



Undeniable Function of Performance Factors on Organizational Accomplishment

Nour Mohammad Yaghoobi^{1*}, Kamran Mahmoodpour², Jamshid Moloudi³, Atiyeh Sarayani⁴

¹Faculty of Management and Economics, University of Sistan and Baluchestan, Zahedan, Iran, ²Faculty of Management and Economics, University of Sistan and Baluchestan, Zahedan, Iran, ³Faculty of Management and Economics, University of Sistan and Baluchestan, Zahedan, Iran, ⁴Faculty of Management and Economics, University of Sistan and Baluchestan, Zahedan, Iran.

*Email: yaghoobi@hamoon.usb.ac.ir

ABSTRACT

Nowadays, performance influences on organizational and social activities that causes to change the nature of performance qualities. Organizational acts comprise the actual outputs or results of an organization as measured against its intended outputs (or goals and objectives). To do this, the researcher has used the organizational performance and performance management theories, application survey and questionnaire. In present research the sample size consists of 270 employees that were selected at random from about 800 employees from near 5 branches of Security of Tabriz at East Azerbaijan in IRAN in 2013. Data analyses were carried out by using factor analysis, structural equation, and Freidman mean ranking test. The results of present study were illustrated that there is significant relationship between factors together, and also considering to the ranking analyses can be said that the information and communication technology of performance factors is the most important factors than others for improving performance in public sector in studied organizations. Also, according to findings of factor analysis all factors have more influence on performance for developing and improving organizational performance.

Keywords: Intra-organizational Performance Management, Extra-organizational Performance Management, Performance Management Advantages, Motivated Workforce

JEL Classification: L1

1. INTRODUCTION

The term performance management (PM) is commonly used today to describe a range of managerial activities designed to monitor, measure and adjust aspects of individual and organizational performance through management controls of various types. PM integrates the management of organizational performance with the management of individual performance. However, for the purpose of this report, the focus will be on organizational PM literature and will not consider aspects of individual performance such as appraisal, personal development and rewards. Organizational PM can serve two distinct functions:

- Intra-organizational PM: To ensure that there are appropriate internal controls to monitor the extent to which the organization (and its sub-units) is achieving what it is supposed to achieve. This requires the organizational management to periodically review and evaluate performance standards attained and performance trajectories, taking corrective action as

appropriate where deviations from the desired standards are detected.

- Extra-organizational PM: To communicate performance for the purposes of governance and accountability to organizational stakeholders including Government, funding bodies, audit agencies and the wider public.

PM in the public sector is the managerial activity necessary to promote well-performing policy management and service delivery. A desire for improved performance in public sector organizations has resulted in a results-orientation and a cost consciousness in a range of Organisation for Economic Co-operation and Development (OECD) countries (OECD, 1997, 2007). PM requires a performance information system that can be audited and is related to financial management and policy cycles. Organizational PM in a government context concerns monitoring the success of public policy, programs or projects in achieving their objectives and in securing the expected benefits.

2. LITERATURE REVIEW

PM includes activities that ensure that goals are consistently being met in an effective and efficient manner. PM can focus on the performance of an organization, a department, employee, or even the processes to build a product or service, as well as many other areas.

PM as referenced on this page is a broad term coined by Dr. Aubrey Daniels in the late 1970s to describe a technology (i.e., science imbedded in applications methods) for managing behavior and results, two critical elements of what is known as performance (Daniels, 2004).

Armstrong and Baron (1998) defined it as a “strategic and integrated approach to increasing the effectiveness of companies by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.”

It may be possible to get all employees to reconcile personal goals with organizational goals and increase productivity and profitability of an organization using this process (Zaffron and Steve, 2009). It can be applied by organizations or a single department or section inside an organization, as well as an individual person. The performance process is appropriately named the self-propelled performance process.

First, a commitment analysis must be done where a job mission statement is drawn up for each job. The job mission statement is a job definition in terms of purpose, customers, product and scope. The aim with this analysis is to determine the continuous key objectives and performance standards for each job position.

Following the commitment analysis is the work analysis of a particular job in terms of the reporting structure and job description. If a job description is not available, then a systems analysis can be done to draw up a job description. The aim with this analysis is to determine the continuous critical objectives and performance standards for each job.

