THE INITIAL IMPACT OF ORGANIZATION DEVELOPMENT INTERVENTIONS ON PERFORMANCE MANAGEMENT, EMPLOYEE MOTIVATION, JOB SATISFACTION, AND EMPLOYEE PERFORMANCE AT A THAI SME

Archaree Phipadhkusolkul

Abstract: This study examines the initial impact of performance management, employee motivation, job satisfaction, and employee job performance in a Thai SME. It seeks to find the relationship – correlation and impact of these three independent variables on the dependent variable (employee job performance). The dependent variable is examined under the aspects: task differentiation, task completion, zero waste, and quality of output. The pre-ODI revealed the poor performance management of the company characterized among other by a lack of recognition, rare feedback and inadequate rewards and incentives which largely accounted for the low employee motivation; lack of responsibility, misunderstanding of the work itself, as well as a lack of opportunity for advancement, poor relationships with the co-workers, and poor supervision. The ODI focused on programs on personnel development and on developing goals and challenging workers, emphasizing autonomous decision making and team performance to develop employee job performance. Another program aimed to promote job ownership. All of these programs contributed to improving the level of employee job performance.

Key words: OD interventions, performance management, employee motivation, job satisfaction, and job performance.

1. Introduction

The purpose of this research is to determine the initial impact of an ODI on performance management, motivation, job satisfaction, and employee performance at a Thai SME (referred to as ‘PL’ in this article). It focuses on the 212 blue collars working at the company and on how to improve their performance.

Many of the tasks involve semi-automatic work and much of it is routine job. Most production workers perform entry-level jobs at the processing plant; physical tasks like moving stocks, racking, packing, cleaning up and janitorial functions. Most of the workers graduated from elementary schools or vocational schools and come from rural areas and poor families. Although they need to find jobs, because of their limited level of education, they do not have much of a choice when it comes to job selection.

The study is premised on the assumption that PL managers need to better understand the attitudes and characteristics of the workers together as well as some organizational issues affecting job performance. The company recognizes the needs to make changes in order to develop the performance of its workers and support the company’s goals.

This study aims to describe and analyze the current situation of the organization as corporate living person in terms of performance management, employee motivation, job satisfaction and employee performance; design and implement appropriate ODI and identify the interrelationship between these various variables.

To carry out these objectives, quantitative data was provided by 100 workers and supplemented with in-depth interviews of the human resource manager, production manager, supervisors, and the workers themselves.

A SWOT Analysis was conducted first. A SWOT analysis is a tool used in management and strategy formulation. It can help to analyze the strengths and weaknesses of a company as well as identify opportunities and threats in the sector considered. Then, managers can develop suitable strategies to handle these weaknesses and threats. One of the weaknesses especially relevant to this study is the underperforming personnel, a problem on which the ODI conducted as part of this research focuses. The SWOT elements were analysed as follows:

Strengths:
- The company has built customer loyalty and relationships;

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1Archaree Phipadhkusolkul is a Doctoral graduate in Ph.D. OD at Assumption University. This study was done in fulfillment of the degree.
- The company has delivered quality to its customers;
- The company has outstanding financial statements.

Weaknesses:
- The company lacks capable personnel;
- Some employees do not have enough skills and knowledge to carry out their jobs;
- The company has undifferentiated products.

Opportunities:
- The company production costs are lower than those of their competitors;
- The company’s financial situation is stable so there are good opportunities for the company to open new markets or invest in advanced technology.

Threats:
- There are larger competitors who have a majority of the market shares;
- Many competitors have new, updated technology.

2. Literature Review

The key theoretical themes related to the variables in this study were reviewed and discussed as follows:

- The Use of Processes in Organization Development Interventions (ODI)

An organization is a collection of people working together to achieve a common purpose (Mejia, Balkin and Cardy, 2005). Many organizations are unprepared to cope with change. The success or failure of organization depends on how well they are managed. OD is a system wide application and transfer of behavioral science knowledge to planned development, and reinforcement of the strategies, structures and process that lead to organization effectiveness (Cummings & Worley, 2005). If the company has a problem, the OD practitioner will attempt to analyze the cause of the problem and use techniques to intervene to develop effectiveness for the organization (Brown, Harvey, 2006)

- Corporate Life Cycle

Adizes (1985) articulated a ten-stage corporate life cycle model.

