



# HIGH PERFORMANCE WORK PRACTICES



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# TABLE OF CONTENTS

FOREWORD	4
EXECUTIVE SUMMARY	5
CURRENT WORK PRACTICES IN FSI ORGANISATIONS	7
TEN WORK PRACTICES LEADING TO HIGH PERFORMANCE	10
GENERATIONAL EXPECTATIONS	15
WHAT FSI EMPLOYEES WANT MOST	18
KEY TAKEAWAYS	20
PROFILE OF RESPONDENTS	22

# FOREWORD

High Performance Work Practices (HPWPs) are workplace initiatives aimed at improving productivity and performance and contributing towards the competitiveness and sustainability of an organisation. HPWPs focus on creating an engaged and empowered workforce that is able to enhance output and ultimately deliver bottom line growth.

Organisations are getting flatter and less hierarchical with higher levels of trust, empowerment and commitment. HPWPs have been shown to be strongly linked to employee attitudinal variables such as job satisfaction, trust in management and organisational commitment. In the context of the Malaysian financial services industry (FSI), the focus group for this study agreed that job satisfaction could be used as a measurement outcome of HPWPs. Adopting HPWPs has been shown to result in a significant improvement in productivity in sectors that are people-centric, such as the financial services sector.

This report aims to provide insights on HPWPs across the Malaysian FSI and what drives high performance. Understanding what motivates the workforce to give their very best to accomplish their tasks is an essential first step in choosing the most suitable HPWPs to be adopted. It will guide practitioners as to which areas of work practices to focus on and will be important towards enhancing organisational performance.

We surveyed 2,020 financial services personnel across the Malaysian FSI. It is worth noting that highly satisfied employees rate performance management and learning and development higher than payment systems, which was ranked much lower. This suggests that personal performance and professional development are more important than remuneration schemes.

We hope this report will encourage many organisations across the FSI to implement suitable HPWPs in their respective organisations. Based on the evidence presented in this report, increased productivity, organisational growth and sustainability are the outcomes for those organisations that pursue HPWPs.

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# EXECUTIVE SUMMARY

High Performance Work Practices (HPWPs) are highly linked to increased job satisfaction which is one of the main factors leading to high performance. Amidst a labour market characterised by a shortage of quality talent and skills gaps as reported in **AIF's Skills Gaps**<sup>1</sup> report, adopting HPWPs could be an important catalyst for the financial services industry (FSI) in Malaysia in achieving higher productivity and improving overall business performance.

HPWPs impact the workforce by enhancing employee self-confidence and engagement and hence result in increased job satisfaction. In today's increasingly competitive business environment accentuated by volatile and uncertain markets, organisations need to ensure that they are ready to drive and enhance both individual and organisational performance. Talent management through HPWPs is one way to improve overall business performance.

HPWPs are formally articulated practices within an organisation managed by business managers and facilitated by the HR function. In this study, a focus group consisting of senior HR practitioners across the Malaysian FSI identified five HPWP activities deemed relevant to the industry. They are:

- (1) Performance Management
- (2) Learning and Development
- (3) Succession Planning
- (4) Employee Involvement in Decision Making
- (5) Payment Systems.

This study identifies how highly satisfied employees and the general employee population ranked these five activities as determinants for their job satisfaction.

The results reveal that all five HPWPs are routinely implemented across the Malaysian FSI. The general employee population ranked Learning and Development as the top work practice, followed by Performance Management, Succession Planning, Employee Involvement in Decision Making and lastly Payment Systems.

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<sup>1</sup> Wan Azmi, WN & Madden, R, (2015), Skills Gaps in the Financial Services Industry in Malaysia, Asian Institute of Finance, Kuala Lumpur.

The survey was administered to more than two thousand employees across the FSI from the four sub-sectors of the industry: namely conventional banking, Islamic banking, capital markets, and insurance/Takaful.

Highly satisfied employees, representing more than a third of the total population surveyed, ranked Performance Management as the top work practice. This was followed by Learning and Development, Succession Planning, Employee Involvement in Decision Making and Payment Systems.

