

# **Strengthening Organizational Effectiveness through an ODI on Performance Management at the Departmental Level: A Case Study**

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## **Abstract**

*This article explores the initial impact of an organization development intervention (ODI) on performance management at departmental and cross departmental levels and on the overall organizational effectiveness at a Bangkok-based media company. The research focused on setting up a performance management system (PMS) that incorporated goal clarity, key performance indicators, and performance feedback at the departmental level. The intent was to measure the impact of the PMS on the overall performance management and organizational effectiveness of the company in terms of departmental alignment around performance management, employee involvement and work performance. The action research was conducted at the departmental level in the company's head office from September 2009 to March 2010. The sample size was 107. The research design used in this study was conducted by means of a quantitative self-completion questionnaire and a qualitative interview process to gather information from the study participants at the company. The results of the data analyses indicate that organizational effectiveness in terms of departmental alignment around performance management, employee involvement and work performance has increased after strengthening the performance management system (PMS) and focusing on goal clarity, key performance indicators and performance feedback.*

**Keywords:** *ODI, performance management, organizational effectiveness, key performance indicator, performance feedback, departmental alignment*

## **Introduction**

This article is based on an action research designed to develop a performance management system (PMS) as an organization development intervention (ODI). The intervention focused on achieving goal clarity by defining company and departmental goals, developing key performance indicators (KPIs) at the departmental level and introducing performance feedback at the departmental level.

The company considered in this research is a Bangkok-based organization in the media and entertainment sector. It found itself in the position of needing to develop and change in order to keep pace with the times and to be superior to its competitors, especially in Thailand. In addition, the company wished to apply the same working standards as those used internationally in order to attain the status of "a total family entertainment and lifestyle business" and to be a one-stop home entertainment leader in Indo-China.

In planning toward this vision, however, the company leadership realized that the company's goals had never been clarified and

communicated to the rest of the employees. Moreover, there was a lack of performance measurement and feedback to employees at the departmental level, which resulted in a lack of departmental alignment around performance, employee involvement and achievement of high level work performance in the company.

Specifically, the PMS used by the company lacked clarity and articulation of standards. It was therefore deemed unsuitable for use in upgrading efficiency and work performance in the company, which was one of the mutual goals of each department and the overall company. Therefore, implementation of an updated PMS was agreed upon to clarify common goals at the company and departmental levels. This would include following up on the company's work performance by using departmental KPIs and providing performance feedback at the departmental level to improve as well as increase overall effectiveness. It was anticipated that implementation of an updated PMS would impact not only on organizational effectiveness by involving departmental alignment around performance management and employee involvement, but also on overall work performance of the organization. Action research was chosen as the intervention most

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likely to succeed in strengthening organizational effectiveness.

## 1. Theoretical Background

### - Organizational Development

Facing increasing global competition, organizations must make improvements in many ways in order to adjust to economic conditions and remain competitive. The desire to change and improve has led many organizations to adopt organization development (OD) and even those who are currently well positioned must consider re-shaping themselves to maintain growth and market share.

OD is a process that applies the knowledge of behavioral science to help an organization build its capacity to change. By doing so, it should become more effective, with a better financial performance and improved work life quality (Cummings and Worley, 2005; Brown and Harvey, 2006). OD can also help the organization's ability to survive by adapting its problem solving processes (Brown and Harvey, 2006).

The study of OD addresses a wide spectrum of topics, including the effects of change. OD differs from other types of planned change, such as technical innovation or new product development, because it allows the organization to make an assessment of itself and achieve its goals more successfully (Cummings and Worley, 2005).

An organization development intervention (ODI) usually comprises a sequence of activities and events designed to help an organization improve its performance and effectiveness (*Ibid*). The main purpose of the intervention is to create change leading to a meaningful difference and greater effectiveness.

To be effective, interventions are based on three criteria: (i) valid information, (ii) knowledge, and (iii) the organization's capacity (Cummings and Worley, 2005):

(i) Valid information: The intervention must be based on valid information about how the organization functions as the interventions give the organization's members an opportunity to make informed choices and gain their commitment to them.

(ii) Knowledge: The intervention must be based on valid knowledge of the outcomes that

can be produced.

(iii) Organization's capacity: The intervention must enhance the organization's capacity to manage change. To this end, all its members should be able to bring about planned change using their own ability and should gain knowledge and skills relative to managing change.