As Figure 1 indicates, the 10 stages are: 1) Courtship - the initial development or creation of the proposition /model /business /formation/etc; 2) Infancy – follows the launch stage and is the start of active trading; 3) Go-go – marks a frantic and energetic early growth and sometimes chaos; 4) Adolescence - the stage at which it is still developing, but is more established, and defined; 5) Prime - the organization is at its fittest, healthiest and most competitive, popular, and profitable; 6) Stability - when the company is still effective and popular and can still be very profitable, but is beginning to lose its leading edge - vulnerability creeping in; 7) Aristocracy - when the company is strong by virtue of its market presence and consolidated and accumulated successes, but slow and unexciting, definitely losing market share to competitors and new technologies, trends, etc.; 8) Recrimination - when the company doubts, problems, threats and internal issues overshadow the original purposes; 9) Bureaucracy - when the company inward-focused administration is cumbersome, seeking exit or divestment and facing many operating and marketing challenges; 10) Death - the company is closed, sold, goes through bankruptcy, etc.

- Performance Management

Boxall and Purcell (2003) stated that performance management process is powerful enough to provide employee’s rewards. Thus,
performance management can build up a positive psychological contract that illustrates the shared expectation of managers and their employees. Motivation can be provided by comment. Performance reviews can lead to personal development planning and thus encourage self-managed learning.

Bacal (1998) described performance management as a kind of development that involves every part in the organization in order to put in value to it. It includes all people in the organization as managers and workers understand the objectives of the organization and have clear mutual expectations.

**Employee Motivation**

The concept of motivation has been described as the psychological process that gives behaviors purpose and direction (Bedeian, 1993). It is also a predisposition to behave in a purpose to achieve unmet needs (and motivation is an internal drive to satisfy unsatisfied needs (Bedeian, 1993)). Managers need to understand what motivates employees to perform as managers expect. Of all the functions a manager performs, motivating employees is the most controversial and complex ones since what motivates employees change consistently.

According to Alpander (1982), motivation is the effort and desire that influence how vigorously an individual will use one’s ability on the job. It is the way managers understand what motivates employees and how to motivate them.

If motivators are missing, employees will probably not be satisfied with their work. Factors associated with the work itself or motivation factors include (1) the work itself, (2) achievement, (3) recognition, (4) responsibility, and (5) opportunity for advancement (Herzberg, Mausner & Snyderman, 1959).

**Job Satisfaction**

Job Satisfaction is defined as a pleasurable emotional state resulting from the appraisal of one’s job; an affective reaction to one’s job; and an attitude towards his or her job (Robbins, 1997). It can influence employee performance. ODI programs can modify the perception of job satisfaction and determine the most important factors. Activities and programs can be developed to improve performance management and employee motivation to satisfy employees. Employees happy with their jobs are more willing to do their jobs and might perform according to management’s expectation. Robbins (2001) mentioned that job satisfaction is crucial because workers with a high level of job satisfaction can generate higher productivity. It also results in a lower level of turnover and absenteeism. Satisfaction is created by mentally challenging work, equitable rewards, supportive working condition, supportive colleagues, and the good personality job fit and individual’s character and the feeling of satisfaction of their work.

According to Herzberg, Mausner, and Snyderman (1959), job satisfiers deal with the factors involved in doing the job, whereas job dissatisfiers deal with the factors defining the job context.

Moreover, Herzberg, Mausner and Snyderman (1959) summed up the principles relating to hygiene dynamics as follows:

- Hygiene factors focus on the context in which the job is done, the condition that surrounds the doing of the job.
- When hygiene factors depreciate to a level below that which the employee considers acceptable, then job dissatisfaction ensues, Hygiene factors directly affect on job attitude, primarily satisfaction and dissatisfaction.
- When hygiene factors have been satisfied or provided to a level which the employee considers acceptable, there will be no dissatisfaction, but neither will there be a significant positive attitude.
- The prevention of dissatisfaction is just as important as encouragement of motivator to satisfaction.

