

# **The Impact of Organization Development Interventions on Performance Management**

A Case Study of C.I.T. Property Consultants Co., Ltd.

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## **Abstract**

*Good performance management systems can have a significant impact upon the operations and success of any organization. The broad objectives of this article are to identify the problematic areas in the company and identify ways to improve staff performance, employee motivation and involvement. The specific research objectives are to describe and analyse the current situation of the company and to conduct a 3-phase diagnosis: Phase 1, identification of problematic areas which need improvement; Phase 2 development and implementation of intervention techniques; Phase 3 monitoring and evaluation of results after the intervention to determine the impact on the company performance. Both the qualitative and quantitative methods of analysis were used which included interview, observation and questionnaires. The findings are that after the ODI, staff performance improved. This improvement has led to better performance of the organization at three levels. At the individual level—staff perceived more motivation and that their competencies at work increased. At the team level—staff perceived that there was an improvement in team effort. At the corporate level—the findings suggest that improved corporate performance is linked to improved individual and team level processes.*

**Key Words:** Performance management, Employee motivation, Employee involvement, Teamwork

## **Introduction**

It is recognised that human resource management of considerable importance in the management of organizations (Singh, 1992). The competitive advantage of an organization depends on how well its human resources are managed (Mendonca & Kanungo, 1996). Performance can be considered an outcome of both organizational and human activities (de Waal, 2003). The objective of this dissertation was to apply these theories in practice, using C.I.T as a case study. What it aimed to do is to analyse the corporate performance of C.I.T, identify the problem areas, and to find ways to rectify the identified problems which, in the C.I.T case, were employee motivation, employee involvement and teamwork.

The type and manifestation of problems vary from one organization to another. Therefore,

methods used to study and suggest solutions to these problems also differ from one organization to another.

C.I.T's corporate performance when it first took over from Pasupat was not at all impressive. There was no unity among staff members and there was a high rate of staff turn-over. Staff performance was rather poor or sub-standard. CIT stakeholders were not satisfied with the corporate performance because its revenue was not high as it should be.

The researcher, as the Managing Director of the company, took this opportunity to apply the knowledge he learnt from the course, to identify the problem areas, strategically initiated ODI activities based on information other authors wrote in this field, and analyse the results of the ODI he implemented. It was expected that the ODI activities would improve staff performance, resulting in improved corporate performance which would satisfy CIT stakeholders and shareholders.

## **Literature Review**

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### *Performance Management*

The competitive advantage of an organization in a global economy depends primarily on how well its human resources are managed. Of course, the financial, technological, and other material resources are undoubtedly also critical to the organization's success in the competitive global market, but these resources are generated by the industrious and creative efforts of people, and it is their ingenuity that also ensures that these resources are effectively deployed. Hence, the importance of the human resources function is increasingly being recognized. Developments in human resource management techniques and practices to promote work motivation particularly through performance management, work design, reward systems, employee supervision, and organization development and change strategies, have enabled organizations to create conditions which foster, promote, support, and reinforce employee effectiveness. These techniques and practices give organizations the competitive edge both in the short and long term, as well as in their domestic and international markets. Some argue that adopting management practices which have proven to be effective is a better alternative for an organization than needlessly to invest its limited and scarce resources in efforts, which do not amount to much more than "reinventing the wheel". In any event, the poor management practices, bureaucratic inefficiencies, and low productivity levels that are endemic in many of these organizations, create considerable pressure for managers to adopt speedy, ready-to-implement strategies. They, therefore, hoped that such adoption would enhance their effectiveness, and give them a fighting chance in the fiercely competitive global markets (Mendonca & Kanungo, 1996).

Performance can be considered an outcome of both organizational and human activities (de Waal, 2003, p. 688). Performance management has much wider implications than that of simply improving individual performance and providing a basis for performance-related pay. It is also

concerned with three key features of organizational life: human resource management (HRM), continuous development, and teamworking (Armstrong, 1994). Poor performance has a negative impact on company revenues along the same lines as downtime. There is a negative effect either through lost opportunities, lost revenue (Brady, 2002). There is a growing trend towards managing performance improvement through focusing on the underlying drivers of performance. Performance management is a term widely used within HR and has a specific meaning associated with reviewing and managing an individuals' performance. However, there is also a growing concern in performance measurement that measuring performance is not enough. Measurement has to lead to insight and insight to action – hence the term corporate performance management has been used to differentiate between management at the level of the individual and the corporation. More recently, the concept of multiple stakeholders has come to the fore. Companies can no longer be satisfied with only considering shareholders and customers. Employees are also seen as important stakeholders, as are suppliers, regulators and the community at large and these have adopted different approaches to this challenge (Bourne, Franco & Wilkes, 2003). For as long as one person has been engaged in furthering the aims of another, the employer has been concerned with ways of motivating the employee to maximize the effectiveness of the enterprise. Given the link between employee behavior, HRM and company performance, the lower employee turnover and greater productivity should be (Roos & Fernstrom, 2004).

