CHAPTER 2

ORGANISATION BACKGROUND AND RESEARCH METHODOLOGY

2.1.1 Organisation Background

Universiti Malaya, the first university of the country, is situated on a 750-acre campus in the southwest of Kuala Lumpur, the capital city of Malaysia.

The University of Malaya (UM) grew out of a tradition of service to the society. Its predecessors, The King Edward VII College of Medicine established in 1905 and Raffles College in 1929, has been established to meet urgent demands, one in medicine and the other in education. When the two came together to form the University of Malaya in October 1949, this was so that they might perform together an even greater service – to help lay the foundation of a new nation by producing a generation of skilled and educated men. Hence the University of Malaya was established on 8 October 1949 as a national institution to serve the higher education needs of the Federation of Malaya and Singapore.

The growth of the University was very rapid during the first decade of its establishment and this resulted in the setting up of two autonomous divisions in 1959, one located in Singapore and the other in Kuala Lumpur. In 1960 the government of the two territories indicated their desire to change the status of the divisions into that of a national university. Legislation was passed in 1961 founding the University of Malaya on 1st January 1962.

The university motto, "*Ilmu Punca Kemajuan*" (Knowledge is the Key to Success) reflects the philosophy of the university in its constant endeavour to seek knowledge in all fields to produce successful graduates and a successful nation.

2.1.2 Corporate Mission of the UM

It is the corporate mission of the University:

"To be the premier University leading to excellence in the development and the dissemination of knowledge and to uphold the needs and ambitions of its citizens and country."

2.1.3 Objectives of the University

(1) To be in the forefront of knowledge;

(2) To produce high calibre graduates

(3) To develop a continuous stream of excellent and knowledgeable citizens;

(4) To contribute to the development of the nation and the harmony of its citizens;

(5) To develop universal humanitarian values;

(6) To develop an efficient and innovative management

Since the 1959/1960 Session to the 2001/2001 Session, the university has produced a total of more than 80,000 graduates in various fields from the Arts to Medicine. (http://www.um.edu.my)

2.1.4 University Administration

The University is administered by two main bodies; the University Board of Directors and the University Senate. All matters pertaining to staff, finance and development is the responsibility of the University Board of Directors while university academic matters are dealt with by the University Senate. The Chief executive of the University is the Vice Chancellor. The organisational hierarchy of the UM is as shown in Appendix 1.

2.1.5 University Staffing

As of January 1, 2000 the University had a total of 4699 employees. Forty percent of this total staff number comprises of academic staff including 152 Professors, 385 Associate Professors, 911 Lecturers and 383 Tutors. Fifty percent of the university staff is the supporting staff which include clerical staff, technicians, laboratory assistants, attendants, drivers and other general workers. About ten percent of the balance is administrative staff comprising of Assistant Registrars, Assistant Librarians, Engineers and others

2.1.6 University Expenditure

The estimated annual expenditure for the University of Malaya for the year 2001 was RM 185,714,830. From this total 81.6% was allocated by the Government of Malaysia. Income from the fees collected amounted to only 8.5%. Income from other sources amounted to 2.3 % and the balance of 7.6% were obtained from accumulated funds of the University. Approximately 73% of the annual University expenditure is allocated for payments towards staff emolument.

2.2 Elements and General Concept of the New Remuneration System

2.2.1 Introduction

The New Remuneration System (NRS), which took effect since January 1, 1992, is a holistic and comprehensive approach towards achieving the enhancement of personnel management in the aspects of professionalism, quality and productivity of the public sector. The NRS has brought about salient changes on the remuneration system, structure of service and the schemes of service in the public service.

In general The NRS is the government's long-term strategic effort to enhance the public sector's capability in playing a more effective role in the nation's development process through the implementation of a remuneration system based on performance. This system should be more flexible and be capable of producing high quality performance and productivity of public sector personnel.

2.2.2 Main Characteristics of the NRS

The main characteristics of the NRS can be categorized into two main aspects; mainly the Structure of Service and the New Remuneration Structure. (http://www.jpa.gov.my)

Under the Structure of Service, the changes in the public sector are as cited below:

(1) The creation of 19 Classifications of Service based on their role and functions

(2) A change from the present 4 Salary Groups (A, B, C and D) to only three groups of services; the Higher Management Group, the Management and Professional Group and the Support Group.

(3) Revision of Schemes of services involving a lesser number of schemes; layers of grade in each scheme and the hierarchy between the schemes. The number of schemes of service has been cut down from 574 to 277 and this is further divided into 19 classifications

(4) Identifying the Critical Services based upon 4 main criterions :

- Role and the contribution of service towards development of economic growth of the country
- Competitiveness in the labour market for skilled workers
- Qualification and capability needed in the service
- Work place environment

(5) Introducing Top Grade Posts and Special Grade Posts which implements the function of organisational management and

policy formulation or based on the degree of speciality and experience in the various fields of service; and

(6) Separation of remuneration of certain statutory bodies in order for it to function in a more effective and efficient manner

Under the New Remuneration Structure, the changes implemented were:

(a) Creating a salary structure with a variable component apart from the present component of Basic salary and Fixed Allowances.