### - Organizational Effectiveness

According to Gibson et al. (2003), in any organization there are three levels or perspectives on effectiveness. The basic level is *individual effectiveness*, performed by specific employees of the organization. This individual perspective of effectiveness is normally assessed by management using a performance evaluation process.

However, as individuals in an organization cannot work alone and usually work in groups, the second level is *group effectiveness* which is simply the aggregate of employee contributions. When the sum of the individual contributions is greater than their combined results, *synergy* occurs.

The third perspective is *organizational effectiveness*, which is a combination of the first two perspectives and is the highest level because its effectiveness is more than the sum of the first and second perspectives. The relationship between all three perspectives depends on the type of organization, its outputs and the technology it uses.

Organizational effectiveness must have several criteria whereby different organizational functions can be measured using different characteristics that consider both means (process) and ends (outcomes) (Robbins, 1990). In this study, the researcher focused on three main criteria of organizational effectiveness-, namely, employee involvement; departmental alignment around performance management, and work performance. These criteria make up the three main dependent variables in this study.

### - Employee Involvement

Webster's Dictionary defines the noun "involvement" as "the act of involving, or the state of being involved" and the verb "to engage as a participant" or "to occupy or engage the interest of [participants]" (Ang, 2002). The purpose of involvement, therefore,

is to improve the participation, commitment and productivity of organization members (Cummings and Worley, 2005).

According to Lawler (1988), there are three approaches to involvement: (a) a parallel suggestion involvement approach, (b) a job involvement approach, and (c) a high involvement approach. Each of these approaches involves four key features: information about the performance of the organization, rewards based on the organization's performance, knowledge allowing employees to contribute to organizational effectiveness, and power to make decisions that have an effect on the direction and performance of the organization. The core management style of any organization will be determined by how these four approaches are applied (Lawler 1988; Howard 1997; Lawler et al., 2001; Cummings and Worley, 2005; Riordan et al., 2005). Lawler (1988) posits that each approach to involvement is applicable to different situations and therefore can result in different outcomes as shown below.

- a) *Parallel Suggestion Involvement*

*Approach:* This is the oldest approach whereby a problem-solving relationship is established among lower-level employees, who are asked to resolve problems and create ideas. This approach encourages employees to find ways of improving the organization but requires some training to allow the group to function effectively and allow individuals to become good problem solvers. This approach results in increased employee satisfaction, less absenteeism and lower staff turnover.

On the other hand, this approach can be difficult and expensive to maintain. Occasionally employees may no longer have any suggestions because they lack sufficient knowledge or skill to resolve the more complex problems. Their solutions may also be resisted by middle management because their approach is a threat to the status quo and may require extra work. Moreover, if the parallel suggestion involvement approach does not include a reward system it may collapse.

- (b) *Job Involvement Approach:* This approach is designed to enhance the work experience and motivate employees to greater job performance. This is a group rather than an individual approach. It views the group as the primary unit of involvement and creates group

tasks and goals so that all the members feel a responsibility for its performance. Group responsibility is achieved by giving feedback, increasing employee influence over the work, requiring a variety of skills to be used and focusing on a complete task.

With the team approach, individuals are given new knowledge and skills, useful feedback and another set of decisions to make. Group decision making and interpersonal skills are required and the reward system is changed more with groups than with individuals.

This approach represents an important change in how the organization operates and is different from parallel suggestion in that job involvement affects the routine activity of individuals.

One limitation of this approach, however, is that individuals in teams may optimize their own performance without regard to the overall organization performance. Moreover, as with parallel suggestion, middle management may feel threatened by the power given to others. This approach may also be subject to cancellation if it fails to have an influence on higher level strategic decisions

- (c) *High Involvement Approach:* This approach is also known as the commitment approach or the business involvement approach. It attempts to give employees at the lowest level a sense of involvement, not only as regards their own jobs, but also in the performance of the total organization. In this respect, it goes further than the other two approaches mentioned earlier by transferring information, power, knowledge and rewards down to the lowest level. The rationale is that if individuals are to care about the organization's performance they need to have knowledge of it, be able to influence it, be rewarded for it and have the ability to contribute to it.

This approach differs from the earlier two in other ways as well, namely in the areas of decision power and reward system. For the former, employees are not only asked to decide about their work activities, they are also asked to play a role in organizational decisions. Hence, they become involved with strategy, investment and other areas. Likewise, rewards are based on the organization's performance, so profit sharing and a form of employee ownership are often appropriate.

This approach requires heavy initial investment in selection and training and does not always fit every person or business.