It is interesting to note that the difference in ranking of HPWPs between the highly satisfied employees and the larger population of employees centred on Performance Management and Learning and Development.

The findings suggest that highly satisfied employees had a more inward perspective when it comes to what constitutes job satisfaction to them. This satisfaction came from 'what they could do' rather than 'what the organisation can do for them'. The satisfaction originated from their own internal motivation.

There are twenty one elements in these five HPWP activities. However, only ten were found to have a significant impact on job satisfaction and thus business performance.

The ten significant elements of the HPWPs give a more in depth look at what is important in the HPWPs which influences job satisfaction at work and hence leads to high performance.

As HPWPs have a positive impact on job satisfaction, it can be an effective strategy to address the talent challenges across the FSI in Malaysia. The **AIF Skills Gaps** report attributed these challenges to a lack of succession planning, lack of competent and skilled employees, and lack of experienced candidates. Putting in place HPWPs could help to reduce the skills gaps across the FSI.

With the shortage of talent across the Malaysian FSI, organisations need to act quickly to identify and implement HPWPs that can enhance the motivation and satisfaction of employees in order to address attrition and retention across the financial services sector. Though there is no 'one size fits all' model for HPWPs, it is hoped that this study can serve as a basis from which each organisation can map their own optimal work practices.

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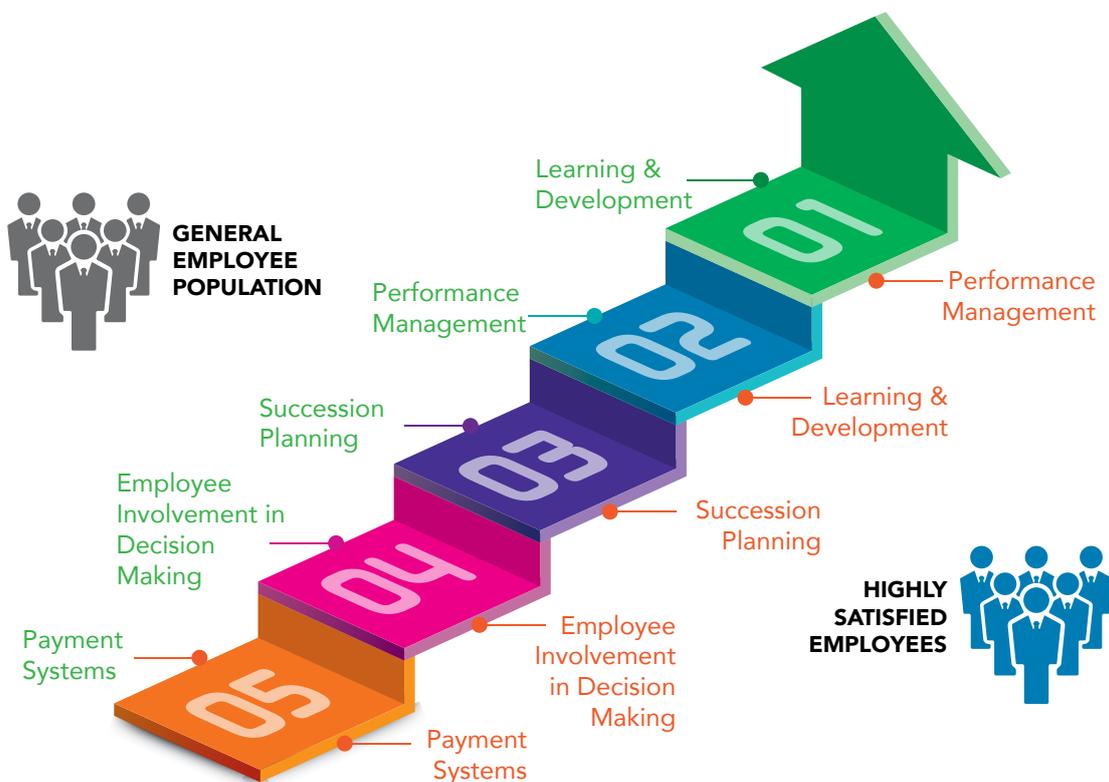
**Keywords:** High Performance Work Practices, job satisfaction, performance management, training, learning and development, succession planning, decision making, payment systems, empowerment, engagement, Malaysia, financial services, Kirkpatrick Model.