2.1. PM Advantages

Managing employee or system performance facilitates the effective delivery of strategic and operational goals. There is a clear and immediate correlation between using PM programs or software and improved business and organizational results.

For employee PM, using integrated software, rather than a spreadsheet based recording system, may deliver a significant return on investment through a range of direct and indirect sales benefits, operational efficiency benefits and by unlocking the latent potential in every employees work day (i.e., the time they spend not actually doing their job). Benefits may include.

2.1.1. Direct financial gain

- Grow sales
- Reduce costs in the organization
- Stop project overruns
- Aligns the organization directly behind the CEO’s goals

- Decreases the time it takes to create strategic or operational changes by communicating the changes through a new set of goals.

2.1.2. Motivated workforce

- Optimizes incentive plans to specific goals for over achievement, not just business as usual
- Improves employee engagement because everyone understands how they are directly contributing to the organizations high level goals
- Create transparency in achievement of goals
- High confidence in bonus payment process
- Professional development programs are better aligned directly to achieving business level goals.

2.1.3. Improved management control

Flexible, responsive to management needs:

- Displays data relationships
- Helps audit/comply with legislative requirement
- Simplifies communication of strategic goals scenario planning
- Provides well documented and communicated process documentation.

2.2. PM and Organizational Development (OD)

In OD performance can be thought of as actual results versus desired results. Any discrepancy, where actual is less than desired, could constitute the performance improvement zone. PM and improvement can be thought of as a cycle:

1. Performance planning where goals and objectives are established
2. Performance coaching where a manager intervenes to give feedback and adjust performance
3. Performance appraisal where individual performance is formally documented and feedback delivered.

2.2.1. Performance measurement

Multiple methods of measurement techniques are common these days, which every single one of them has its own advantages. For example, the balanced scorecard (Kaplan and Norton, 2001), performance prism (Neely et al., 2002), and the Cambridge performance measurement process (Neely et al., 1996) are designed for various application of businesses; and the approaches of the total productive maintenance (TPM) process, 7-step TPM process, and total measurement development method (Tarkington Productivity Group) are specific for team-based structures. With different research interval and the element of time, the best suitable branch of theories that help organizations structure and implement its performance measurement system should emerge. Note this balanced scorecard is the most common model in practice, but there isn’t a particular method accepted by the entire universe. The diversity and rare needful conditions of different enterprises suggest that no one-size-fits-all approach will ever good enough. Gamble, Strickland and Thompson (Office of the Chief Information Officer, 2007) list ten of economic goals and nine strategic objectives involved with a balanced scorecard.

Organizational performance is somehow containing the unwanted outcomes which are against its will and are along with the desired

results (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three exact and solid areas of firm outcomes:

- a. Financial performance (profits, return on assets, return on investment, etc.)
- b. Product market performance (sales, market share, etc.)
- c. Shareholder return (total shareholder return, economic value added, etc.).

The term organizational effectiveness is broader. Specialists in many fields are dealing with organizational performance including strategic planners, operations, finance, legal, and OD. Recently, many organizations have tried to handle organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as:

- Financial performance (e.g., shareholder return)
- Customer service
- Social responsibility (e.g., corporate citizenship, community outreach)
- Employee stewardship.

In the 1980s, according to Pollitt (1986), UK commentators were concerned that there was too much tension on the “triumvirate of virtue: Economy, effectiveness and efficiency” in performance indicators (PIs). Economy, by itself, is a very limited concept of leading approach for managers, Gray and Jenkins, (1985) having that in mind, at this time, there was a motivation to minimize inputs almost regardless of outputs. Carter (1988) identified drawbacks in existing performance assessment systems in that indicators tended to be used as “dials” instead of using them as “tin openers” (where the indicator prompts investigation prior to the initiation of action) and this led to deficiencies in the design, implementation and utilization of information from the existing PI systems. Collectively, the academic writers were concerned that PIs had become tools of government and senior managers in that they were “top- down,” prescriptive, value laden, input and process focused, and predominantly economy and efficiency-led. Kanter and Summers (1987) urge non-profit managers to try to set objectives and assess results to determine if they are indeed “doing well while doing well.” Tichelar (1998) identifies that many performance assessment systems still contain a substantial number of indicators that public sector organizations must utilize and consequently report. The audiences for such reports include: Government; funding agencies; auditing agencies; client groups; stakeholders; and the general public. McKevitt and Lawton (1996), conclude that performance measurement will fail unless there is a participative approach designed to promote ownership at all levels of the organization. Kravchuk and Schack (1996) developed a set of design principles, based on US experience, which incorporate good practice in managing change and a concern for clients and other stakeholders, these are as follows:

- Formulate a clear, coherent mission, strategy and objectives
- Develop an explicit measurement strategy
- Involve key users in the design and development phase
- Rationalize operations as a prelude to measurement
- Develop multiple sets of measures for multiple users, as necessary

- Consider the clients, customers and stakeholders throughout the process
- Provide each user with sufficient detail for a clear picture of performance
- Periodically review and revise the measurement system
- Take account of past, current and potential future complexities
- Avoid excessive aggregation of information.

The main factors that were collected by researches for measuring the amount of organizational performance are as following, and the researchers found them by surfing in the varieties surveys, studies and above all the most important papers of organizational performance and PM. Table 1 is showed 9 selected factors of organizational performance that were used in present study.

According to above context about organizational performance and the explanation of its factors, can be said that the main questions of present study are following and this paper tends to respond to these questions:

1. According to factors of organizational performance, which factors is important considering to the responders expectation?
2. Is the model of present study goodness of fit, due to factor analysis?
3. How amount of the factors need for improving the performance of organization generally?

3. METHODOLOGY

This study was survey research. The sample size of the present study is 270 that selected from 5 branches of Security of Tabriz at East Azerbaijan in IRAN.

Moreover, questionnaire of current survey was designed by researcher oneself. It contains 38 items and it has nine dimensions namely: Organizational learning, human resources management, varieties of workforces, performance evolutionary system, development leadership, information and communication technology, Stockholders’ expectation, empowerment, and participation.

Its reliability of this questionnaire was reported 0.873. All questions analyzed by 5 points Likert - type scale ranging from “I strongly disagree” to “I strongly agree.” Data analysis was carried out by using the statistical program packages SPSS 17.0, Amos 16.0.1 and LISREL 8.54. Among the respondent, 68% was male

Table 1: The performance factors of present study

| The name of performance factors | The name of researchers |
|--|------------------------------|
| Organizational learning | Khandekar and Sharma, (2006) |
| Human resources management | Chand et al., (2007) |
| Varieties of workforces | Thomas, (1991) |
| Performance evolutionary system | Nudurupati, (2003) |
| Development leadership | Xenikou and Simosi (2006) |
| Information and communication technology | Lucas, (2005) |
| Stockholders’ expectation | Moullin, (2007) |
| Empowerment | Lawler, (1996) |
| Participation | Wagner, (1994) |

and 32% female and most of the responders were bachelor and master degrees. That were about more than 60%.

4. EXAMINE QUESTIONS

Table 2 is illustrating the One-sample t-test of nine selected items of organizational performance namely organizational learning, human resources management, varieties of workforces, performance evolutionary system, development leadership, information and communication technology, Stockholders' expectation, empowerment, and participation.

The information of the Table 2 is respectively; mean, standardize deviation, mean difference, significant amount, and t-value. According to the hypnotizes of present study, the selected items would be acceptable as long as the amount of significant and t-value are respectively <0.5 and not between -1.96 and 1.96 and these situation show that the result of each item should be agreeable in 95% confidence level. In brief, due to the Table 2 can be said that all item, considering to the 95% laws, are acceptable according to responders' expectations, and among studied factors for organizational performance, information and communication technology have more mean scale than others and *vice versa*, empowerment have less mean scale than other items (Table 2).

In accordance with Byrne (1998), a ratio of X2 to df of <3 was generally considered an indicator of good model fit, and a ratio of <5 was considered acceptable. An adjusted goodness-of-fit index (AGFI) of more than 0.90, a root-mean-square error of approximation (RMSEA) of <0.08, and root mean square residual (RMR) of <0.045 and a normal fit index (NFI), non-normed fit index (NNFI), comparative fit index (CFI) and incremental fit index (IFI) of more than 0.90 were considered indicators of "good fit." Given their complementary features all four indexes were used to evaluate the path model. In this model, we use an abbreviation of both of criteria's dimensions that the abbreviation names of them are respectively:

P1 = Organizational learning, P2 = Human resources management, P3 = Varieties of workforces, P4 = Performance evolutionary system,

P5 = Development leadership, P6 = Information and communication technology, P7 = Stockholders' expectation, P8 = Empowerment and P9 = Participation and (OPF = Organizational performance factors).