To increase employee involvement, OD practitioners need to understand its theoretical issues. As Latona and LaVan (1993) observe, these are (1) attitudes of participants, (2) the structure, size and technology of the relevant company, and (3) the organization's management approach at the time (Lawler, 1988; Howard 1997).

#### - *Performance Management*

According to Armstrong (1994) and Williams (1998), the term *performance management* came about in the late 1980s and, at that time, the concept was an important tool to manage and reward performance. It focused on goal setting, performance reviews and results-driven schemes (Armstrong, 1994).

Performance management is now viewed as a process designed to improve performance at the corporate, team and individual levels. It is a process shared between managers and their subordinate teams and employees. It is also considered as a means for obtaining better results from the organization, teams and individuals through a process of understanding and managing within a framework of goals, standards and competencies (Armstrong, 1994; Armstrong, 2007).

Williams (1998) found that, while performance management was difficult to define, three perspectives allowed it to be better understood. It is a system for managing organizational performance, for managing employee performance, and for integrating the management of the two.

As part of this study, performance management at the company considered was assessed and analyzed in order to design and implement an appropriate intervention. Literature shows that a performance management intervention is normally implemented by the human resources department (Cummings and Worley, 2005), management (Armstrong, 1994), or line managers (Williams, 1998) within the organization and involves a change program. Performance review is needed on an ongoing basis between managers and employees to ensure increased performance management.

Performance management also has to be measured, irrespective of the level of the intervention, and there are various practices,

techniques, tools and systems to achieve this (Williams, 1998).

#### - *Performance Management System (PMS)*

Fletcher and Williams, as cited by Armstrong (1994), concluded that a PMS is used as an integrating process because it combines human resource management activities with corporate objectives and is a form of appraisal or performance related pay (PRP).

Fletcher added that the real concept of performance management is the creation of a shared vision of the aims of the organization. This, in turn, helps employees to understand their role in contributing to the aims and thereby enhances the performance of both the individual and the organization.

With a PMS, diagnosis and analysis combine with participation to show that employees are valued and trusted. A PMS needs to be maintained and monitored and, as part of a plan-do-check-act program, should be evaluated (Sinclair and Zairi, 1995; Williams, 1998; Armstrong, 2007). Striking a balance between the development and reward purposes of a PMS remains a controversial issue as it usually consists of many component elements. For example, the system should be forward looking and concerned with performance improvement rather than being a retrospective collection of results (Williams, 1998). In this way, managers can become teachers or trusted advisors, rather than commanders, while at the same time implementing the PMS (Armstrong, 1994).

#### - *Key Performance Indicators (KPIs)*

As many organizations are always trying to improve their performance, they must formulate strategic plans and measurement systems. The results of these measurements are assessed using KPIs.

KPIs are those measures which focus on the most critical aspects of organizational performance, whether current or future (Sinclair and Zairi, 1995; Walsh, 1996; Bryde, 2005; Parmenter, 2007). KPIs are also used at the individual level to rate employee performance at a particular task. The method is usually used to compare estimated with actual performance in terms of effectiveness, efficiency and work quality (Cox et al., 2003).

According to Parmenter (2007), many such performance indicators have been put forward

and given names, most notably: Kaplan and Norton's balanced scorecard (1992); Lynch and Cross's performance pyramid (1991); Neely, Adams, and Kennerly's performance prism (2002); and Hope and Fraser's (2003) beyond budgeting management model. All these performance indicator frameworks are designed to facilitate the identification and tracking of KPIs long term. However, most such frameworks need to be customized as there is no one size fits all solution for an organization (Guerra-López, 2008). This being the case, the evaluator can select a specific set of indicators which meet the requirements.

KPIs are powerful tools because they influence behavior and can motivate and improve processes that drive activity (Carman and Conrad, 2000). However, they must be set correctly because they must be observable and measurable and relate to the organization (Guerra-López, 2008). Furthermore, to be effective the objectives must be SMART, that is to say, specific, measurable, achievable, relevant, and time-bound (Macaulay and Cook, 1994; Williams, 1998).

Cox et al., (2003) determined that there are two types of performance indicators, namely qualitative and quantitative. Parmenter (2007) described true KPIs as having seven features: (1) they are non-financial measures; (2) they are frequently measured; (3) they are acted upon regularly by the CEO and senior management team; (4) all employees understand them and the corrective action required; (5) responsibility for KPIs can be given to individuals or groups; (6) they have a noticeable impact on the organization; and (7) positive KPI results affect other measures positively. Walsh (1996) gives five further requirements of KPIs, namely that they must (1) be aligned with corporate strategy; (2) be able to trace business processes; (3) be a reasonable number; (4) avoid 'turf protection'; and (5) relate to all the organization's employees.

