Title:
Human Capital Development and Performance Management

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Abstract

This paper addresses the goal of performance management through human capital transformation and development. It commences with a general discussion of human capital development concepts and performance is the results accomplished by an employee in meeting specific objectives or the development of competencies necessary for effectively doing a job and service delivery in today’s political world. It notes the scope and relevance of Malaysia’s vision 2020 with the sustainable performance management. In addition the inter-relationship between people, service and trust, and the way in which service delivery and performance can impact on the credibility of Government and the standard of governance. Performance Management requires all parties in any organization and institution to constantly focus on quality as the means to improve work processes and the services they offer. These issues are then reviewed in much more detail by examining the Malaysian experience with a performance management reform, with particular attention to HRM initiatives. Performance indicators for HR improvements are also outlined. Monitoring and evaluation are recognised as being of major importance to ensure real progress. It is suggested that particular priority should be given to the capacity building and Competency Based Training and education for civil servants in Malaysia, as this was necessary to assist with human capital development more generally in society.

Keywords: human capital development, performance management, performance indicators, service delivery.
INTRODUCTION

After 48 years of Independent no doubt Malaysia has successful in uniting the various ethnic groups of different colours, cultures and religions to strive for the common good of the country. This unique formula of governance has transformed the country into a progressive industrial-based economy from a rural agrarian economy. The country has set its goal and aspired to achieve the status of a developed nation in its own mould by 2020. It is the aspiration of all Malaysian that achieving the stated goal will eventually improve the quality of life for all.

Therefore, the Public Service institution have to execute its responsibilities as service provider, revenue collector, regulator, facilitator, and negotiator as well as the newer role of strategic integrator to lead future country development. It is noted that the public service today is operating in an environment where the fundamental source of wealth is no longer natural resources or physical labour but rather knowledge, technology and information. To enable the public service strive for world class several niche areas or programme need to be focus such as mindset and attitude to achieve excellence; ethics and morality; experiences and skill in human capital development; excellent work culture; and leadership quality. The role of human capital has increased in importance in safeguarding the nation’s future competitive advantage in this new environment. It is important that the public service focuses on its ultimate assets, namely people to deliver its services.

The Malaysian Public Service has been responsive and sustain to the changing environment. It has managed to stay relevant by continually transforming itself to execute the entrusted roles to the satisfaction of its stakeholders. In addition human capital has developed according to our own mould, which is holistic in nature, encompassing the acquisition of knowledge and skills including science and technology, uphold the cultural values of our society and the internalisation of positive and progressive attitudes, values and ethics as espoused by Islam Hadhari. It is critical to ensure that human capital management practices as implemented are capable of
producing executives needed to meet leadership requirement and challenges of the new century.

This paper intends:
(i) to discuss issues related to human capital development and challenges faced by the public service caused by the changing environment; and
(ii) to discuss efforts undertaken by the Malaysian Public Service on performance management to transform its human capital in meeting the challenges of the 21st century.

**Human Capital Development And Challenges**

The biggest challenge for the public sector is then to build and enhance a cadre of highly qualified, highly able and highly motivated human resource at all levels of public management. Therefore modernizing the public service and transforming its human capital are efforts essential to provide excellence and high quality public service to the stakeholders and clients in the 21st century. In addition, performance management is a vital tools or mechanism to enhance skills and competencies at individual and group level so that the organisation benefits. It is a continuous proactive process focusing on planning, acting, measuring and reviewing performance which is differ from traditional approaches to performance management are the annual appraisal and day-to-day assessment (Lockett, J., 1992). If used effectively it will enable an organisation to forward plan and develop its human capital. We need transformation from past standards of human capital to a much higher level—so perhaps we need special formulae if we are to achieve our goals in terms of service excellence. How can you achieve the service delivery goals which are now being set for you as civil servants? What should be the role of human capital formation and performance management in meeting these goals?

The idea of human capital, and being able to develop and expand human capital in a society, is relatively new at least in the sense of economic and social development principles. Exogenous factors such as technological change were seen as necessary to
encourage successive waves of growth and development. It was only in the latter parts of the 20th century that endogenous factors, such as human capital development, were recognised as important. But it was certainly only towards the end of the 20th century that greater recognition was given to the role of people and human capital development in the great bureaucracies of government. Now such recognition is commonplace, but the detailed implications and the ways of dealing with human capital formation in the public sector are not always well appreciated.