The data of Figures 1 and 2 and Table 3 are illustrated that the exploratory model, including all hypothesized variables provided an adequate fit (X2 = 87.57; df = 27; P = 0.0000; a ratio of X2 to df of <3; GFI = 0.94; AGFI = 0.89; RMSEA = 0.071 and RMR = 0.031) for the data and indicated that the model of present study about OPFs due to factor analysis law are acceptable and all necessary output of this process are respectively structural equation modeling (estimate state and t-value) and the model summary of goodness of fit statistics. All outputs are in conformity with Byrne's (1998) procedures.

The Table 4 illustrate Friedman test of factors of organizational performance that it shows mean rank of OPFs and as well as it shows which item or factor considering to expectations and perceptions of responders is more or less important, and if one item is less important, it means, the organizations don't need to improving that item like others and vice-versa. All results of present test are in 95% confidence level and if the significant scale is <0.05 and the ratio of X2 to df is more than 3, it means that the test has done correct and the output of it is acceptable and extendable.

The result of Table 4 was illustrated that information and communication technology has high score and has effect on organizational performance and on the other hands; Empowerment has low score than other items. Also, according to significant of this test is <0.05, so it means that difference between items or factors of organizational performance is acceptable and extendable.

5. CONCLUSIONS AND SUGGESTIONS

The results of first question's analyses were showed that the factors were selected for probing and investigating the OPFs by researcher form some references, were acceptable and agreeable considering to the expectation of responders and they can be selected as most important factors of organizational performance.

Table 2: Sample t-test of personals expectation about the performance factors (n=270)

| Varieties of present survey | Mean±SD | Mean difference | Significant (2-tailed) | t-value |
|--|----------------|-----------------|------------------------|---------|
| Organizational learning | 3.9320±1.20670 | 0.43204 | 0.000 | 3.620 |
| Human resources management | 4.0971±2.87830 | 1.09709 | 0.000 | 3.89 |
| Varieties of workforces | 3.4272±1.13416 | 0.42718 | 0.000 | 3.823 |
| Performance evolutionary system | 3.8350±1.02992 | 0.33495 | 0.001 | 3.63 |
| Development leadership | 4.6019±1.95709 | 1.10194 | 0.000 | 5.714 |
| Information and communication technology | 4.8932±1.88863 | 0.68835 | 0.000 | 4.812 |
| Stockholders' expectation | 3.9320±1.19855 | 0.43204 | 0.000 | 3.658 |
| Empowerment | 3.3883±1.06856 | 0.38835 | 0.000 | 3.688 |
| Participation | 4.4757±1.36371 | 0.97573 | 0.000 | 4.261 |

Table 3: Model summary of goodness of fit statistics (n=270)

| Chi-square | df | RMSEA | GFI | AGFI | NFI | NNFI | CFI | IFI | RMR |
|------------|----|-------|------|------|------|------|------|------|-------|
| 87.57 | 27 | 0.071 | 0.94 | 0.89 | 0.95 | 0.95 | 0.96 | 0.96 | 0.031 |

RMSEA: Root-mean-square error of approximation, GFI: Goodness-of-fit index, AGFI: Adjusted goodness-of-fit index, NFI: Normal fit index, NNFI: Non-normed fit index, CFI: Comparative fit index, IFI: Incremental fit index, RMR: Root mean square residual

Table 4: Friedman test of dimensions of structural factors for digital entrepreneurship (n=270)

| Organizational performance factors | Mean rank |
|--|-----------|
| Organizational learning | 4.98 |
| Human resources management | 4.94 |
| Varieties of workforces | 4.62 |
| Performance evolutionary system | 4.91 |
| Development leadership | 5.28 |
| Information and communication technology | 6.01 |
| Stockholders' expectation | 4.51 |
| Empowerment | 4.56 |
| Participation | 5.18 |

X²=67.160, df=8, significant=0.000

Figure 1: Structural equation modeling (estimate state) of organizational performance factors