# CURRENT WORK PRACTICES IN FSI ORGANISATIONS

About three-quarters of the respondents surveyed across the financial services industry (FSI) in Malaysia reveal that High Performing Work Practices (HPWPs) have been implemented in their workplace.

The rankings of current HPWPs as perceived by the general employee population and the highly satisfied employees are shown in *Figure 1*. The highly satisfied employees were those who rated their overall level of job satisfaction as above average or very high.

**Figure 1: Rankings of current HPWPs among both the general employee population and highly satisfied employees**



About three-quarters of the respondents revealed that HPWPs have been implemented in their workplace



Employees were asked to rate which HPWPs were currently practiced in the workplace. The general employee population perceived Learning and Development as the most prevalent work practice currently implemented (*Figure 1*) followed by Performance Management. Succession Planning was ranked third while Employee Involvement in Decision Making was ranked fourth. Payment Systems was cited as having the least effect on performance in the workplace in this study.

These results portray the importance of Learning and Development as perceived by the general employee population. This prominence is likely to stem from the need to continuously upskill in a volatile, uncertain, complex and ambiguous (VUCA)<sup>2</sup> business environment. In closing the skills gaps as highlighted in the **AIF Skills Gaps** report, the majority of FSI employers (73%) agreed that providing training for career development and upskilling is part of their organisational strategy for talent development. This focus on learning and development reiterates its top ranking by the general employee population.

Highly satisfied employees ranked Performance Management as the most prevalent work practice currently seen in the workplace. Learning and Development came second and Succession Planning was ranked third. Similar to the general employee population, Employee Involvement in Decision Making and Payment Systems were ranked the lowest.

For highly satisfied employees, Performance Management is viewed as important as it goes some way to measure the time and effort they put into their work to deliver results.

Another important aspect of HPWPs is the connection between reward and performance. Performance related pay is deemed as an important tool in enhancing high

<sup>2</sup> VUCA is an acronym to describe the volatility, uncertainty, complexity and ambiguity of situations. It was introduced by the U.S. Army War College and has been widely used in the US military since the 1990s.

**Performance Management, Learning and Development are the top two prominent HPWPs that are seen as being practiced in the workplace**



performance. However, in this study, Payment Systems is ranked the lowest among both groups of employees. This suggests that Performance Management is viewed as being distinct from Payment Systems. The scope of Performance Management refers to the management of performance appraisals, feedback, benchmarking and improvement initiatives. Whereas, the scope of Payment Systems refers to the remuneration and incentive practices that are appropriate for the organisation and the individual employee.

These results reflect what is perceived as being practiced in the Malaysian FSI, as validated in **AIF's Gen Y in the Workplace**<sup>3</sup> report. The findings of this report affirm that high pay alone is not sufficient in attracting and retaining Gen Y<sup>4</sup> professionals in the FSI. Gen Y professionals put organisational culture above monetary benefits when deciding on which organisation to work for. Although that research study focused primarily on Gen Y in the FSI, this study, which encompasses the three generations of Gen Y, Gen X<sup>5</sup> and Baby Boomers<sup>6</sup>, also suggests that 'it's not all about money.'

<sup>3</sup> Wan Azmi, WN & Madden, R, (2014), Gen Y in the Workplace: An International Comparison, Asian Institute of Finance, Kuala Lumpur.

<sup>4</sup> For the purpose of this study, AIF has defined Gen Ys as aged 18 to 30 years old.

<sup>5</sup> Similarly, early Gen Xs are defined as aged 31 to 40 years old, while late Gen Xs as 41 to 50 years old.