Some definitional discussion from Becker, G.S., (1964): “The human capital is similar to ‘physical means of production’, e.g., factories and machines: one can invest in human capital (via education, training, medical treatment) and one’s income depends partly on the rate of return on the human capital one owns. Thus, human capital is a stock of assets one owns, which allows one to receive a flow of income, which is like interest earned. Human capital is substitutable: it will not replace land, labour, or capital totally, but it can be substituted for them to various degrees and be included as a separate variable in a production function”.

When mentioned about human capital development and challenges we can’t deprive the elements of excellence service delivery. There is often some confusion about what is meant. Are we talking about the transportation service, our waste collection arrangements, or how we obtain licences or renew it, or pay our taxes? In fact, almost all government activities are concerned ultimately with service delivery, which determines the performance of employee and organisation.

There may be some traditionalists who say that they work on policy and that this activity is high level work which is not service delivery. Certainly such work may not be frontline service delivery, but policy work is usually a means towards the end of improved service delivery. The policy adviser provides a service to the Minister and to the government. The policy worker who devises a new subsidy for research activities (or its termination) or a new regulation in some area of business (or the removal of red tape in regulation) is involved in service delivery to the community just as much as the frontline worker.
Indeed in many cases the implications of the policy work may be of greater significance in improving service delivery, or degrading it.

The other biggest challenge in today’s public sector we have to be alert to the service delivery implications, and the impact on the community, of everything that we do. Service delivery has to become a way of thinking about all public service activities, and not seen just as a nuisance activity that can be left to lower level frontline workers who deal face to face with the community.

For instance, in Malaysia the 9th National Plan reviews some of the key service delivery activities to date which is primarily related to human capital and governance. It identifies reduction of bureaucratic red tape generally, improvements in counter services, improved issuance of licences and permits, land administration, the services provided by local authorities, and investment facilitation—using mechanisms such as quality management, recognition of excellence, performance measurement, management of complaints and the expanded use of ICT.

A high standard of service delivery is a fundamental part of the social contracts between the government and the community. In today’s more transparent and accountable world, the standard of service delivery underpins the credibility of the government. It is a key public determinant of effectiveness in the use of resources. Poor service delivery is costly and increases stress and complaints in the community. It damages ‘trust’ between the community and the government.

On the other hand, better service outcomes for the community contribute to a better standard of governance, by building credibility and trust. It’s directly influences how the government’s performance is seen by citizens. Streamlining the service delivery needs to be seen as part of improving governance and performance, helping to achieve societal goals, including a better standard of living. It should come as no surprise therefore that politicians are becoming increasingly focused on the merits of improved
service delivery, and that the terminology of improved service delivery is becoming increasingly common in government policy statements and strategic documents.

The idea of ‘customer’ or ‘client’ does not capture the full picture of the relationship between government and the community in the public sector, and the delivery of government services. We can use the ‘customer’ concept as a tool to access techniques and methods but we should never overlook the fact that the recipients of government services are ‘citizens’ and usually have no choice in their selection of service provider—which they are supporting and paying for through community taxes. Prior to that, some of the lessons learnt from Japanese management and governance in developing service delivery are:

- Should be visualized and executed from the ‘outside-in’—not the other way—with the needs, perspectives, improvement priorities, and satisfaction of Japanese in mind.
- Access to information and transparent are prerequisite for any government organization.
- The ‘clients’ of government services are not just clients, not just consumers but also citizens, and taxpayers; they are holders of rights and duties within a framework of democratic principles. As citizens, they ‘own’ the organisations which provide the services, and have civic obligations which go beyond their own individual service needs.
- Many of the beneficiaries of government services are ‘involuntary clients’, whose service relationship derives not from choice but from personal circumstances, or from obligations as citizens.
- Those who deliver government services may have to balance the distinct interests and needs of different categories of citizens, within the broader framework of the public interest. The satisfaction of immediate clients must go hand in hand with the confidence of all citizens in the institution of government, and meet standards of accountability, in the sense that obligations are being met.
Every act of government service is a ‘moment of truth’ in which service recipients form an impression about the effectiveness of public institutions and the effectiveness of their government. It thus enhances or diminishes confidence in the potential of democratic citizenship.

Service delivery improvements may occur through strategic and operational approaches and these should be distinguished. Strategy should focus on major high-level actions. Functions, mandates, agencies and customer/citizen concepts need to be dealt with in the strategic sense. This may involve a new approach to practices such as Corporate Plans and Service Charters. A balance is needed between strategic and operational improvements. They have to be well integrated and this integration is often expressed through Service Charters. While all of these principles and considerations are important, what are the major points? These can be identified as:

- An appropriate strategy and environment, focusing on citizens and linked with standards;
- The strategy must be organisationally based, allowing a focus on issues relevant to the organisation;
- An effective HRM approach including, but going beyond, training—based on competencies for job description, better selection criteria, promotion and advancement standards; and with an appropriate emphasis on performance management;
- Good communications with citizens; and
- Regular monitoring and evaluation, in support of continuous improvement.