**Employee Job Performance**

As Shermerhorn (2000) pointed out, trait, environment and individual factors, such as marital problems, educational backgrounds, etc. can relate to the job performance of employees. However, other factors relating to job performance such as employee motivation and productivity can be enhanced and improved by creating a work environment that maximizes the factors that affect performance. These factors are simple to understand, easy to measure, and can add tremendous value to any organization that is willing to implement them. For instance, Gibson (1991) recognized that rewards are the motivator for any good performance, Porter and Lawler (1973) reconfirmed that performance is determined by
one’s ability, skill and knowledge, effort, and pay satisfaction. Also, performance can lead to extrinsic and intrinsic rewards.

**OD Interventions**

To pursue the action research, the ODI activities were designed based on the identified problems during the diagnosis stage which are as follows:

i) **OD Intervention for Performance Management:** ODIs that address performance management include extra benefit programs, training programs, weekly group talks, informal meetings, hygiene condition, orientation, and game competition. Typically, these programs are adjusted to the company and on a trial period for one year. If they are positively effective, they will be part of the company policy. Of particular interest to research are training programs. They cause workers to change their attitude to their work and develop a sense of responsibility. It has been observed that they pay more attention to quality control and know how to solve some of the problems by themselves. Rather than throwing problems to supervisors, they take some initiatives to resolve them.

PL used to assign production workers to training programs to enhance their performance skills but stopped after a while as it saw little positive results. However, even though workers are often seen as the marginal part of the company, they are the ones that can help the company save costs and achieve its goals. So, it is to a company’s benefit to train workers to understand their work better.

ii) **OD Intervention for Employee Motivation:** ODIs that address employee motivation include training programs, weekly group talks, informal meetings, orientations, extra benefit programs, hygiene condition, and game competitions. Of particular relevance are extra benefit programs (rewards and incentives).

Proponents of tangible non-cash incentives argue that cash is a poor motivator, pointing out that it has little “trophy value.” Most people don’t want to talk about how much they earn, and the money often ends up being spent on everyday necessities or paying off overdue bills particularly for low paid workers. According to Maslow, as discussed by Robbins (1998), people do not move toward self-esteem and self-actualization without first meeting their physical needs.

In this study, workers who can reduce the waste and defects of products will receive a bonus 100 baht. So, reward and incentive programs in ODI can increase motivation. As Robbins (1998) argued, non-incentive wage system discourages the productivity of the workers. Also, training helps to develop passive people into active ones.

iii) **OD Intervention for Job Satisfaction and Job Performance:** According to Hackman and Oldham (1976), job satisfaction is an emotional reaction to the workers’ working condition. The compensation, autonomy, colleagues, to name a few, can have a positive connection with specific results such as, for example, productivity, pursuit of happiness and well being. Training can contribute to the meaningfulness of the work to the workers.

Autonomy is also a key factor. The more workers feel responsible for the outcome of their work, the better they perform. Also, feedback such as rewards and compliments motivate workers. As a consequence of positive psychological states, as Hackman and Oldham’s (1976) job characteristics model suggests that a positive outcome will occur in the case of a workers’ high quality performance. Individuals prefer independence in decision making and autonomy (Frey, Benz, and Stutzer, 2002). Therefore, weekly group talks give workers more autonomy to share problems and decide solutions together without and contribute to increasing job satisfaction in an indirect way (Askenazy and Caroli, 2002). Self-responsible teams and a greater involvement of lower-level workers in decision making lead to higher performances of the workers as it induces them to use their skills more effectively. The involvement of workers and the increase of autonomy over how to perform their tasks, participate in decision making, and increase communication with coworkers also appear to increase job satisfaction.