(b) Creating a Salary Scale in the form of a Matrix Salary Schedule, each scale for every Classification of Service created. This salary scale is 3 – tiered and comprises of several Divisions; Division 1, 2 and 3 with salary points or levels in each division; and

(c) 4 types of salary movement annually which is based on the performance of each individual employee as shown in the table below:

Table 2.1: Types of Salary Movement under the NRS

Type of Salary Movement	Degree of Performance
Static	Not satisfactory
Horizontal	Satisfactory
Vertical	Very Good
Diagonal	Excellent

Besides the above several changes and introductory measures have been implemented on the allowance and benefits, retirement benefits and schemes of service of public service personnel.

2.2.3 The New Remuneration System Process In UM

Arising from the decision by the University to adopt the NRS, it was thus implemented by all the faculties, institutes, centres and departments within the University in January 1992.

With the implementation of the NRS the Head of the Responsibility Centre (RC) such as the Deans and Heads of Departments of all faculties, institutes, centres and departments within the university were initially required to identify the evaluation officer (appraiser), normally the immediate supervisor of the staff and a re-evaluation officer which is usually the Head of Units/Departments. All employees will be appraised once a year, normally at the end of the calendar year. The first level of appraisal is carried out by the employee's immediate supervisor, followed by the re-evaluation officer. This is done in the belief that the immediate supervisor has the advantage of knowing the employee's task and how they have performed them. After the appraisal by the immediate supervisor the process is taken through another higher level of re-evaluation involving the supervisor's supervisor. The dual system of evaluation has a great advantage in moderating the effects of bias, prejudices and victimization of staff that used to be associated with the single appraisal format. However this system also has several problems to will be dealt with in other chapters.

At the University of Malaya the NRS system has several elements as follows:

(a) Objective setting
(b) Mid-term evaluation
(c) Performance evaluation and Appraisal Interview
(d) Performance related pay and Development

(a) Objective Setting

When the supervisors have been identified, they are then required to discuss and set the objectives and targets for the achievement of their appraisees for the forthcoming year. This is done through standard forms kept by both the appraisee and the appraiser. A typical form used in the process of setting work targets for academic, administrative and other professional groups can be seen in Appendix 2. Forms used for setting work targets for all other categories of staff is shown in Appendix 3

The extent to which an employee is involved in objective setting depends greatly on the managerial style employed by the appraisers. There are no guidelines or organizational policy on how this should be done and therefore it is left entirely on the prerogative and style of the managers themselves. The objectives are set by the immediate supervisors without any form of consultation with the appraisees. On other occasions objectives are set after consulting with the appraisee and often set by the appraisees themselves with minimal input from their supervisors.

(b) Mid term Evaluation

A mid-term evaluation on objectives and targets set at the beginning of the year is carried out after six months. Forms used for setting work targets in the beginning if the assessment year is used for this purpose.

The purpose of the mid-term evaluation is to identify any problems that the appraisee may face in achieving their targets and whether they are performing as required. This should be done through formal discussions between appraisers and appraisees but unfortunately the exercise conducted is not according to set procedures by many departments at the University. Management usually gives discretion to the Heads of Department .in deciding whether to implement this or not.

(c) Performance Evaluation and Appraisal Interview

The performance evaluation as based on the performance of individuals in the past year. Each category of staff is evaluated using a standard of performance evaluation form for that category. The performance criteria being used for measurement includes the measurement of knowledge, ability, personality, traits and potential. Each performance criteria evaluated is given a total of 100 percent. Some of the criteria used currently in the evaluation process do not have a bearing on work performance. For example 5% is given for activities/contributions outside normal work like club activities, sports, voluntary organizations in the appraisees' neighbourhood, district or housing estate, which may contribute to the well being of the organization, community or country. Also 5% is given for co-operation and ability to enhance relationship with colleagues, superiors and subordinates.

A typical evaluation form for the academic staff is 22 pages in length (refer to Appendix 4). Evaluation forms used by the Administrative

Officers as an evaluation tool is 12 pages long as shown in Appendix 5. (English translation)

(d) Performance related pay and development

Based on the results of the evaluation, exceptional performance by appraisees with above 90% will be given a Diagonal increment of salary on the new matrix scale (sample as given below). Very good performers who receive between 80% to 89% marks will receive a Vertical increment. Staff who receive between 50% and 79% will get a Horizontal increment (used to be the annual increment before the NRS was introduced) while those below 50% will remain Static on their existing salary scale and will receive no increment at all.