**Performance and Human Capital Management**

The government agencies should starts their performance measurement based on their core business that’s parallel to their vision, mission and objectives. Subsequently they have to determine all the core processes under the core business to ensure what kind of services needs to be deliver to the customer for each core processes. To the extent,
all kinds of service providers’ regardless public or private organisation need to be measure and evaluate their performance indicators. Looking particularly at the principle which its emphasis on human resource aspects, the more detailed material on this principle identifies the following key human resource issues and changes sought, in terms of performance indicators.

**Performance Indicator A:** The extent to which agencies recruit and promote those with customer service skills—there is a need to avoid placing the wrong people in sensitive positions, for example frontline positions and direct supervisory and management positions. It should be noted how competencies can be used to improve job descriptions and selection criteria, and inform training agendas. Considerably more flexibility in personnel management may be required.

**Performance Indicator B:** The extent to which agencies train staff appropriately in customer service methods—training is relevant here and it needs to be done properly, and in a well-designed and targeted way. As indicated above, desirably new training activities should be competency based, and devised after training needs analysis, aimed at identifying competency gaps related to service delivery. Simulation methods may be helpful, based on feedback from citizens about their perceptions of service delivery standards.

**Performance Indicator C:** The extent to which agencies ensure internal support operations are customer focused, so that frontline customer service staff get the same quality of internal service that they are expected to give to the organisation’s external customers—without this equality of standards there will be internal stresses which will flow through into the external environment. Put simply, external delivery standards will suffer if internal standards of service delivery are below average.

**Performance Indicator D:** The extent to which staffs are motivated to achieve a high level of service to customers—this can involve special recognition and rewards for contributions to improved service delivery. It is important that frontline staff, and their
managers, are placed in a career structure and can look forward to adequate remuneration and career path advancement.

**Performance Indicator E:** The extent to which staff are empowered to make decisions about relevant aspects of their work—service can be more efficient, and enhanced, where staff have the capacity and authority to make decisions on the spot. Continually referring routine decisions to a higher level is frustrating to the customer, and reduces the staff to mere paper processors, who can end up feeling that their work lacks meaning. Of course, empowerment of this kind has to be carefully linked with appropriate accountability arrangements.

**Performance Indicator F:** The extent to which managers and executives have the competencies to create and sustain a customer service environment—this recognises the need for senior managers and executives to play their part in improving service delivery. It is not enough to pass the responsibility to junior staff and hope for the best, while managerial attention is devoted to high level exchanges and debating policy nuances.

In Malaysia, we have found that the issues under the last indicator above have been particularly challenging, in terms of ensuring that managers in line agencies do create and sustain a customer service environment. It may well be that this is one of the most critical areas for human capital formation and the achievement of excellence in service delivery. Of course, we might now recognise this as an issue of ‘leadership’.

Much of the above, in terms of activities, is internal to the civil service and some care is needed to ensure that reform activity in service delivery does not become too internally focused. This is similar to the tension which can arise between strategic and operational aspects of improved service delivery. In the end, the community wants to see practical results and improved outcomes, and will not be too concerned about how that is achieved, strategically or internally. The community—and politicians—are ultimately interested in how human capital is improved generally in the society, not just how it is
being developed within the civil service. This of course reminds us that service delivery must ultimately be citizen focused.

As noted, the public service as a key institution of the government is entrusted to lead and to set the pace in enhancing the nation’s competitiveness to meet future global challenges. Several reform measures aimed at enhancing its capacity and eliminate performance gaps within institution, people and processes has being implemented. Its also involves a change in the culture and orientation of the organisation. These reform measures also serve to create a foundation for the public service to achieve the country vision. In governed the human capital, the Public Service Department has implemented new measures to realign the practices with the development goals of the nation. Towards this end, six strategic goals have been identified as strategic priorities to propel the public sector forward in achieving a unified, high performance public service. Table 1, set out some of the strategies and actions that have been undertaken under the six strategic goals. The six strategies are:

- **Determine strategic direction** - to ensure that the management of human capital is integrated into the agency’s strategic planning process and aligned to its vision, mission and goals.
- **Ensuring organisational capacity** - to ensure agencies possess sufficient capacity and capability to perform their responsibilities to meet future challenges and rising demands from stakeholders and customers.
- **Implement quality staffing** - to ensure desired talents are attracted, acquired and retained in the public service.
- **Develop workforce competency** - for the development of the necessary skills, knowledge and work ethics through systematic, comprehensive need-based training programmes.
- **Manage performance, recognition and reward** - to motivate high performance through the establishment of performance expectation, result evaluation, holding people accountable and providing rewards and recognition based on performance.
• **Redesign the work culture and working environment** - to inculcate a high performance work culture that is responsive and proactive to public needs and is results oriented. There is also an emphasis on positive values, ethics and integrity, which encourage and allow employees to contribute their best to improving productivity and performance of their respective organisation.