Performance management can satisfy a number of the fundamental aims of HRM, to achieve sustained high levels of performance from the organization's human resources; develop people to their full capacity and potential; establish an environment in which the latent potential of employees can be realized; reinforce or change the organization's culture.

Performance management is also concerned with the interrelated processes of work, management, development and reward. It can become a powerful integrating force, ensure that these processes are linked together properly as a fundamental part of the human resource management approach which should be practiced by every manager in the organization (Armstrong, 1994).

The organization has operated successful because of good performance management systems. The Performance Management is the fruit of an organizational structure, its teamwork, its employee motivation and its employee involvement.

### *Teamwork*

Performance management is often treated as if it were just a matter between managers and the individuals reporting to them. But it can also enhance teamwork by asking teams to identify interdependencies and set team objectives and by getting their members jointly to review progress in achieving them. Teamwork can also be enhanced by setting overlapping objectives for different members of a team (Armstrong, 1994, p. 27). In a team-based organization, the performance not only of the teams as a whole but also of their individual members needs to be managed and managed very well if tall performance (consistently competent, ethical, and motivated behavior that always produces the best results) is to be reached and sustained (Brumback, 2003).

In most instances, when organizations say they want teams, what they really want is teamwork. That is, they want people within a work area to cooperate with one another, to make decisions together, and to work together toward a common goal or objective (Humphrey & Stokes, 2000). In the end teamwork will gain greater performance results because people are working together rather than independently of each other.

There are a number of characteristics that are often observed when a group of individuals

works as a team: shared job duties, cross-over of skills, flexibility in substitution, desire to involve everyone, equal sacrifice and commitment, understood and supported overarching purpose.

In order to be successful, the leaders need to encourage and support your frontline employees to work together, to be unified in purpose and action. The word synergy is often associated with teamwork, because as the people in a group develop an environment of giving and receiving and as they share ideas develop working together relationship, their combined action produces results that are greater than they could achieve if each were working alone (Humphrey & Stokes, 2000).

The capability of a group reflects members' effectiveness at using their skills and experience to accomplish the work in their area. Maturity reflects group members' effectiveness at making decisions that consider work needs and employees' needs and abilities and that are sound from a practical and business perspective. Maturity is not reflected by a group that makes decisions based on selfish desires or the most convenient solution. Finally, the drive of a group reflects members' motivation and enthusiasm for learning and achieving greater performance results (Humphrey & Stokes, 2000).

Teamwork is essential for competing in today's global arena, where individual performance is not as desirable as a high level of collective performance. In knowledge based enterprises, teams are the norm rather than the exception. A critical feature of team in our company is that employees at the management level have a significant degree of empowerment, or decision-making authority. Aside from the required technical proficiency to enhance teamwork within the organization

### *Employee Motivation*

Motivation is one of the critical links between the organization and the individual. That link is expressed in productivity, satisfaction, and personal involvement. Motivation consists of a

variety of forces that direct behavior toward a goal (Garrison & Bly, 1997).

As the trend continues to shift toward self-managing teams, employees cannot be expected to turn into motivated self-managers overnight; they need to be given the proper tools through development and training programs. When employees appear to be unmotivated, managers will need to size up the leadership situation, identify and understand what is happening, and formulate a response. Knowledge about the theories of motivation, discussed in the previous section, should help managers identify and understand the motivational problems they face. In this section, possible methods to motivate employees are described. One reason these motivation methods are widely used is the fact that they have strong foundations in motivation theory and research. For example, empowering employees is based in part on self-efficacy – namely, on the idea that people differ in their estimates of how they will perform on a task. Therefore, building their skills and self-confidence by empowering them should bolster their self-efficacy and thus their motivation.

*1. Pay for Performance:* Pay for performance is probably the first thing that comes to mind when most people think about motivating employees. Pay for performance refers to any compensation method that ties pay to the quantity or quality of work the person produces. Similarly, behavior modification emphasizes that people will continue behavior that is rewarded, and pay for performance plans, of course, tie rewards directly to behavior (Sims).