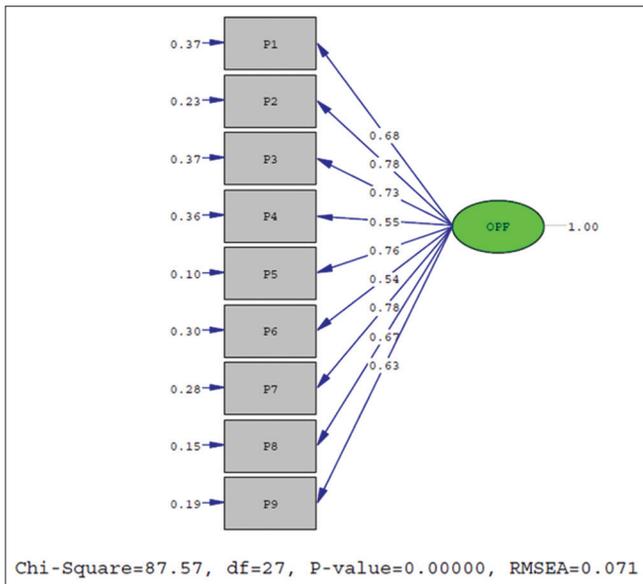
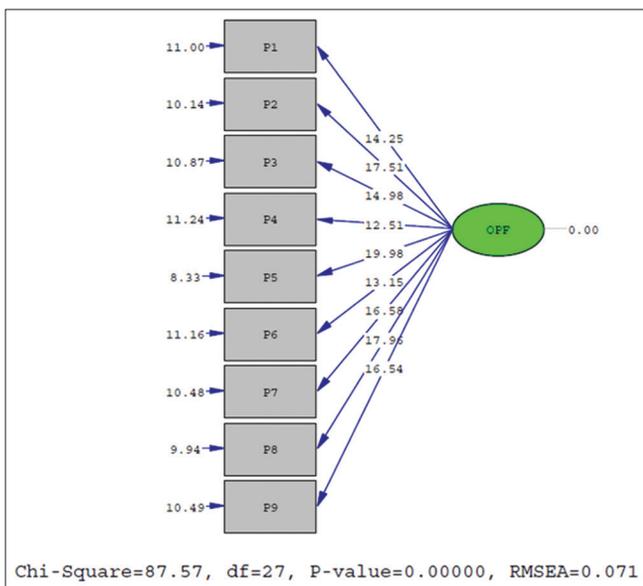


Figure 2: Structural equation modeling (t-value) of social organizational performance factors



On the other hands, probed factors' mean score are more than the average of responses of people which selected as population of

present study, so, can be said that the first question of present study was acceptable and agreeable in 95% confidence level. Secondly, the results of goodness of fit in second question were indicated that the second question was acceptable and the model of present study was goodness of fit, because the ratio of X² to df of <3, And the AGFI of more than 0.90, the RMSEA of <0.08, and RMR of <0.045 and the NFI, NNFI, CFI and IFI of more than 0.90. Thirdly, considering to the results of third question test (Friedman Rank Test), can be said due to expectation of responders, information and communication technology.

Has high score and has effect on organizational performance and on the other hand, Empowerment has low score than other items. Also, according to significant of this test is <0.05, so it means that difference between items or factors of organizational performance is acceptable and extendable. Considering to the results of questions can be argued that this survey were shoed nine most important factors for improving and developing organizational factors for Social Security of East Azerbaijan-IRAN and especially each organization which tends to improve its organizational performance in both public and privacy sectors. The researcher suggestions according to the results and findings are as follows:

- Using participation management for supporting the strategies and increasing the efficiency of operations and processes
- Identifying the effectiveness strategies for finding and applying opportunities and escaping from treatments, and amending the weakness sectors of communication and information units
- Nourishing the transactions of organization with others for presenting appropriate services to their customers and clients
- Recognizing and investigating the new and modern substitute technologies
- Planning and managing the information resources for making suit decisions
- Considering to the complexities of organizations and attempting to decrease the non-confidence and risk situations
- Sensing about productions/services distribution and presenting high quality and low expenditures of productions/services.

REFERENCES

Armstrong, M., Baron, A. (1998), Performance Management: The New Realities. London, Institute of Personnel and Development.

Byrne, D.S. (1998), Complexity Theory and the Social Sciences. London: Routledg.