The current initiatives should ensure that the Malaysian public sector has the requisite capacity to achieve the government’s aspiration of making Malaysia a developed nation in its own mould by the year 2020. Future capacity building for performance management efforts would require us to take stock of:

• what skills and expertise would be required to meet future challenges thrown at us by the forces of globalization and the 9MP implementation;
• the extent of the competency deficit in meeting these challenges; and
• what it would take us to rectify this competency deficit.

**Reinvent Public Service**

The public service must build capacity to reinvent (rebrand?) itself. And essential to the capacity of government to respond to critical challenges effectively will be its renewed focus on the management and development of human capital, including the development of strong leadership capacities. Top leadership commitment to capacity building needs to be demonstrated through the provision of adequate resource allocation and policy priority setting to human resource management and development. HRM should be given as equal an importance as financial management and service delivery in departmental operations.

Direction setting is required of the public sector leadership and more emphasis should be placed on nurturing – coaching and mentoring - empowering, and persuading. There should also be less concern with rules and more on relationships, less reliance on structures and more on empowerment, and greater stress on strategic and organisational issues of the future.
An important element in successful leadership is vision. The vision, however, cannot be the product of one person. It needs to be developed in partnership with staff and key stakeholders. Thus, what characterises a leader is his or her ability to facilitate the development of a common vision that expresses the aspirations of both staff and key stakeholders with regard to where the organisation wants to be in the future. Given the central importance of leadership in setting the shared vision and common goals, succession planning would also constitute as an important strategy in capacity development.

**Professionalism of the Public Sector Workforce**
Capacity building will distort without the inculcation of values and culture of high performance as well as a culture that promotes a high level of accountability in the public service. Such accountability is not merely in terms of the fidelity to the law but also in terms of outcomes of government operations. The culture of high performance coupled with integrity would constitute the core of professionalism of the public sector workforce.

Interest in professionalism - and the related concept of public sector ethics - has become a front burner in public sector capacity building given the concerns over declining standards and corresponding need for integrity in public life. Professionalism in the public sector may not only be observed through the deep and relevant knowledge and aptitude or skills among the public sector workforce, but also through a coherent, widely-shared and profoundly-internalised values system (U.N., 2001). Further competencies and expertise need to be developed so that the public sector workforce not only has the capacity to add value but also create value through the development of new and better services.

**Aligned Human Resource Capacity and Capability**
The quality of institutions in the public sector is underscored by the capacity of its human resources and leadership. Public institutions exist to coordinate the action and behaviour for the public interest. Therefore, it is important to ensure that human
resource capacities are properly aligned with the strategic objectives of the government. The development of staff competencies is an essential part of a strategy to upgrade these capacities and, consequently, the quality of the public sector.

The public sector needs to attract talent into its fold through effective recruiting and retaining the best talent. Other strategies would be an enabling environment and appropriate incentives that promote the retention of high quality staff. The development of a more open and adaptable employment framework is necessary whilst, at the same time, ensuring an equitable distribution of employment opportunities in the public sector.

Ensuring the right people for the job through competence-based development allows for the identification of ‘performance gaps’ of public servants that can be addressed through capacity building and organisational learning programmes. The public sector’s dual role as entrepreneur - with the need to ensure its own productivity through good governance - and an enabler - through the creation of an enabling environment for business and others to achieve productivity - also suggest that issues such as attracting, retaining and developing human capital that is capable of doing the job, and equipped to foresee and prepare for the challenge of the future need to be effectively addressed.

The public sector, therefore, has to be turned into an employer of choice. Ultimately, the capacity of the public service to create value and impact favourably on the public's needs would contribute to enhancing its image as an employer of choice, and not just as the nation’s biggest employer.

**Ensuring the Right Enablers for the Job**

Information and communications technology (ICT) has greatly improved effectiveness, efficiency and productivity in the government. Information, being a valuable resource, must be developed so that it can better serve users. ICT can be used to:

- help foster transparency and accountability in government;
- measure the effectiveness and efficiency of public services; and
• to provide more client oriented and integrated services in response to changing
demand.