*2. . Recognition:* Being recognized for a job well done – and not necessarily just financially – makes a lot of sense in terms of motivation theory. Immediate recognition can be a powerful reinforcer, for instance, and can provide some immediate outcomes to counterbalance the employees' inputs or efforts. Recognition also underscores the performance-reward-expectancy link, and it helps appeal to and satisfy the need people have to achieve and be recognized for their achievement (Sims, 2002).

**3. Empowering Employees:** Today, organizations are increasingly empowering their work teams. Empowering does not just mean assigning broad responsibilities. Teams also need the training, skills, and tools to allow them to do their jobs, such as in consensus decision making. Firms like Saturn also make sure their managers actually let their people do their jobs as assigned (Sims, 2002).

*4. Goal-Setting:* Managers and employees need to understand each other's goals. In addition, managers are responsible for helping employees in setting goals or objectives. With a clear understanding of explicit goals or objectives, managers and employees can work together to achieve specific outcomes. Several attributes of goals are especially important for improving performance: goal specificity, goal difficulty, and goal acceptance (Sims, 2002)

Motivation is the force that drives employees towards a common objective. Employees are motivated with performance incentives, team spirits, achievement recognition, open line communication, respect, trust and involvement.

#### *Employee Involvement*

Today an increasing number of organizations see the potential advantages of having more frontline workers involved with growing the company. Although different companies may define employee involvement somewhat differently and use various means to obtain it, many employee involvement efforts involve the formation of natural work teams.

As employee involvement efforts take on team like dynamics, supervisors must have the skills necessary to build and grow teams. Frontline leaders will recognize the difference between a group of people and a real team. They will actively grow their teams, understanding the stages every team will experience and knowing how to develop individuals into members of a high-performance work team (Humphrey & Stokes, 2000).

#### *Empowerment and Delegation*

Globalization that has occurred since the beginning of the 21st century makes the world become more dynamic and move at a faster pace. Due to increased economic integration and reduced trade barriers, globalization creates greater movement of people, capital, ideas, and goods. Bigger markets can mean bigger profits if companies /organizations make every effort to capitalize on them. Global competition is so strong that organizations will require making adjustments to the way they do businesses as well as to their management styles in order to keep pace with the rapid change. Therefore it is a real challenge in how to manage the organizational behaviour to meet strong field of global competition.

To be successful in global competition, organizations not only should respond positively to the competition in the international marketplace but they must also be more responsive to ethnic, religious, and gender diversity as well as personal integrity in the workforce (Nelson, 2006).

Managing the organizational behaviour during changing times is challenging for at least four reasons: (1) the increasing globalization or organizations' operating territory, (2) the increasing diversity of organizational workforces, (3) the continuing demand for higher levels of moral and ethical behaviour at work, and (4) continuing technological innovation with its companion need for skill enhancement. These are the important issues to address in manage people at work (Nelson & Quick, 2006).

Management in the twenty-first century has accordingly taken a new orientation, and is capitalizing on a different approach to managing employees than the traditional disciplinarian, command and control philosophies. People are treated as the natural resource and capital asset of the organization and the most important source of sustainable competitive advantage (Jamali, Khoury, & Sahyoun, 2006).

Management through delegation creates a more nurturing environment in which staff can

learn, grow, improve and function effectively. A further development to delegation is empowerment. Staff empowerment gives employees a sense of trust, importance, capability and thus creates a positive work environment. It also enables personal and professional growth. The leader believes that empowerment is derived after a period of time working together. The leader must be able to judge an employee's capabilities and trust that person with decision-making in the best interests of business operations. No doubt the empowered person will have freedom of choice and action, but there is a ceiling in decision making that the empowered person can undertake. Good leadership is like good parenting: communication, coaching and monitoring from time to time is required.

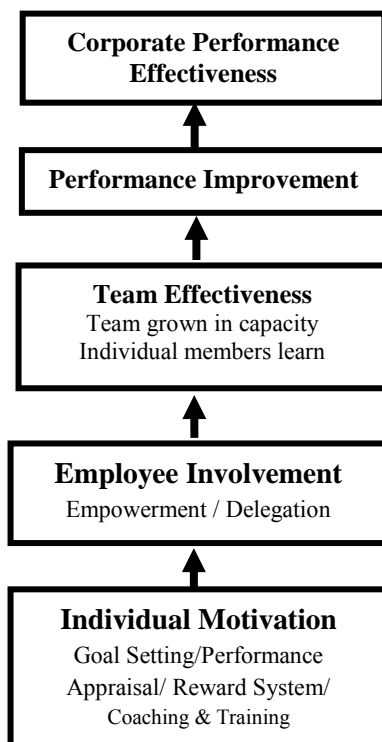
The „Involve them' management style – “Delegation” and “Empowerment.” There are countless benefits to be gained by applying them to the full. It is very important for the company to create the atmosphere that nurtures staff abilities and motivates them to improve their productivity through shared knowledge and information and empower them to make decision based on these shared knowledge. Their good work must be recognized and rewarded. Empowered staff are contented and this flow through to customers. The firm's success is based on our ability to produce superior results for our clients. With strong global competition, increasing number of happy customers may lead to increasing market share of the company.