<sup>6</sup> Baby Boomers are defined as aged 51 years old and above.

# TEN WORK PRACTICES LEADING TO HIGH PERFORMANCE

To understand how the general employee population viewed the practices that influence their job satisfaction and lead to higher performance output, twenty one statements were used to measure HPWPs. Only ten statements were found to be statistically significant for employees in the Malaysian FSI (as shown in Figure 2).

The significant elements in each of the five HPWPs are as follows:

**Figure 2: Significant elements in five HPWPs**

5 HPWPs	10 Significant Elements
<b>PERFORMANCE MANAGEMENT</b>	<ul style="list-style-type: none"> <li>My evaluation is justified</li> <li>Transparent &amp; fair procedures</li> <li>Management share performance evaluation outcomes</li> </ul>
<b>LEARNING &amp; DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>Opportunities for training are fair</li> </ul>
<b>SUCCESSION PLANNING</b>	<ul style="list-style-type: none"> <li>Fair procedures that provide merit based promotions</li> <li>Opportunities for qualified individuals</li> <li>Practices are long term</li> </ul>
<b>EMPLOYEE INVOLVEMENT IN DECISION MAKING</b>	<ul style="list-style-type: none"> <li>Opportunities to express ideas</li> <li>Involved in the decision making process</li> </ul>
<b>PAYMENT SYSTEMS</b>	<ul style="list-style-type: none"> <li>I am paid fairly</li> </ul>

## PERFORMANCE MANAGEMENT



Three elements in **Performance Management HPWPs** were significantly correlated to high performance. They were, 'evaluation that is justified', 'transparent & fair procedures' and 'management share performance evaluation outcomes'. Employees want their performance to be evaluated in a fair manner. A justified evaluation can be achieved when performance is evaluated based on what was agreed by both the employees and management. When this is achieved, employees will have the confidence that their performance is what is expected and thus aspire to perform better. Transparent and fair procedures in performance management is demonstrated by the availability of a clear performance evaluation that employees understand and know how to achieve their objectives. Knowledgeable, skilled and motivated employees will use their time effectively if the organisational structure and job scope is engaging. In addition, when management shares the outcome of their performance evaluation, the employee can then reaffirm the expectations of their work performance.

## LEARNING & DEVELOPMENT



### LEARNING & DEVELOPMENT



Opportunities for training are fair

**Learning & Development HPWPs** has only one element found to be significant. The element that 'opportunities for training are fair' suggests that everyone should be given the same opportunities for training. In the Malaysian FSI, learning and development are important for career development and progression. These are complementary activities. The employees surveyed in this study suggest that the selection of who attends training must be based on organisational needs. By matching training needs against the present skills and competency levels of employees, management will be able to chart the required training for each employee. There will be more engagement and appreciation towards the learning when employees perceive that opportunities for training are fair. When employees are engaged, job satisfaction increases and hence so will personal and business performance. Organisations are encouraged to manage the efficacy of training through formalised evaluation e.g. the Kirkpatrick Model.

## SUCCESSION PLANNING



Three elements in **Succession Planning HPWPs** were significant, namely 'fair procedures that provide merit based promotions', 'opportunities for qualified individuals' and 'practices are long term'. Succession planning forms a part of leadership alignment and development. Management can implement procedures that provide merit based promotions by disseminating sufficient internal opportunities, allowing transparency in the promotion process and ensuring that meritocracy is practiced. Promotion opportunities for qualified individuals should be merit based. As management affirms that fairness and meritocracy are practised, employees will have confidence in the organisation's practices. Ultimately, engagement increases job satisfaction and performance will improve. Since succession planning is developmental, it bodes well if an organisation puts in place succession planning practices that are applicable for the long term.