3. Conceptual Framework and Methodology

Based on the literature reviewed above, the conceptual framework for this research was
The OD interventions involved three stages; (i) The Assessment Stage (The Diagnosis or Pre-ODI stage): the researcher, general and HR. managers set up the first meeting and discussed the company profile and performance management system, namely, the evaluation criteria, reward system, and benefit programs.

At the second meeting, the researcher and the HR and production managers had informal talks about employee performance. Moreover, the researcher, acting as an OD consultant, had an opportunity to have small group discussions with 1 production managers, and 6 supervisors first, and then with 10 production workers picked randomly from the 100 control group. The discussion, about performance management, employee motivation, job satisfaction and employee performance, was meant to determine what attitudes they had toward these areas. In addition, the researcher surveyed 100 production workers. This process took around one month to complete.

(ii) The Development (the implementation of the ODI stage): The process used in this part comes from the pre-ODI analysis. At the ODI phase, action is implemented while plans can be flexible based on the feedback gathered after implementation. The researcher, with the cooperation of the general manager, HR. manager, supervisors and all the production workers (consent had already been given) implemented all the activities related to the intervention part.

(iii) The post ODI or the Evaluation stage: The researcher interviewed and surveyed the same group of HR. manager, production managers and supervisors, and production workers.

Data on pre- and post-ODIs were to be analyzed, compared and evaluated to determine: (i) whether performance management, employee motivation, job satisfaction were interrelated and to what extent; (ii) whether performance management, employee motivation and job satisfaction had any impact on employee performance and to what extent; (iii) to what extent did employee performance changed between pre- and post-ODI.

The conclusions and the recommendations were then presented to the general manager and human resource manager in the project.

This research uses primary and secondary data. The subjects of this study are 100 PL production workers picked out of the 212 production workers which the company employs (about 50 % of the workers as required for the reliability of the test).

As the conceptual framework shows, the derived attributes of performance management (employee motivation, job satisfaction and employee job performance) are operationalized into factors and items used to gather data related to the topic of the study.

The questionnaires were completed by 100 production workers, representing a returned rate of 100 per cent. The data gathered was encoded into the symbolic form used in SPSS program. To answer the research questions the researcher used the frequency table and mean Pearson Correlation Coefficient, the Simple Regression, and the Two tails of ANOVA (F test), T-test.

Source: created by the author for this study
timeline for further improvement.

4. Summary of Findings and Discussion

The ODI conducted with PL employees and management shows positive results in terms of performance management, employee motivation, job satisfaction and job performance.

- Pre- and Post-ODI Level of Employee Job Performance

As the data from the questionnaires and the interview show, while the pre-ODI employee job performance descriptive rating was average, the post-ODI descriptive rating is much higher. Specifically, PL workers want to develop skills for a variety of jobs. This item has changed from X= 2.910 in the pre-ODI to 3.490 in the post ODI. This is consistent with Schemeron (2000) who pointed out that trait, environment, and individual factors such educational background are related to the employee job performance. The 100 PL workers proved that although they have a low level of education, they can and are willing to develop their skills provided the company supports training to fit with its own need and the needs of its employees.

Employee job performance has improved from low to high. In addition, after implementing the ODI programs, the workers were more willing to be challenged and more eager to do their work. This is part of increasing the level of employee job performance.

Age can be a factor as well as a survey conducted in 2007 within the framework of the EU shows. The so-called Project of Bulgarian industrial Capital Association concluded that the significant difference in motivation came from the type of job and age groups. All levels of production workers were concerned with remuneration. However, those aged 36-45 years old focused more on career development as compared with those aged 18-35. The survey is consistent with the survey by the Bulgarian industrial Capital Association (2007) that determined that production workers are mostly concerned with remuneration. However, based on the in-depth interview of the 10 workers, the researcher can conclude that no matter how old the workers are, they are looking for remuneration more than the career development. They all agree that sufficient rewards will enhance their work performance.

- There is a Significant Relationship of Employee Job Performance with Performance Management, Employee Motivation and Job Satisfaction.