While the grading scale may seem fair, all departments are limited by the number of staff eligible to receive any particular form of increment, if any. The percentages that had been fixed are as such. Only 2% of department staff is to be placed into the Diagonal increments category. For the Vertical increment only 3% and the rest 90% should fall into the Horizontal increment with 5% receiving the Static scale.

Table 2.2: Matrix Salary Scale under the NRS

[illegible]	[illegible]	[illegible]

(%)	Increment	receive this increment
90-100	Diagonal increment	2
80-89	Vertical increment	3
50-79	Horizontal increment	90
Below 50	Static (no increment)	5

Table 2.3: Matrix Salary Scale for the University Administrative Officer

	T1	T2	T3	T4	T5	T6
[illegible]	1404	1483	1562	1640	1719	1798
[illegible]	1487	1569	1651	1733	1816	1898
[illegible]	1573	1658	1744	1830	1916	2002

For example an Assistant Registrar who joins this scheme of service (University Administrative Officer) will start at the P1T1 with a salary of MR 1404.00 (Malaysian Ringgit). If after one year of service he/she then will be evaluated and receive a Horizontal increment and will move on to scale P1T2 with a salary of MR 1483.00

If the staff were to receive a vertical increment then he or she will move to salary scale P2T1 with a salary of MR 1487.00. A Diagonal increment will carry him/her to P2T2 with a salary of MR 1569.00. When a person receives a Static he/she will remain in P1T1 until the succeeding year. When someone gets some form of movement in the matrix scale, he/she will remain at that position and will have a chance of the four possibilities in the next evaluation period.

An employee reaching the end of any particular level, for example P1T26 (maximum point) will only be able to move down by performing exceptionally well and receiving vertical or diagonal increment, failing which they will not get any yearly increment. P3T26 will be the maximum for this particular scheme. Every scheme has only three levels but the vertical columns may vary for different schemes of service. The service scheme for university administrative officers is as follows:

Table 2.4: Service Scheme for a University Administrative Officer

Administrative Officer (Grade N3)	P1T1(MR 1404.81) - P1T26 (MR 3893) P2T1 (MR 1487) - P2T26 (MR 4076) P3T1 (MR 1573) - P3T26 (MR 4333)
Senior Administrative Officer (Grade N2)	P1T1 (MR 3713) - P1T7 (MR 4777) P2T1 (MR3901) - P2T7 (MR 5004) P3T1 (MR 4099) - P3T7 (MR 5239)

The matrix salary scale for administrative officers will begin with a grade N3. As with all other schemes of services, the scheme for N3 will consist of only three levels: P1, P2 and P3. As mentioned earlier the number of vertical columns may vary for each scheme of service and in the example shown below there are 26 vertical columns.

Table 2.5: Matrix Salary Scale for an administrative Officer

When an Administrative Officer in Grade N3 is promoted to Senior Administrative Officer he will then be placed in Grade N2 as shown in the table. Similarly a Senior Administrative Officer who is promoted to Registrar will then be placed in the N1 Grade.

Besides the higher salary increments, staff receiving the Diagonal increment will also receive benefits of a one-month bonus plus seven days of unrecorded leave. Those receiving the Vertical increment will get benefits of a half-month bonus plus seven days unrecorded leave.

2.3 Research Methodology

This is a descriptive study undertaken to identify, understand and ascertain the perception of University Malaya employees towards the fairness and accuracy of the implementation of the New Remuneration System since its inception in 1992.

A major obstacle encountered when embarking on this research was in identifying a suitable research design. Questionnaires relevant to the performance appraisal would have been difficult and time consuming due to the physical distance between the University of Liverpool and the University of Malaya, Malaysia. There was also the problem of correspondence and in getting the proper response rate employing this method. Thus the research methodology used was a combination of :

2.3.1 Questionnaire

The study relies upon primary data collected through distribution of questionnaires to respondents at the University of Malaya. It is a descriptive research that tries to explain a phenomenon in determining the perception of employees towards the current Performance Appraisal Systems (PAS) or the New Remuneration System (NRS). They are directed towards determining the nature of circumstances as it exists at the time of the study.

Thirty samples of questionnaires were distributed to colleagues at the University of Malaya. The questionnaires were distributed to three major employee groups in the University of Malaya; 10 questionnaires each were distributed to the academic staff, professional administrators and supporting staff.

Each questionnaire is accompanied by a cover letter requesting that they return the completed questionnaires within 14 days. Precaution is taken to preserve respondent anonymity and eliminate biases in their answers due to fear of being known to others. Each questionnaire is delivered with an attached self-addressed envelope sealed by the respondent upon completion of the questionnaires. This is to protect the respondent's identity and dispel fears that his/her answers will become public knowledge.