## 2. Conceptual Framework

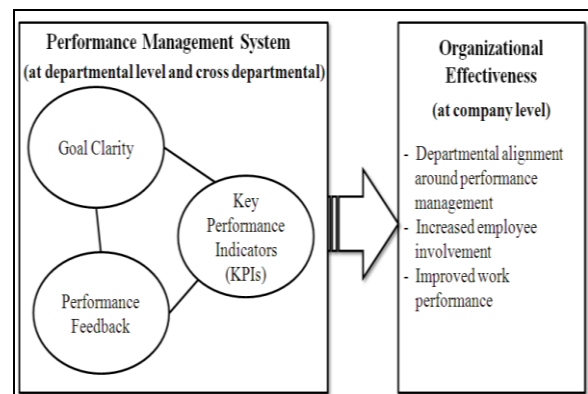
The action research phase of this study was designed in accordance with a three-step cycle of a performance management model as it was thought to be the best fit. This action research was also designed to develop a PMS as the ODI, consisting of goal clarity, KPIs, and performance feedback. The performance

planning phase focuses on goal clarity and is followed by a performance assessment, using KPIs as a tool for performance measurement.

Coming next is the corrective and adaptive mutual action via mutual feedback discussions, which provides feedback to employees and completes the process.

This model underlies the conceptual framework of this study which, as shown in Figure 1, has three related independent variables, namely, goal clarity, KPIs and performance feedback, and three related dependent variables, namely, departmental alignment around performance management, employee involvement and work performance.

**Figure 1:** Conceptual Framework



Source: created by the author for this study

## 3. Research Methodology

### Phase 1: Pre-ODI Assessment

In this assessment phase, both quantitative and qualitative research methodologies were applied. Their purpose was to assess and analyze the existing PMS in terms of goal clarity, KPIs, and performance feedback, and diagnose the level of organizational effectiveness in terms of departmental alignment around performance management, increased employee involvement and improved work performance.

A questionnaire was distributed to 107 participants consisting of the 2 top management people, 18 managers, and 87 staff members. Its purpose was to collect appropriate information about performance management in terms of goal clarity, KPIs, and performance feedback, together with the prevailing effectiveness of the company in terms of departmental alignment around

performance management, employee involvement and work performance.

A structured interview was administered in individual meetings with 8 managers selected from departments that control the main functions of the company. In addition, discussions about performance management and the level of organizational effectiveness in the company were held simultaneously with the interview to determine any prevailing problems or opportunities.

During the Pre-ODI phase, the researcher also collected unobtrusive data that were generally available in the organization, such as business processes that could be used to set up KPIs, especially shared KPIs.

As part of the assessment phase, the researcher analyzed the data and designed an appropriate intervention by focusing on variables pertinent to the study.

#### *Phase 2: OD Intervention*

A change agent team was set up comprised of volunteer employees from various departments such as IT, HR, Legal and the CEO's secretary in order to lead and support the organizational change effort.

In this phase, the researcher designed and developed an updated PMS that incorporated goal clarity, KPIs and performance feedback and also improved organizational communication by setting up team activities, coaching, skills training, and cross departmental communication as an ODI. The activities concerned with the development of the ODI process are described below.

A performance management web page was designed and implemented in this phase by the IT department to be used as a tool for communicating goals, setting the KPIs of each department, and providing performance feedback in order to help strengthen the organizational effectiveness.

An overview meeting as part of the performance planning process for the intervention was conducted with management and employees, especially at the manager level, to help them understand the concept of the new PMS.

The results that needed to be achieved from the intervention were communicated to everyone. The researcher also presented the planned change approach and methodology as well as the timeline and resources involved in

this study in order to gain agreement among the team and obtain commitment.

As part of the performance planning process, an orientation workshop was organized among the managers and their employees for everyone to become familiar with the goals and objectives of the company, understand the KPIs concept, and be ready to set up their departmental KPIs in alignment with the goals and objectives of the company.

KPI workshops were organized among the managers and the employees of each department in order to set departmental KPIs and targets that needed to be achieved together. If some of the KPIs were shared with other departments, they were flagged as shared KPIs, in which case there was a meeting among the relative parties to obtain an agreement on targets and to establish an owner for each shared KPI.