## EMPLOYEE INVOLVEMENT IN DECISION MAKING



In **Employee Involvement in Decision Making HPWPs**, two elements were found to be significant. Employees across the Malaysian FSI need the 'opportunity to express ideas' and to be 'involved in the decision making process'. This two way flow of communication can be achieved when employees are not fearful of expressing their ideas and are encouraged to make contributions to decision making. Being able to express ideas and being involved in the decision making process allows for improved teamwork whereby employees feel engaged. Engagement encourages a positive work environment and increases job satisfaction.

## PAYMENT SYSTEMS



### PAYMENT SYSTEMS

I am paid fairly

Out of the four elements in **Payment Systems HPWPs**, the only element that was significant was being 'paid fairly'. This suggests that employees in the Malaysian FSI view being remunerated fairly for the work that they do as important. Fair remuneration can be benchmarked to industry standards. In turn, being paid fairly will impact employee motivation and engagement at work. When employees are motivated, their job satisfaction will be translated into improved performance. A fair and competitive remuneration system is more important to Gen X as found in this study.

These results suggest that in building high performance teams, there needs to be an openness between management and the employee in achieving job satisfaction. The employee should be given exposure to fair procedures in the form of coherently structured organisational work procedures while being allowed to participate in all five HPWPs. These results also underline the importance of good communication being in place whereby the message is clearly communicated to the intended recipient and there is an opportunity for feedback between the appraisee and the appraiser.

# GENERATIONAL EXPECTATIONS

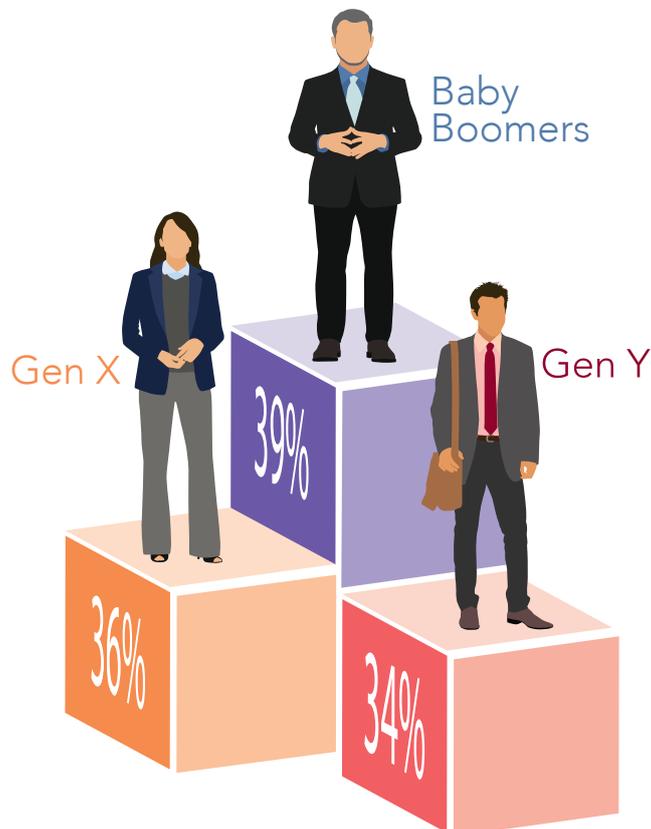
**In this study, Baby Boomers are the most satisfied employees, followed by Gen X and lastly Gen Y**



Less than 40% of employees from each generation (Gen Y, Gen X and Baby Boomers) indicate that they are highly satisfied at work. This suggests that only around one out of three employees are satisfied in their jobs.

In this study Baby Boomers are the most satisfied employees, followed by Gen X and lastly Gen Y (as shown in Figure 3).