Accordingly, the public sector would need to continue its investment in ICT and e-
government and associated skills development if it wants to enhance its workforce
capacity to meet future demands imposed upon it.

**Monitoring and Evaluation**

We should note the general importance of monitoring and evaluation, and the need for continuous improvement flowing from such monitoring. Service delivery activities can be evaluated in terms of outcomes, and performance against defined standards, and these evaluations used as a basis for review, including relevant aspects of HCF, internally and externally. Priorities for improvement can be identified and continuous improvement can be pursued. This cyclical approach can be linked with concepts such as the ‘learning organisation’. There are many models available, and many research groups have the capabilities to be involved in these studies. You will need to consider and develop approaches along these lines, to ensure continuous improvement and that desired move towards excellence in service delivery.

And, lastly, the most recent and popular framework – **Steven Covey’s Eighth Habits from Effectiveness to Greatness** where he defines Leadership as:

- **Being Proactive** – which is about taking responsibility for one’s self
- **Beginning with the End in Mind** – where you have a clear vision and can visualize the future you want to accomplish
- **Putting First Things First** – which is about living a disciplined life, building relationships; having a personal vision, goals and objectives; prioritizing work and other activities
- **Thinking Win-Win** – where you develop an ‘abundance’ mentality; of plentifulness; where everyone’s a winner and there are no losers; and you know the difference between what’s *urgent* and what’s *important*
• **Seeking First to Understand, then to be Understood** – where you make the effort to fully and deeply understand others at the emotional and intellectual levels; where you diagnose before you prescribe

• **Synergize** – where your creativity shows, where you are a trailblazer and pathfinder; where the whole is greater than the sum of its parts; where you value differences between people and try to build on those differences; where you can develop your own solutions in addition to alternatives presented by others

• **Sharpen the Saw** – where you strive for continuous improvement, innovation and refinement; and are always willing to learn

• **Find your Voice and inspire others to find theirs** – it’s the voice of the human spirit – full hope and intelligence, resilient by nature, boundless in its potential to serve common good. This voice also encompasses the soul of organizations that will survive, thrive and profoundly impact the future of the world.

### Some Concluding Comments

The search for high performance and excellence in service delivery is becoming more widespread and intense. Citizens are becoming more demanding about improved service delivery and expectations. But excellence in service delivery is complex and not easily achieved and we should describe it as a journey and not a destination. Many initiatives are started but are not all successful. Execution and implementation may not live up to original intentions. Genuine improvement in service delivery requires many things to be done consistently well over a considerable period of time. This will involve a holistic or mix of strategic and operational considerations, and involve internal and external considerations. Ultimately it is citizens who will decide whether service delivery is perceived to be improving or not, so a strong emphasis on the external aspects and the visibility of results is important. A focus on citizens and their concerns is at the heart of excellence in service delivery. I hope that I have contributed to building your confidence about finding that elusive excellence in service delivery and performance.
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<th>Goals</th>
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<td>Set strategic direction</td>
<td>HR &amp; strategic planning HR &amp; line management HR planning</td>
<td>Establishment of HR division/unit at operating agencies Workforce planning model (human resource plan) developed for use by agencies</td>
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<tr>
<td>Ensure organisational capacity</td>
<td>Organisational structure Service schemes Procedure &amp; work processes</td>
<td>Formulation of new schemes of service and classification of critical systems</td>
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<tr>
<td>Implement quality staffing</td>
<td>Recruitment &amp; selection Placement and attachment Career management</td>
<td>Recruitment based on merit &amp; rigorous selection process Succession plan for some schemes of service</td>
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<tr>
<td>Manage performance, recognition and reward</td>
<td>Performance management system Recognition &amp; rewards Counselling services Separation</td>
<td>Malaysian Remuneration System Key performance indicators (KPIs) as tool for measuring organisational performance Balanced Scorecard for performance monitoring Psychological development programmes Modernisation of the pension administration system, contributory pension schemes MS ISO 9000</td>
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<td>Shape high performance work culture and environment conducive to workforce excellence</td>
<td>Ethics &amp; value Customer-focused services Employer-employee relations Conducive work environment</td>
<td>Oath of loyalty, asset declaration, National Integrity Plan, Islam Hadhari One stop centre, online/interactive services National joint council, public sector workers’ day TQM, Quality control circles, monthly assembly, family day, counselling programmes</td>
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(Source: Public Service Department, 2005)