After the departmental KPIs had been set up, there was a final KPIs presentation session to inform management of the KPIs and targets to be achieved by each department. The KPIs of each department were approved by management and broadcast across the company.

A lack of human resource development, cross-organizational IT problems and a reduced number of middle managers were factors that contributed to some managers lacking both leadership and managerial competencies, especially the IT manager who had a critical strategic role to play in supporting the implementation of the new PMS. As a result, an Appreciative Coaching (Orem et al., 2007) engagement was conducted with the IT manager to improve his managerial competencies.

The AC model includes four stages: in the Discovery stage, the aim is to reflect on individuals' accomplishments and encourage them to believe in a positive future; in the Dream stage, individuals work to create a scenario of the future or vision that they would like to move towards; in the Design stage, individuals direct their attention to the key items they need to focus on to move towards their future scenario; and in the Destiny stage, individuals build on their competencies to be more affirming of themselves, to stretch and move beyond familiar ways of thinking and to be able to generate practices and actions that lead them forward.

It was hoped that by using the positive methodology of Appreciative Coaching that the IT manager, as a key change agent, would raise his level of professionalism to incorporate a more strategic view of his role, in addition to being the IT expert for the company. The coaching was designed to strengthen the skills of the IT manager and help reduce organization-wide IT problems.

Skills training was arranged to increase the soft skills and technical knowledge of the workforce in order to improve work performance. Skills training included a variety of teaching methods, such as traditional classroom lectures and on-the-job training.

Besides the activities listed above, departmental KPIs were monitored as often as necessary. Monthly meetings of leadership and managers were arranged as needed in order to discuss and update the status and progress of work and to evaluate the monthly performance of each department. Moreover, the purpose was to increase departmental alignment around performance management, employee involvement, cross departmental communication and overall work performance of the organization.

The meetings focused on finding solutions for any problems at the company and on reviewing and discussing the status of each KPI.

After each monthly meeting, the department managers gave their subordinates a chance to have open discussions on performance feedback so that they could understand the prevailing work performance status. In this way, managers and subordinates were able to mutually engage in providing collaborative solutions which would improve work performance for both current and future tasks. It was also a way to create a favorable environment that encouraged employee involvement and in which people had input on the decisions and actions that affected their jobs, the accomplishment of KPI targets, and the continuous improvement and ongoing success of their work performance.

There were team activities among employees to provide opportunities to increase departmental alignment around performance management, employee involvement, cross departmental communication and work performance of the organization.

Newsletters were distributed via email in order to share information, and communicate and promote the intervention activities to all employees.

### *Phase 3: Post-ODI Evaluation*

The Post-ODI phase included an evaluation of the intervention involving post questionnaires and interviews. In terms of quantitative data, a post questionnaire was distributed to the same 107 respondents to evaluate the success of the ODI on implementing an updated PMS that included goal clarity, KPIs, performance feedback, and departmental alignment around performance management, employee involvement and overall work performance.

In terms of qualitative data, the same 8 managers were interviewed to determine whether any problems remained unsolved or whether the desired state in terms of organizational effectiveness had been achieved.

In order to keep bias to a minimum, the researcher also collected unobtrusive data, such as work performance achievements from the PMS to see whether they had changed.

The data analysis process measured the results of the intervention on organizational effectiveness. This involved giving feedback to organizational members on the initial impact of the intervention and its results, in order to decide whether the program should be modified, suspended or continued.

In addition, it was determined that a long-term evaluation would need to be conducted in order to achieve a permanent organizational change. Measuring and evaluating such long-term effects would enable the researcher to assess feedback as to whether the ODI had produced the expected results.

## **4. Results and Discussion**

This action research was based on five research objectives, namely (1) to assess and analyze the situation and functioning of the company as a human social system; (2) to assess and analyze performance management at the departmental level in terms of goal clarity, KPIs and performance feedback; (3) to assess and analyze the level of organizational effectiveness of the company in terms of departmental alignment around performance

management, employee involvement, and work performance; (4) to design and develop a PMS as an ODI based on the analysis of performance management at departmental level and on organizational effectiveness of the company; and (5) to determine the initial impact of the ODI on performance management at the departmental level and on organizational effectiveness of the company before and after the ODI.

The quantitative findings generated mean values with all variables by using T-tests in the SPSS program to test the results of each variable. Conclusions regarding the performance management and organizational effectiveness of the company are discussed below.

#### *- Performance Management*

The company's PMS was strengthened in the areas of (i) goal clarity, (ii) KPIs and (iii) performance feedback at the departmental level.