2.3.2 Secondary Data

Research will be based through information collected from the Government of Malaysia's report on the implementation of the NRS, previous research studies regarding concept and principles of the NRS, articles from newspapers, seminar papers, union reports, memorandums from employees and their representatives and other materials pertaining to the subject concerned.

2.3.3 Electronic Interview Discussion

The researcher's position as a university administrator gave some advantage, especially in interviewing numerous employees. This is due to the fact that administrators play a direct and active role in the implementation of the NRS, from the stage of dispending the appraisal forms and analysing them, arranging the appraisal interviews and finally distributing the appraisal outcome.

Formal and informal discussions were also held through telephone, e-mail and others between the researcher, the researcher's work place supervisor, university union leaders, other appraisers as well as with other appraisees involved in the appraisal process. This provides vital insight into the perception and understanding of what each category of employee felt and desired from the New Remuneration System (NRS).

2.4 Strengths and Weaknesses of the Research Methodology

As mentioned earlier, due to the physical distance between the UK and the organisation focused in this research (University of Malaya), the research methodology chosen was a combination of questionnaire, electronic/ telephone interview and secondary data.

Many of the principles of the operation, like the questionnaire and interview lies in the administering of the question. As an example, the questionnaire – the questions are self-administered and therefore could introduce a particular layer of uncertainty into the data validity. With an interview, researchers or their agents administer the question. Both methodological techniques are designed with the explicit criterion of repeatability and categorisation of data in mind. (http://www.lgds/methodologies)

2.4.1 Strengths and Weaknesses

(a) Interview

There are obvious advantages and disadvantages in using the interview method. It allows the questioning to be guided as we want and also to clarify points that need to be made clearer can be done more easily than the mailed questionnaire. (Frey and Oishi, 1995).

The technique does, however rely on the respondent being willing to give accurate and complete answers. (Breakwell, Hammond and Schaw, 1995) They may often lie due to feelings of embarrassment, inadequacy, lack of knowledge of the topic, nervousness, memory loss or confusion. The validity and reliability of interview data may be influenced by these. (Breakwell, Hammond and Schaw, 1995)

In more specific terms the strengths and weaknesses of the interview as a methodological technique can be summarized as follows :

Strengths

- Flexible in that it permits inter department questioning
- Allows for clarification of confusion/misunderstanding by both respondent and researcher
- Allows for information about the context in which the respondent answered
- Provides access to people who cannot complete questionnaires
- High response rates

Weakness

- Time consuming and expensive
- Necessity of training of interviews
- Hard to tabulate response
- Respondents have less anonymity

(http://www.cps.usfca.edu/job)

In this research context the disadvantages encountered in using the above techniques are mainly the substantial amount time and money spent interviewing respondents or resource persons in Malaysia via telephone and e-mail. During the telephone interview the respondent found difficulties in answering questions involving specific data and figures.

(b) Questionnaire

Strengths

- Cheaper and easier to administer and score
- Allows for broader subjects
- Uniformity of question
- Greater anonymity for respondents. Less likely to embarrass them
- Reduce interviewer effect and demand characteristics
- Respondent not pressured for immediate response

Weaknesses

- Danger of low response rate; 70-80% is considered excellent
- No feedback possible; no opportunity to clarify probe
- Respondent must be able to read and write
- Respondent may not give full information
- Respondents may misinterpret question (http://www.cps.usfca/edu/325sh/surrey/htm)

As previously mentioned the researcher had undergone several shortcomings when collecting data using the questionnaire technique due to physical distance. Moreover, the researcher had to depend on colleagues and agents to distribute the questionnaire forms. It was predictable that the results were not very encouraging (40-50%). Alternatively the researcher had to use other methods of data collection like web-searching, other secondary data including government reports, memorandums and government circulars.

In conclusion questionnaires and interviews both perform well in circumstances where there is a firm conceptual model which needs populating with data. Interviews have an additional advantage over questionnaires for formative research since they can be used in a semi-structured manner to gather conceptual understandings as well as measurable responses to more prescribed (theory-testing) issues.

The strength of questionnaires lies usually in their generalisability, and therefore a random but representative sample is a central equipment. It can be difficult to establish why the data collected does not match that anticipated, since the richness and quality of data is sometimes lost in the search for high-volume simple quantitative (or semi-quantitative) data.

Structured interviews require an absolutely consistent questioning format by the researcher, which can be problematic where there is more than one field worker collecting the data. There can also be a hidden and unintentional leading by a fieldworker using a semi-structured or unstructured interview format where they have a particular personal bias. The phrasing of questions can easily place pre-conceptions into a respondent's mind, or constrain them from giving a truly neutral response.

The widespread application of questionnaires means that there is frequently a very strong possibility that a similar form of questionnaire to that suitable for the data collection has been used before. If it can be found and proves to have been validated, it may be feasible to modify it for use and increase the certainty of the data collection process.