The multiple linear regressions indicate that job satisfaction influences most employee job performance .237, employee motivation comes second (.135), and performance management third (.080). This is in keeping with Kressler (2003) who cited the outline of Frederick W. Herberg (1959), which comprises two types of working motivation for employees: intrinsic and extrinsic rewards. Intrinsic motivation leads to satisfaction when it is completed through challenge. Extrinsic motivation generates dissatisfaction when it is not completed. This happens, for example, when pay is not received. Moreover, regulations, relationships with managers, communication, and work intensity may lead to dissatisfaction. On the other hand, recognition, career development, and responsibility are intrinsic rewards that will lead to satisfaction. Incentives, especially financial ones, encourage performance regardless of the level of motivation. There are two types of financial incentives: the exchange of the sacrifice that employees make (labeled compensation); and the exchange for extra work (understood as a reward by employees). Extra effort, achievements, and results should determine the reward of workers. When these rewards are monitored, it gives employees opportunities for improvements, relatively to existing situation. It is these expectations that constitute the motivating incentive for the additional effort (Kressler, 2003). Rewards are also used to attract employees to perform work that carries no value to the actual job. For instance, a supervisor can tell workers that hard-work will lead to a high bonus. However, if they cannot produce hard work, they will be fired. This will cause employees to work harder, but they may feel stressed to achieve the results. Anyway, the incentive is important link between reward and performance. As Gagne and Deci (2005) mentioned, employees need to recognize accurately what has to be done so that a bonus will be achieved. If the response to the work is acceptable to workers, money is a good motivator because it will motivate both material and immaterial values of employees. Money is a feedback as well as a reward for ability and competence. Money brings a purchasing power which satisfies physiological
needs and it builds up one’s self-esteem. Moreover, money can mean security, which leads to one’s well being.

PL workers feel a sense of recognition from the company when they perform their job well. *There is a Significant Interrelationship among Performance Management, Employee Motivation, Job Satisfaction and Employee Performance*

As the findings show, employee job performance has a significant relationship with job satisfaction at the statistic level of .05 (Sig. = .019) and r = .394. There is a significant relationship between job satisfaction and high quality performance and increase productivity. However, as Herzberg (1957) discovered, there is a low correlation between job satisfaction and high quality employees’ performance.

After implementing the ODI, PL workers were happy to work under an environment providing opportunities for added responsibility. The descriptive rating changed from 2.934, pre-ODI, to 3.756, post-ODI. PL workers feel more active and enjoy work when they feel more valuable and see their job as more meaningful.

In addition, the working environment encourages workers to develop and utilize the skills. After the ODI, the company became more open to the idea that workers could utilize their abilities and their skills much more than before. They had more freedom and authority after the ODI.

Performance management has a significant relationship with employee motivation at the statistical level at.05 (sig. = .000) and r = .394. Incentive rewards are good motivators for workers.

PL also provided new incentive programs to the workers such as the training program, extra benefit programs. Extrinsic rewards were more effective. PL workers saw the difference between the pre- and post-ODI. The post ODI was consistent with Herzberg (1957) and Maslow (1943) who argued that creating a stimulating, demanding, encouraging, and rewarding work environment is vital to motivate worker’s performance. As Pfeffer (1998) stated, rewards motivate employees to take up challenges and empowers allowing each individual to utilize his/her ability to do more meaningful In short, employees are receptive to motivation and performance. Armstrong (2007) determined the benefits of rewards as follows:

1) Rewards can have an impact on motivation and commitment of people.
2) Rewards may bind an individual more strongly to an organization because they can fulfill an individual needs.

Therefore, performance management, employee motivation, job satisfaction and employee job performance have a significant relationship with one another at a significant level at .05.

5. Conclusion and Recommendations

If the workers feel that the company is concerned about them and make them feel more valuable, they will do their best to meet the company’s goals. But if the company wants the workers to accomplish the goals, it needs to provide some benefits in return.

It is also important to recognize that the opportunity to motivate workers depends largely on the way the company’s leaders communicate. If leaders communicate clearly and purposefully, it will create a motivational climate that will impact successfully on the willingness of workers to improve their performance.

Financial awards directly proportionate to the employee job performance are among the most powerful incentives. This involves management commitment and resources.