(i) *Goal clarity*: Before the intervention process, the company's strategies were not being achieved because goals and objectives had not been clarified company wide. After the intervention process, the company and departmental goals were clarified for employees, published on the PMS web page and communicated internally by the CEO, all of which helped employees to more clearly understand the goals and direction of the company. It also helped them better understand management expectations. At the end, the mean value of performance management in terms of goal clarity was strengthened through the ODI from 3.25 out of 5 in Pre-ODI to 4.36 out of 5 in Post- ODI.

These results support research findings that employees who want to improve the value of their company need to know how to achieve organizational goals. Managers who want to monitor and control performance need to understand how they contribute to achieving results by structuring activities and designing organizational processes (Hatch and Cunliffe, 2006) so that organizational goals and direction are clearly defined and communicated to employees in the organization.

(ii) *Key performance indicators*: Prior to the

intervention process, standards for performance measurement in the company were lacking. During the intervention process, however, departmental KPIs were set and agreed upon by the CEO and departmental managers and then explained by them to employees. The KPI's were also documented and published on the PMS web page which helped employees to more clearly understand the indicators of each department and the targets that needed to be achieved. At the end, the mean value of performance management in terms of KPI was strengthened through the ODI from 3.53 out of 5 in Pre-ODI to 4.42 out of 5 in Post-ODI.

These results support research findings that show that KPIs are seen as a powerful tool to enhance management performance (Carman and Conrad, 2000).

(iii) *Performance feedback*: Before the intervention process, managers rarely gave performance feedback to employees. During and after the intervention process, managers provided regular open performance feedback, normally after the monthly managers' meeting. The problems being faced were discussed in the session so that participants could understand the prevailing work performance status. This helped to increase the work performance of each department because the managers and their staff could discuss and find ways of accomplishing their work. In this way they could mutually engage in providing collaborative solutions which would improve work performance for both current and future tasks. At the end, the mean value of performance management in terms of performance feedback was strengthened through the ODI from 3.24 out of 5 in Pre-ODI to 4.18 out of 5 in Post-ODI.

These results created a more favorable environment to encourage employee involvement. Performance feedback also helped to improve the accuracy of understanding and productivity, increased job satisfaction, and made employees feel that they belonged to the organization as indicated in the research of Hamilton and Parker (1997).

There was also discussion among departments in order to gain more collaboration and better accomplish shared tasks.



- *Organizational Effectiveness*

The level of organizational effectiveness of the company was increased in terms of (i) departmental alignment around performance management, (ii) employee involvement and (iii) work performance as a consequence of the OD intervention.

(i) *Departmental alignment around performance management:* It was also increased after adoption of the departmental wide PMS. This variable improved because employees knew the direction or goals of both the company and their department, which occurred when everyone involved was given the same work direction. Setting up the KPIs helped employees to focus on important tasks. Work that involved more than one department and which needed to be achieved jointly was clarified as a shared KPI and was monitored from the PMS web page. Thus, performance feedback led to improved work performance. In addition, team activities and effective communication training were offered for all employees in order to improve communication among departments. There were also monthly meetings between managers to discuss and improve departmental alignment around performance management. At the end, the result was an increase in departmental alignment around performance management. Before strengthening the PMS through the ODI at the departmental level, the mean value was 2.67 out of 5 and after strengthening the PMS through the ODI at the departmental level, the mean level was increased to 4.08 out of 5.

(ii) *Employee involvement:* Prior to the intervention process, most managerial power and decision-making at the company was centralized at the higher executive level. As part of a family business, middle management did not feel empowered to make decisions nor take responsibility for important tasks. This was a prime cause of the lack of administrative efficiency, especially at the middle management level. Those employees felt disinclined to make any decisions and tended to relinquish most decision-making to higher level executive/family members.

The purpose of increasing employee involvement was to improve the participation, commitment and productivity of organization

members. After the intervention process, employee involvement increased with the adoption of a departmental wide PMS. Task responsibilities of each department were set as KPIs and published on the PMS web page. Everyone who was responsible for a KPI had to be involved in order to accomplish his/her work performance.

During the ODI, monthly meetings of top management and mid-level managers were regularly scheduled to discuss and update the status and progress of work, to evaluate the monthly performance of each department, and to have open discussions among the CEO and managers. These meetings helped to reduce the gap between top management and mid-manager level by encouraging the mid-managers to make necessary decisions and take responsibility for important tasks.