### ***Theoretical Framework***

The model as depicted in Figure 1 shows that performance is an outcome of both organizational and human activities but the most important contributing factor is human resources. Motivated staff is productive and can perform well. Therefore, performance management can satisfy a number of the fundamental aims of HRM, to achieve sustained high levels of performance from the organization's human resources; develop people

to their full capacity and potential; establish an environment in which the latent potential of employees can be realized. Performance management is also concerned with the interrelated processes of work, management, development and reward. It can become a powerful integrating force, ensure that these processes are linked together properly as a fundamental part of the human resource management approach which should be practiced by every manager in the organization.

**Figure 1** Theoretical Framework



### **Research Methodology**

The research process is iterative. The processes of data collection, analysis and drawing and verifying conclusions are collapsed into one evolving, reduction process (Miles & Huberman, 1994) enabling insight into employee motivation. Data in this research consists of interviews, executive notes of interviews, questionnaires, organizational documents of

various types, researcher notes and observations. The researcher chose to record notes of all interviews which provide the best data for analysis. In this research, such data collection provided the best means of validating the information gathered and in facilitating ongoing reflection and assessment (Denzin and Lincoln 1994).

The researcher was able to observe some limited, informal and formal conversations and meetings. While observation did not form an important part of the data collection, it did provide additional input.

While interviews are typically classified as structured or unstructured, interviews in this research were semi-structured. These initial questions changed based on the interaction between the interviewees and the researcher, as well as based on the emergence of new ideas, and is an accepted qualitative methodological process (Yin 1989; Stauss and Corbin 1998).

This investigation is designed as an action research conducted in the real situations. There are three stages in this research, 1) the diagnosis stage, 2) the ODI stage and 3) the evaluation stage.

*Phase I: Diagnosis Situation Analysis/ Assessment (Pre-ODI)* - The diagnosed situation assessed here is the transition of Pasupat Realty Co., Ltd. to C.I.T. Property Consultants Co., Ltd. Human Resource Management is considered a priority. This research will analyze the current situation of the company. This research will also analyze the employees' capabilities, competence and attitude.

*Phase II: Identify, Develop & Implement ODI (ODI)* - The research identified, developed and implemented the organization intervention which are appropriate for the company. The required interventions are in terms of teambuilding, Human development, goal setting, performance appraisal, adjusted reward systems, coaching and training

*Phase III: Monitor & Evaluate Desired/Expected Results (Post-ODI)* - The interventions were closely monitored to

determine the level of employee involvement, employee motivation after the ODI. Its results would be analyzed and evaluated with job satisfaction, organization's growth and corporate performance effectiveness.

In this research, there are 3 instrumental tools in the forms of questionnaires, interview and observations. The Questionnaire covered the following areas: Employee satisfaction survey; Organization Communication; Team work; Employee motivation; Employee involvement (Empowerment & delegation); and Employee performance Evaluation.

A second important measurement technique was the individual or group interview. Interviews were the most widely used technique for collecting data in OD. They permit the interview to ask the respondent direct question. Further probing and clarification was, therefore, possible as the interview proceeds. The flexibility was invaluable for gaining private views and feelings about the organization and for exploring new issues that emerge during the interview.

The researcher will observe by walking casually through a work area and looking around or by simply counting the occurrences of specific kinds of behaviours. Observations can range from complete participant observation, in which the researcher becomes a member of the group under study, to more detached observation, in which the observer is clearly not part of the group or situation itself and may use videotape and other methods to record behaviours (Cummings & Worley).