The company should continue the follow up a chart to make employees understand the goals and establish reliability. The workers who get awards should be publicly acknowledged through board, meeting and etc. in order to be role model.

In summary, the quantitative results changed from average descriptive to high descriptive.

The researcher encountered a host of problems while conducting on the ODI:

i) It took about four months to start seeing the benefits of the ODI. Some of the outcomes may not be visible because some activities need more time for progress to show. But, as an initial impact, it looks good to start with a QCC program (training, meeting, or extra benefits). As the quantitative or qualitative data shows, the first benefit the workers were looking for is money. Therefore, if the company can provide more money, it might impact more positively on the outcome. Another problem is that when the researcher needed to have interview with workers, supervisors, and the production manager, it
was difficult to find a suitable time. In addition, the researcher prepared many lessons to train them but the workers had a hard time to attend them. This was especially true when the training day was on Saturday and the company had to pay them OT. That is why the researcher had only 1 day for training and another day to teach them workshop.

ii) Educational background can be a barrier for communication. Most of the workers did not finish school. Sometimes they had difficulties understanding what others want from them. For example, some of workers had difficulties reading Thai language. This affected the survey because they used their instinct to answer the questions without thinking. The researcher also heard some of them say they were too lazy to read it. Then in the post-ODI, the researcher asked them politely to think hard before answering. This is comparable to students doing evaluations. Sometimes, they think it wasting their time to do it, and are hesitant to complete it. The researcher understands that perception is subjective and selective and influenced their answers. In the pre-ODI or even in the post-ODI, some of them were afraid that their answer might affect their work. In their view, the company may blame them for negative answers. The researcher tried to assure them that the whole process was very confidential. So they choose the average one as a safe zone. In addition, when the researcher interviewed them for the first time they were not familiar with the researcher, so they talked less and try to see everything as positive. However, once they got used to the researcher, they started talking and complaining about things they felt and perceived. Besides, they did not allow the researcher to use a tape recorder as they felt unsafe.

iii) The company sometimes would not let the researcher see sensitive materials. As a result, the researcher could not find hard evidence to show the committees.

iv) The bias tendencies of respondents caused them to reply in a manner that in their opinion would be viewed favorably by others, which translated into over reporting good behavior or underreporting bad behavior. This is likely to have had an indirect effect on the responses to the questionnaire.

v) The researcher would have liked to conduct another intervention but the workers had limited time and the HR manager was reluctant. The researcher planned to implement job rotation but the HR manager postponed it.

- Recommendations

The human resource and production managers and the researcher are now discussing about job rotation to bring variety to the tasks of workers and help them increase their job satisfaction. This program will likely be approved soon. This is an important step for the company to take.

Even the best schemes will not last forever as their appeal is bound to gradually fade. After a while, there are no longer new. What the company needs is a mix of measures and incentives. As time passes, new rewards should be given on an individual basis such as scholarships to help to develop skills. Moreover, the duration of the rewards should be flexible and capable of changes, for example, from six months to one year.

The company should keep reinforcing the workers and develop new ODI pilot programs so as to encounter greater success for the workers and the company. Some of the incentives PL should develop should be directed at the workers’ families, most notably in the form of support to the family, such as, for example, scholarships for their children to study at university or health care programs that cover the whole family. Since, according to the survey, most of workers in the company are married and have kids, they will enjoy such benefits and be eager to show their appreciation to the company by way of enhanced performances. A discussion with 10 workers on this particular issue as part of the interviews confirmed that a benefit program is support of the workers’ families will go a long way in motivating them to work hard and be willing to increase productivity.

- Recommendations for Further Research

Future research should add dedication for working as one of the factors to examine as part of increasing job effectiveness.

Future research should also include other variables which may impact on the performance of workers such as commitment, communication and leadership style through organization culture. It should focus more on training and on workshops on communication and team building skills in order to improve workers’ performance more effectively. These should last three to six months. Finally, if
possible, job rotation should be part of a company policy as it will increase job satisfaction.

References


