>High Level</td>
<td>Low Level</td>
</tr>
</tbody>
</table>
### Findings (3 of 3)

<table>
<thead>
<tr>
<th>Topics</th>
<th>Results of study by</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Interview</td>
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<tr>
<td></td>
<td>Management</td>
</tr>
<tr>
<td>9. Compare the effect of incentive allocation for each organization</td>
<td></td>
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<tr>
<td>level: unit level: individual level</td>
<td>Individual&gt;Unit</td>
</tr>
<tr>
<td>10. Compare the effects of annual performance agreement annual</td>
<td>Agreement&gt;Appraisal&gt;</td>
</tr>
<tr>
<td>performance appraisal and incentive allocation</td>
<td>Incentive</td>
</tr>
</tbody>
</table>

**Note:** Organization level = the overall public sector  
Unit level = Department, higher education institute, or provincial level
Discussions & Recommendations
for the annual performance agreement implementation

1. **The correspondence of Key Performance Indicator target with the mission of the organization units**
   
   → The Office of Public Sector Development Commission (OPDC) should consider the proper proportion between standard objectives for all units and flexible ones in accordance with the basic characteristics of each unit.

2. **The redundancy or contradiction of some Key Performance Indicators**
   
   → The OPDC should integrate criteria, formats, types of data, reporting forms in order that KPI reports will be economized, standardized, simplified, and not overloaded of duplication.
   
   → Some duplication KPI’s, and some contradict KPI’s shall be considered cancellation.

3. **The appropriateness of the operation timing**
   
   → The annual performance agreement setting shall redefine the new time line for matching and completing the plan before fiscal year or ahead of next fiscal year.
Discussions & Recommendations
for the annual performance appraisal implementation

1. **The standard of assessors**
   - To adjust the standard qualification of assessors for minimizing the assessment gap.
   - To improve supervisor’s concept of personnel appraisal, and also, supervisor’s training of appraisal skills as well.

2. **Feedback**
   - To conduct improvement of feedback, both officially and verbally.

3. **Clarification of the personal objectives**
   - To develop objectives cascading to the individual staff level.
   - To define objectives at the beginning of the year
Discussions & Recommendations
for the incentive allocation implementation

1. **The incentive rewarding in accordance with the performance results**
   - The OPDC should improve the performance appraisal to have much more clear downwards to individual.

2. **The inequitable incentive rewarding between management and staff**
   - To redesign of the extra cash reward for the executives by separation of the remuneration to close the salary gap of private sector and public sector from the incentive reward as a result of the performance results, and carrying the performance rewarding incentive sum up to the incentive reward for everyone with same criteria and procedure of the appraisal and allocation.

3. **The incentive forms**
   - To arrange incentives in a variety at the same time, both the monetary form and the nonmonetary form.
   - To integrate all motives into the one system or an aggregation including the utilization of these motives in a corresponding and concurrent way (some motives are in the responsibilities of the OPDC, and others are in the responsibilities of the Office of the Civil Service Commission).