As a result of the ODI, the overall level of employee involvement in the company was improved by enhancing work experience and motivating employees to greater job performance. The trainings, coaching and team activities encouraged employees to find ways to improve the organization and to gain new knowledge and skills to improve their work performance and allow them to become good problem solvers.

At the end, the result was an increase in employee involvement. Before strengthening the PMS through the ODI at departmental level, the mean value was 3.39 out of 5. The mean value of organizational effectiveness in terms of employee involvement after strengthening the PMS through the ODI at departmental level increased to 4.27 out of 5.

(iii) *Work performance:* The improvement in work performance of the company increased after the adoption of a departmental wide PMS. Managers and their staff understood the goals that needed to be achieved, were able to monitor the work progress of individual departments as shown on the PMS web page, and had open discussions within and across different departments, so individuals who were responsible for a departmental KPI were able to monitor their work progress and adjust the speed of their work to accomplish work goals.

At the end, the result was an increase in work performance. Before strengthening the PMS through the ODI, the mean value of organizational effectiveness in terms of work

performance was 3.45 out of 5. The mean value of organizational effectiveness in terms of work performance after strengthening the PMS through the ODI increased to 4.26 out of 5.

The qualitative results also showed that the level of organizational effectiveness in the company was increased. The company goals and work directions were more clearly defined and communicated down through the company. After the KPIs were set up, clarified, targeted and published on the PMS web page, as part of the ODI process, managers could monitor work progress and provide performance feedback not only in their own department but also in different departments.

In summary, this action research project helped to increase the effectiveness of the company's work performance, as well as its organizational effectiveness concerning departmental alignment around performance management and employee involvement. This in turn increased the feeling of ownership and loyalty of the company's staff.

The other ODI communication activities, such as coaching, training in classes and on-the-job, monthly meetings, team activities, and communication via newsletter, also helped to improve overall organizational effectiveness at the company.

### ***Conclusion and Recommendations***

The research findings show that the organizational effectiveness of the company in terms of departmental alignment around performance management, employee involvement and work performance increased after the PMS was strengthened in the areas of goal clarity, KPIs and performance feedback at the departmental and cross-departmental levels.

This study has helped the CEO and his managers to identify the level of prevailing performance management in terms of goal clarity, KPIs, and performance feedback as well as the level of organizational effectiveness in terms of departmental alignment around performance management, employee involvement and work performance.

In order to sustain these positive impacts, the researcher will make the following recommendations:

#### ***-Goal Clarity***

Research indicates that the goals and direction of a company must be SMART, that is, specific (S), measurable (M), achievable (A), relevant (R), and time-bound (T) (Macaulay and Cook, 1994; Williams, 1998). In the past, the company's owner has always set the goals of the company but they were not always communicated to all employees. This was a practice that the researcher suggested be changed in favor of ensuring goal clarity throughout the company. For example, management communications should encourage employees to view the organization's goals as desirable. Specifically, management should share its vision of the company, maintain trust in the organization, manage the change process and motivate employees. To achieve this, management should create an environment where employees feel free to express their ideas and their worries and where they understand how their role contributes to the overall success of the company (Baldoni, 2003).

Therefore, in order to improve the organization's effectiveness by focusing on increased employee involvement in the company, employees in each department need to get involved in setting departmental goals that are in alignment with the company goals, rather than only allowing the manager level to set up the departmental goals.

#### ***- KPIs***

The KPIs must also be SMART and in alignment with the goals of the company and with other departments. The KPIs must be set correctly and must be observable and measurable and relate to the organization (Guerra-López, 2008). Moreover, the KPIs must be monitored and updated regularly in order to gain maximum benefit from them.

#### ***- Performance Feedback***

The performance feedback must be clear, creative and positive, with as little bias as possible. This is very important because feedback improves the accuracy of understanding, raises the productivity level, increases job satisfaction, and makes employees feel that they belong to the organization and want to be responsible for

accurate communication (Hamilton and Parker, 1997).

- *Departmental Alignment around Performance Management*

In every task that needs to be achieved by more than one department, clear goals and targets should be set as shared KPIs. Performance progress should be monitored regularly, as part of a plan-do-check-act program and also be evaluated regularly (Sinclair and Zairi, 1995; Williams, 1998; Armstrong, 2007).

Monthly meetings should also be set up and include a clear discussion in order to gain cooperation between departments. Moreover, the company should have more team building activities in order to increase team work and improve collaboration across the company, thereby encouraging employees to participate and to improve communication between departments.