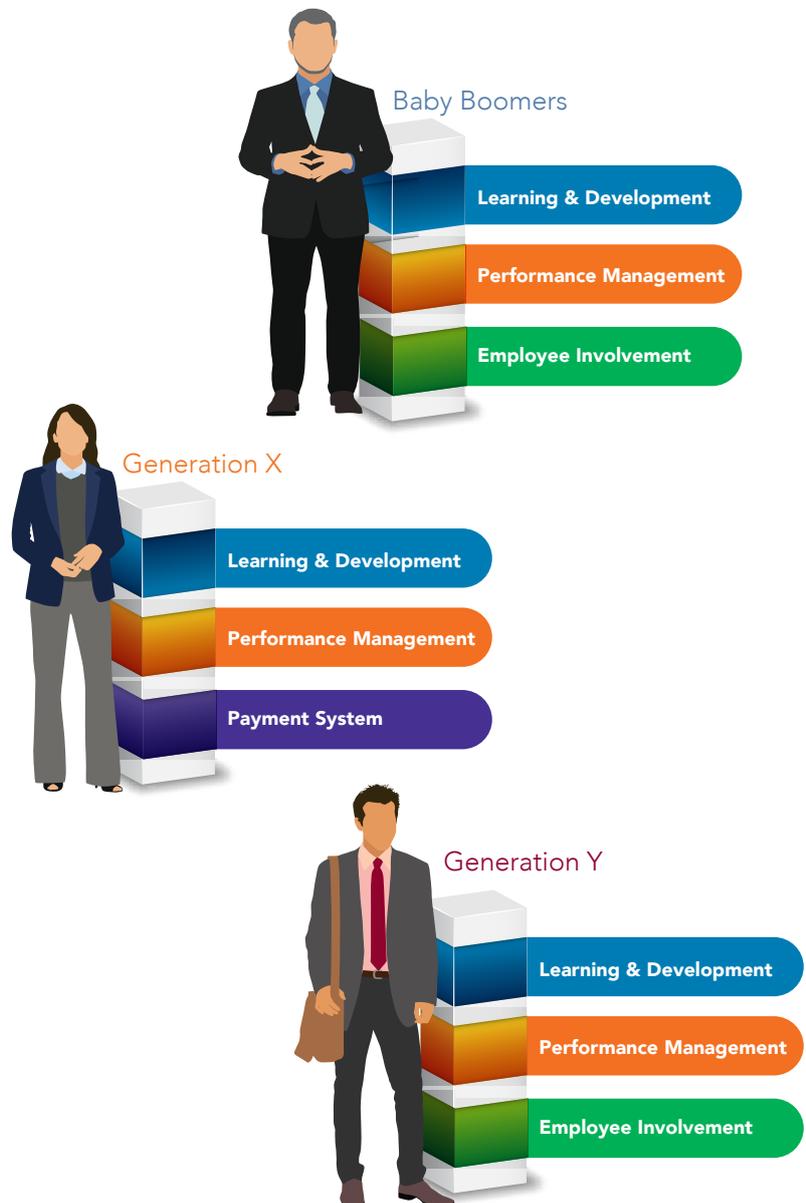
**Figure 3: Job satisfaction based on generations**



**Gen Y and Baby Boomers value communication and an exchange of ideas and opinions**

Figure 4 shows the HPWPs that affect job satisfaction based on generation. Performance Management is important to all three generations. This suggests that employees recognise the importance of a robust performance management system that is able to measure their contributions and achievements.

**Figure 4: HPWPs that affect job satisfaction by generation**





**Gen X value  
a fair and  
competitive  
remuneration  
structure**

Learning and Development is an important HPWP for all three generations. The prominence of this work practice could be helped by the fact that the minimum requirement for annual staff training expenditure set by the Central Bank of Malaysia (Bank Negara Malaysia) is 2.5% of the preceding year's total gross salary expenses.<sup>7</sup> There are instances whereby some organisations spend more than 2.5% on staff training.

Gen Y and Baby Boomers both agreed that Employee Involvement in Decision Making was an important work practice which influenced their job satisfaction. They value communication and an exchange of ideas and opinions within their organisations.

As for Gen X, Payment Systems was an important work practice alongside Performance Management and Learning and Development. This suggests that for Gen X employees, remuneration and competitive pay are important factors when it comes to influencing their job satisfaction.

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<sup>7</sup> Financial institutions in Malaysia are required by the Central Bank of Malaysia (Bank Negara Malaysia) to set aside 2.5% of their preceding year's total gross salary expenditure for staff training and development activities.