The researcher did not use significance testing in the quantitative analysis. Reasons for this are that the issue of verification in qualitative research differs from the same issue in quantitative research. Consensus amongst qualitative researchers, however, remains elusive. For example, Denzin and Lincoln (1994), suggest trustworthiness and authenticity are more appropriate than reliability and validity, as understood in a positivistic sense. It is the credibility of sense-making that the researcher

seeks. The philosopher, Popper, proposes that the aim of science is to find "satisfactory explanations" (Popper and Miller, 1985), and that these explanations need to meet a number of criteria, including the need for the explanations to properly relate to the matters they purport to explain, for the explanation to meet some minimum standards of truthfulness and for the explanation to be testable. Furthermore, the explanations are satisfactory when they cannot be shown to be false (Popper and Miller, 1985). In this sense verification is linked to falsifiability, and that this makes good science. Popper believes that a theory is falsified "only if we discover a reproducible effect which refutes the theory" (Popper and Miller, 1985).

So, the action research undertaken in this thesis uses intervention to explain phenomena in ways acceptable to qualitative research scholars. Its construct validity is manifested via the multiple sources of evidence used to verify an explanation through the triangulation of data. In this case, it is reasonable to expect another researcher, working with the same set of data, would arrive at a similar explanation. Internal validity is manifested in the credibility and authenticity of what data arises from interviews, observations, records, questionnaires, etc., as these provide the "truth value" of the data collected. The researcher is concerned to establish that the account provided "rings true" (Miles and Huberman, 1994).

### ***Design/Development of ODIs***

As a result from Pre-ODI diagnosis, the company realized that at the individual level, some employees had less competency and poor performance. The ODI tools targeted for improvement are the goal setting, performance appraisal, reward systems, coaching and training, career planning and development. The company expected Post ODI to provide higher effectiveness and better performance of individual employee.

At department (team) level, there was less motivation and poor team working. The ODI

tools targeted for improvement were more employee involvement as a team, the goal setting, performance appraisal, reward systems, coaching and training. The company expected Post ODI to provide higher motivation and better team effectiveness.

At the organizational level, the company realized the need to have all employees' involvement which was resulted in strength and unity of the company.

The Post ODI was expected to result in better corporate performance.

### ***Summary of Findings***

#### ***Qualitative findings***

The researcher carried out an interview with seven department heads and eight managers to ascertain possible causes of poor corporate performance. In addition to the interviews, the researcher observed staff behaviour and the interactions between employees, as a means to understand staff behaviour and attitudes as a reflection of morale.

It was found from the interviews and the researcher's observation that the causes of poor corporate performance were poor staff performance, the root causes of which were:-

1. un-motivated staff and low morale
2. lack of teamwork, and
3. poor work involvement

In consultation with team leaders and department heads, the researcher initiated activities which aimed to improve staff performance, and help rectify the three problems above. These included performance appraisal, goal setting, adjusted reward systems, human resource development, teambuilding, coaching and training. These activities were implemented in the year of 2008.

#### ***Quantitative findings***

Sixty employees in every department were asked to fill in a questionnaire which was designed to measure the changes in staff behaviour, attitude, staff morale and the level of

team work before and after the implementation of the ODI activities. The same questionnaire was completed in Phase I before the ODI and in Phase III after the ODI. Questions asked in the survey were relevant to the three problem areas, but particular ones can be used to assess the extent of improvement in each of the problem areas.

The results from the two surveys were compared to find the impact of ODI activities (Phase II) carried out throughout the year 2008. The ODI activities have been successful in rectifying the identified problems and achieving positive outcomes at the three levels:-

(a) Individual level – staff felt more motivated and their competencies increased. They were satisfied with the revised reward systems, coaching and training the company provided to them. They knew the career path they want to pursue. Their communication skills improved not only among the colleagues, but also in effective upward and downward communication processes between supervisors and subordinates respectively.

(b) Team level – staff felt that there was an improvement in team work. Department heads reported that the quality of work of their staff improved and they were more willing to help their colleagues. Staff were more cooperative when they were asked to complete a task. There were increasing number of brainstorming sessions and department heads observed that their staff contributed more in discussions. Because of the more frequent and changed nature of communication between people, work progressed smoothly. They shared the same goals and as a team tried to achieve the target. Staff was more satisfied, after receiving appropriate coaching and training, especially with empowerment and delegation bestowed upon them.

(c) Corporate level – this dissertation argues that improved corporate performance is linked to improved individual and team level processes. Corporate performance improvement is



measured by an 85% increase in the company income between 2007 and 2008.

### **Conclusion**

With the 85% increase in the company income, the researcher suggests this is due to the ODI activities initiated that were largely effective and successful. There were no major areas that are left unanswered or unresolved. The findings emerge from using both qualitative and quantitative analysis and confirmed that the ODI matched with the conceptual framework. There was a significant difference between pre and post ODI in all three areas: employee motivation, better teamwork and employee involvement.

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