Developing a model for alignment between individual and organizational performance management and organizational objectives

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ABSTRACT

The success of each organization depends on its ability to evaluate its performance and then use the results of performance evaluation to enhance its efficiency. The present study is aimed at developing a model for investigating the relationships between individual and organizational performances, alignment, and organizational goals. To this aim, a correlational-descriptive research design was adopted. The participants of the study included 504 employees working in the banking industry. The data were collected through a researcher developed questionnaire consisting of 57 items. Then, the accrued data were analyzed through structural equation modeling via SPLS smar3. The results indicated that the model had acceptable goodness of fit and there existed a significant correlation among the components of the model.

KEY WORDS

individual performance, organizational performance, alignment, organizational goals

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1 INTRODUCTION

In the present changing world, organizations and their jobs have characteristics such as uncertainty and unpredictability. These organizations and the people working for them are under pressure from changes inside and outside the system (Bell & Kozlowski, 2008). These variables are affected by various factors such as political and social instability, the evolution of procedures and organizational structures, as well as cultural and social changes. As a result, employees often face emerging, unstable, unpredictable, and complex situations. These conditions force individuals and teams to react quickly to duties and demands of the work. Performance management, as a reaction to such necessities of the organizations, appeared to become an integral component of the organizations (DeNisi & Smith, 2014). Likewise, performance management as one of the management processes has a prominent role in helping to realize the goals and missions of the organizations. That is, organizations are equipped with their own personnel and the adjusted goals will be met by the same human resources.

In fact, an organization is not composed of single voices, but as a symphony based on harmonization of voices from all members (Pulakos & O’Leary, 2011). The human resources of the organizations require more attention and development because human resources alone can increase productivity.

The emergence of the theoretical and functional micro- (at individual level) and macro- (at team and organization model) models focusing on the identification of the processors, processes and characteristics of performance management and its adaptability with work environment is the consequence of the works done by researchers and managers who perceived this challenge, although the perception of the theoretical framework is quite different from applications such as selection, training, refinement, and performance management (Kozlowski & Chao, 2014). Baard et al. (2013) take performance adjustment as the most important function of performance appraisal and define it as cognitive, emotional, motivational, and behavioral reforms in response to new demands or fatalities or situational requirements.
In various definitions, the concepts of planning, management, and performance control are within the term performance management. The strategic concept of performance management is associated with three Cs: ‘Consistency,’ ‘Coordination,’ and ‘Control’ which are necessary for meeting organizational goals (Brauns, 2013).

The definition of performance management includes different aspects with a wide range of contradictions, in word definitions, and conceptualizations. As there are a lot of differences in theoretical foundations among the scholars, the practical criteria is also contradictory. Therefore, there is no agreement among the theorists on the concept of performance management and how it is measured (Pulakos & O’Leary, 2011). According to Lebas (1995), the main reason for lack of consensus among the theorists on the definition of performance management is because of the different applications of the definitions in various contexts. The disagreement over the theoretical field has led to the emergence and development of different models and theories in the practical field at three levels: ‘individual,’ ‘group’ and ‘organization.’

Alignment at different levels and in different units of the organization for implementing performance management is one of the requirements and at the same time a major challenge for the executive managers of the organizations. Different individual and organizational backgrounds and in some cases divergences in organizational models has resulted in the lack of universality and generalizability of the models reviewed in the literature. Hence, this research intends to provide a model for explaining the relationship between the individual performance management and the organizational performance aligned with the organizational goals which seems to be a suitable model in organization performance management.

2 THEORETICAL FRAMEWORK AND RESEARCH MODEL

One of the basic challenges for any organization in the process of performance management is to achieve alignment. Alignment is a condition through which any organization does its best to achieve its goals. Likewise, Alignment consists of top-down evolution in which communication, leadership, goals, and expectations of everyone are understood. Each organization experiences alignment over time and usually in crises (Brauns, 2013). Employees often come together to solve the problems of the company because they are usually faced with uncertainty to deal with their concerns. Organizations cannot wait for crises and accidents to determine their internal and external alignment.

Examining successful organizations suggests that their performance is the outcome of the strategic alignment of two or more effective variables (Ladib & Lakhal, 2015). By adopting appropriate preventive steps in the organization, every person in the organization can sense ownership and accountability and acts with the right energy and ability, with a clear vision that is consistent with the environment and the requirements (Shih & Chiang, 2005). The concept of alignment or fit is not only a key factor in performance management, but it is also a fundamental issue in strategic management as it brings about a competitive advantage (Venkatraman & Camillus, 1984). As Venkatraman (1989) holds, the strategic fit between some of the core activities not only creates competitive advantage but also contributes to the sustainability of this competition.

The alignment in the organization is taken into account when there is a realistic assessment of the opportunities and threats of the environment and assets within the organization. In fact, alignment requires a common understanding of the goals and objectives of the organization by managers at different levels and units in the organization's hierarchical system (Venkatraman, 1989). The concept of alignment in the theoretical context of the organization refers to the performance of the organization and the consequences of two or more variables, such as goals, strategy, technology, culture, and environment, which refer to the contingency strategic approach to the dynamic relationship between organizational strategy and organizational culture.

The convergence of organizational resources with environmental changes and human resource support for this convergence expresses the importance and necessity convergence role in the organization (Bergeron et al., 2004). Researchers have identified two types of organizational alignment, vertical alignment, and horizontal or lateral alignment. Similarly, Vertical alignment, as Kathuria et al. (2007) believe, refers to organizing and structuring strategies, goals, and practical plans for all decisions at different levels of the organization. In this sense, the definition and application of strategy is evident at three levels. In other words, the organization level, the business unit level, and the operation level can be identified as these three levels.