Carter, N. (1988), Measuring government performance. Political Quarterly, 59(3), 369-375. Available from: <http://onlinelibrary.wiley.com/doi/10.1111/poqu.1988.59.issue-3/issuetoc>.

Chand, M., India, K., Katou, A.A. (2007), The impact of HRM practices on organisational performance in the Indian hotel industry. Employee Relations, 29(6), 576-594.

Daniels, A. (2004), Performance Management: Changing Behavior that Drives Organizational Effectiveness. Atlanta: Performance Management Publications.

Gray, A., Jenkins, W.I. (1985), Administrative Politics in Britain. London: Wheatsheaf.

Kanter, R.M., Summers, D.V. (1987), In: Powell, W.W., editor. The Non-Profit Sector: A Research Handbook. New Haven, CT: Yale

- University Press.
- Kaplan, R.S., Norton, D.P. (2001), *The Strategy Driven Organization*. Boston, MA, USA: Harvard Business School Press.
- Khandekar, A., Sharma, A. (2006), Organizational learning and Performance: Understanding Indian scenario in present global context. *Education and Training*, 48(8/9), 682-692.
- Kravchuk, R.S., Schack, R.W. (1996), Designing effective performance measurement systems under the government performance and results act of 1993. *Public Administration Review*, 56(4), 348-358.
- Lawler, E.E. (1996), *From the Ground up: Six Principles for Building the New Logic Corporation*. San Francisco, CA: Jossey-Bass.
- Lucas, H. (2005), *Information Technology: Strategic Decision Making for Managers*. New Jersey: John Wiley & Sons.
- McKevitt, D., Lawton, V. (1996), The manager, the citizen, the politician and performance measures. *Public Money and Management*, 16(3), 49-54.
- Moullin, M. (2007), Performance measurement definitions Linking performance measurement and organisational excellence. *International Journal of Health Care Quality Assurance*, 20(3), 181-183.
- Neely, A.D., Adams, C., Kennerley, M. (2002), *The Performance Prism: The Scorecard for Measuring and Managing Business Success*. London: FT Prentice Hall.
- Neely, A.D., Mills, J.F., Platts, K.W., Richards, A.H., Gregory, M.J., Bourne, M.C.S. (1996), Developing and testing a process for performance measurement system design. In: Voss, C.A., editor. *Manufacturing Strategy: Operations Strategy in a Global Context*, Papers from the 3rd International Conference of the European Operations Management Association. London: London Business School. p471-476.
- Nudurupati, S.S. (2003), *Management and Business Implications of IT Supported Performance Measurement*, PhD Thesis. Glasgow: University of Strathclyde.
- Office of the Chief Information Officer (OCIO) Enterprise Architecture Program. (2007), *Rod Carnegie is a legend. Treasury IT Performance Measures Guide*. U.S. Department of the Treasury. May 2007.
- Organisation for Economic Co-operation and Development (OECD). (1997), *In Search of Results: Performance Management Practices*. Paris: OECD.
- Organisation for Economic Co-operation and Development (OECD). (2007), *Performance Budgeting in OECD Countries*. Paris: OECD.
- Pollitt, C. (1986), Beyond the managerial model: The case for broadening performance assessment in Government and the Public Services. *Financial Accountability and Management*, Autumn, 2(3), 155-169.
- Richard, P.J., Devinney, T, Yip, G., Johnson, G. (2009), Measuring organizational performance: Towards methodological best practice. *Journal of Management*, 35(3), 718-804.
- Measuring Employee Performance. Washington, D.C.: OPM.
- Thomas, R.R. (1991), *Beyond Race and Gender: Unleashing the Power of Your Total Work Force by Managing Diversity*. New York, NY: AMACOM.
- Tichelar, M. (1998), Evaluating performance indicators: Current trends in local government. *Local Government Studies*, 24(3), 29-35.
- Wagner, J.A. (1994), Participation's effects on performance and satisfaction: A reconsideration of research evidence. *Academy of Management Review*, 19(2), 312-330.
- Xenikou, A., Simosi, M. (2006), Organizational culture and transformational leadership as predictors of business unit performance. *Journal of Managerial Psychology*, 21(6), 566-579.
- Zaffron, L., Steve, D. (2009), *Performance Management: The Three Laws of Performance: Rewriting the Future of Your Organization and Your Life*. San Francisco: Jossey-Bass.