- *Employee Involvement*

The study focused at the group level and viewed the group as the primary unit of involvement, rather than the individual. Group tasks and goals were created so that all the members felt a responsibility for their achievement. This was reached by giving feedback and increasing employee influence over the work. Individuals were given new knowledge and skills to achieve their work responsibilities and the team activities were done to gain more collaboration and cooperation among the employees.

However, the level of employee involvement at the company could be continuously improved and sustained by maintaining an appropriate strategy of involvement-oriented approaches as mentioned by Lawler (1988). His three approaches included: (1) parallel suggestion involvement, which encourages employees to find ways to improve the organization and requires some training to allow the group to function effectively and to allow individuals to become good problem solvers; (2) job involvement approaches, which are designed to enhance the work experience and motivate employees to greater job performance, viewing the group as the primary unit of involvement and creating group tasks and goals so that all

the members feel a responsibility for performance; and (3) high involvement approach, which attempts to give employees at the lowest level a sense of involvement, not only in regards to their own jobs but also in the performance of the total organization.

This study shows the necessity for the company to instill positive employee involvement. The researcher would recommend that Lawler's three approaches be encouraged at the company in order to align employee efforts with organizational goals, improve organizational work performance, and communicate successfully. Studies show that managers need to continuously communicate with their employees and give positive reinforcement whenever possible (e.g. Gibson and Hodgetts, 1991). They need to be open and honest, invite employee feedback, and take a real interest in the receivers of messages by communicating goals, listening to complaints, rewarding effective communication, and giving employees a feeling of importance in the organization (D'Aprix, 1996).

Since the company is a family business, communication, especially between the CEO and his staff, should be open-minded and strive for continuous improvement. An open door policy for management, especially among family, could be implemented in order to reduce the communication gap between management and employees. Moreover, it would behoove them to see their employees at all levels as partners (Howard, 1997). The CEO and managers need to understand employees' needs in order to increase the level of employee involvement.

- *Work Performance*

The work performance of each department and of the overall company must be regularly monitored (Sinclair and Zairi, 1995; Williams, 1998; Armstrong, 2007). Monthly meetings should be arranged on an ongoing basis in order to discuss and update the status and progress of work and evaluate the monthly performance of each department.

In addition to the above recommendations, the researcher suggests that the company implement continuous improvement in performance management and organizational effectiveness. The company should arrange, on

a continuous basis, the necessary training, team building activities, and increased internal communications, such as distributing the newsletter and poster outlining all the company's activities. Furthermore, the company should recognize the value of its staff by offering extensive use of development opportunities such as Appreciative Coaching (Orem et al., 2007) for targeted employees, especially those at the manager level, in order to redirect their attention, attitude and thinking to positively fulfill their responsibilities as leaders and supporters of their staff.

In this study, even though managers reported that they provided performance feedback to their staff at least once a month, some of the performance feedback was biased and unclear which could have the opposite effect and lead to reduced employee motivation, reduced productivity and lack of harmony between the managers and their staff in the company.

To prevent this from occurring in the future, the individual communication and feedback skills of the managers need to be further raised so that their performance feedback is clear, creative and positive, showing as little bias as possible.

#### - Recommendations for Further Studies

The findings of this study would be helpful to conduct further studies within the company, such as using the data obtained for studying, planning, and setting KPIs at departmental and individual levels and for the company's provincial retail shops. This would help in setting targets, work performance appraisals, and reward systems for the future.

To move the organization forward, the researcher would recommend that leadership styles be strengthened because leaders are the key factor for successful change in the company. Leadership development should form part of a continuous improvement such as leadership training reinforcement. Leaders or managers must give employees a feeling of importance in the organization (D'Aprix, 1996) and be involved in every change process so that resistance to change is overcome and improvements can be successfully implemented. Moreover, managers have a particular responsibility to communicate effectively so that they can carry out their role

as leaders. This can be accomplished through actions, words, or both (Gibson and Hodgetts, 1991). Managers should encourage employees in order to allow them to become good problem solvers and have more confidence when dealing with company issues. As leaders, the CEO and managers should also take the role of being enablers and supporters (Lawler et al., 2001). Overall, leadership is an important topic to be focused on for further studies as a way to improve the level of organizational effectiveness.

Also, the three perspectives on effectiveness described by Gibson et al., (2003) -- *individual, group and organizational effectiveness*-- must be kept in focus.

Lastly, the data obtained would be helpful in drawing up individual job values, development plans and career paths for the company's staff, which would give employees greater opportunities for promotion, job satisfaction and work security.

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