# WHAT FSI EMPLOYEES WANT MOST

Highly satisfied employees ranked components of HPWPs differently compared to the general employee population. The survey found that highly satisfied employees ranked having a meaningful job as first, followed by having an effective relationship with their manager. Opportunities for learning and growth and having an understanding manager are ranked third and fourth respectively (as shown in *Figure 5*).

The general employee population ranked having a meaningful job and having an effective relationship with their manager as first and second. Having an understanding manager and having opportunities for learning and growth are ranked third and fourth.

**Figure 5: Job satisfaction elements based on highly satisfied and general employee population**





**Employees in  
the Malaysian  
FSI want to find  
meaning in  
their job**

A meaningful job and an effective relationship with their manager are most important for both groups of employees. Having an effective relationship with one's manager is ranked highly. This suggests that a reciprocal relationship is preferred over a nurturing relationship. Employees want to participate and contribute in order to find meaning in their work.

To create an ideal work environment for the Malaysian FSI, leaders need to be more egalitarian and to empower employees to make decisions, exercise effective communication in order to help employees find meaning in their jobs and create healthy relationships in the workplace.

# KEY TAKEAWAYS

The key takeaways for organisations who want to adopt HPWPs are as follows.

**1 Good Performance Management gives attention to both parties**

- Mutual agreement on expected performance and justified outcomes
- Transparent and fair evaluation agreed by both parties
- Mutual sharing of views during performance appraisals



**2 Learning & Development is effective if opportunities for training are managed effectively**

- Identifying actual training needs based on knowledge gaps and current skills
- Provide suitable just in time training
- Training suitable for career or role development



**3 Succession Planning practices should be merit based**

- Internal promotions provide long term development
- Promotion procedures should be transparent and fair for qualified and experienced employees
- Selection and promotion criteria should be based on meritocracy



## 4

**Expression of ideas and employee involvement in decision making allow for an engaged workforce**

- Involvement in decision making gives a sense of contribution and purpose
- Encourage a speaking up policy to encourage ethical business behaviours
- Provide opportunities for employees to express ideas (e.g. Town hall sessions)



## 5

**Recognition through fair and competitive remuneration**

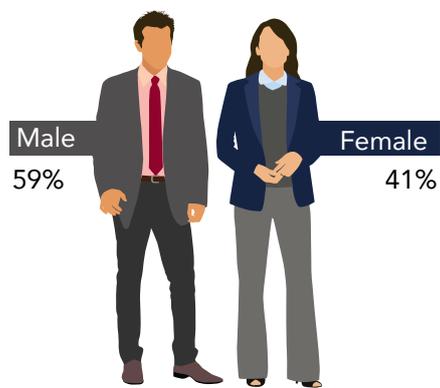
- Use industry best practices and benchmarks to set rewards and remuneration policies
- Employees should perceive that they are paid fairly
- Provide non-monetary rewards for employees to enhance engagement



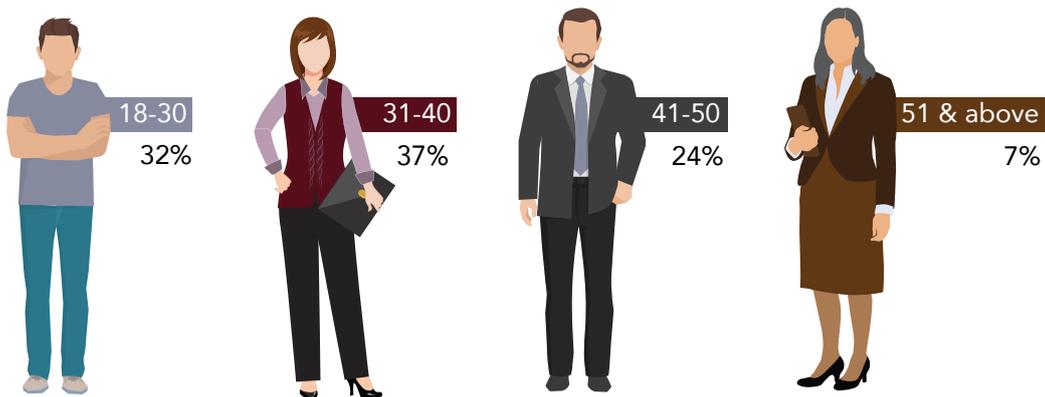
# PROFILE OF RESPONDENTS

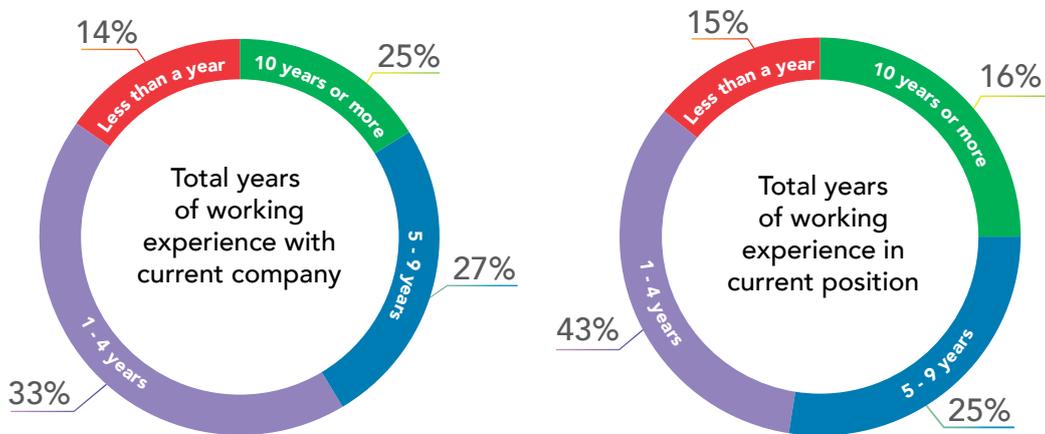
Total number of respondents  
**2,020**

## Gender



## Age

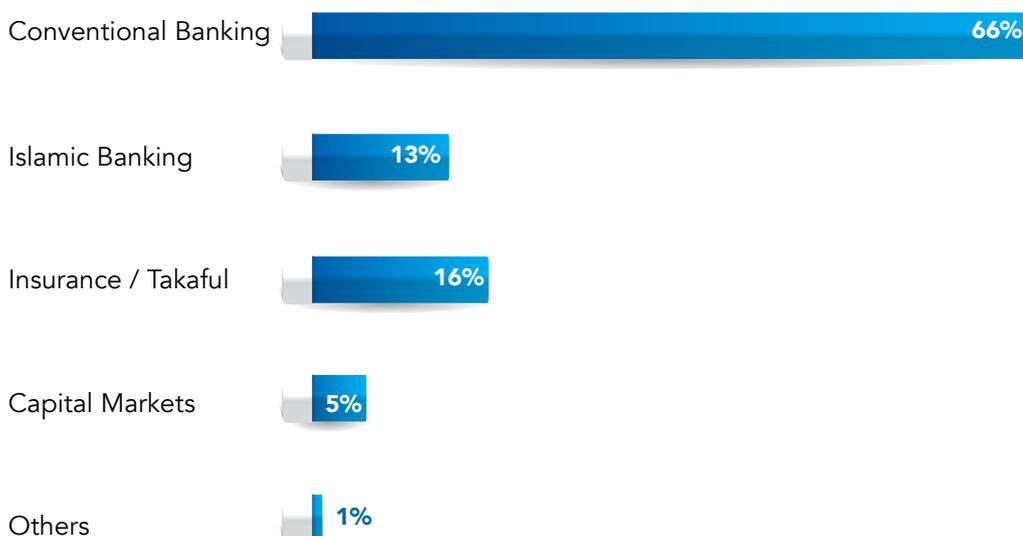




Management Level



Respondent Sectors



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