Strategic management should move from the lower levels of the organization to its highest levels, viewing all the resources and units for decision making, to be truly effective. Therefore, the vertical alignment can be achieved by realizing such an objective in the organization. In addition, the Horizontal alignment refers to the coordination of efforts throughout the organization. Moreover this kind of alignment can be seen in the lower levels of the organization. Also, the horizontal alignment is more frequently considered in interoperability and inter-organizational integration (Hung et al., 2010).
The integration of in-house operations in some cases guarantees consistency and stability of decisions that include all human resources operations and other complementary and supportive activities. By the same token, in-house applied coordination is possible through coherence in all sections and also across the organization. Correspondingly, the nature of applied internal organizational coordination refers to internal alignment. Likewise, the internal fit is due to the compatibility between an objective specific task and the operational and functional policies (Freifeld, 2013). For example, the consistency between production priorities, flexibility and workforce are among those that are defined within the organization. In addition to the necessity of horizontal and vertical alignment in the organization, the compatibility is defined by the important components of alignment (Santala & Parvinen, 2007).

Convergence and fitness in the organization are more important than anything else in terms of interacting (adaptation) with the environment, achieving goals, and achieving organizational strategies. Furthermore, the alignment of organizational processes and their effects on organizational performance management is considered as dynamic capacity which is a consequence of flexibility and efficiency. In addition, the alignment in the organizational hierarchy (vertical) and the horizontal units leads to an alignment within the organization and makes it more possible to achieve strategic goals (Zhang, 2012).

2.1 PERFORMANCE MANAGEMENT

Performance management is a strategic and comprehensive process for achieving organizational success by improving the performance of team members and developing their capabilities. According to Armstrong (2010), performance management in an organizational dimension is usually synonymous with the effectiveness of activities, and the purpose of effectiveness is to achieve goals and programs with the characteristics of the effectiveness of activities and operations. Also, Performance management in the dimension of how to use resources is expressed in terms of performance indicators. If, in the simplest form, efficiency is associated with the attribute, the performance management assessment system measures the efficiency of management decisions regarding the optimal use of resources and facilities (Armstrong, 2010).

Expressions of organization's outputs, in addition to showing the amount of primary resources consumption, represent the correct and optimal interaction of management with the external environment and internal factors of the organization (Samsonowa, 2012). Moreover, Performance management can be defined as a comprehensive process and procedure for effective management of individuals and teams in order to achieve group goals and strategic objectives of the organization (Micheli & Mari, 2013). Likewise, the process of performance management is constantly evolving since the tools needed are always larger and wider than the tools available, and the social units are always behind what is anticipated and expected (Etzioni, 1960). Similarly, the Performance appraisal of the individual and group reflects the attention to the optimal use of resources and the achievement of the predetermined ultimate goals. In order to accomplish its goals, the organization must set up its own work plan, which is a fit between resources and ultimate goals (Santala & Parvinen, 2007; Suttaponget al., 2014).

Although the impact of human resources on the performance management process was confirmed (Boselie et al., 2005; Suttaponget al., 2014), performance-related research mainly refers to indicators and variables, such as personality, rate of investment return, goals, efficiency, and rewards, and the organizational level which consists of organization business unit, and operational level (Hung, et al., 2010). Tseng and Lee (2012) believe that individual performance management has significant impact on organizational performance. In addition, they have identified performance management indicators at three levels: individual level (job satisfaction, acquisition of personal goals and goals), group level (ethics, Solidarity, effectiveness and productivity) and at the organizational level (income, efficiency and productivity, rate of absenteeism, return on capital and adaptability). In the same vein, Behn (2003) sets out a set of indicators in three general headings of destination, time, and priority of goals which are relevant to and effective for performance management and aligned with strategic goals. Moreover, Slavić et al. (2014) maintain that indicators such as productivity, quality of services, creativity and innovation of global management and their alignment with organizational goals are effective for the success of organization.

Furthermore, Qureshi et al. (2009) believe that the variables of leadership, employees, policies and strategies, shareholders and resources, organizational life cycle processes and the key performance indicators are given in their effective performance management process. By the same token, Tangen (2003) showed the relationship between performance management and the individual indicators such as motivation and employee improvement.

What’s more, it was claimed that there is a significant relationship between a person personality, apprenticeship-training, individual attitude, and performance management (Anderson, 2012). It was also stated that the relationships between intra-organizational variables (skills, size, age, focus, choice, individual motivation, problem solving ability, education, compensation services, incentives and rewards, evaluation and feedback, promotion mechanisms) and outsourcing (financial regulation, macroeconomic policies, competitive conditions, market structure) and performance management are statistically significant (Anderson, 2012).
Likewise, the review of the related literature shows that different models of performance management were presented at individual, group, and organizational levels, based on different indicators. Executive models of performance management at the organization level should include the overall organization and lead to the efficiency and effectiveness of the system (Freifeld, 2013). These models, which were presented to increase productivity and efficiency of the system, mainly focused on performance management indicators (Yavari & Zahedi, 2013). Therefore, it is necessary to develop a model for performance management that includes variables at all levels of the organization.

By combining the findings of the related studies on performance management and the relationship between its components aligned with organizational goals, it is essential to develop a comprehensive model. Thus, the present study is an attempt to explore the relationship between the components of organizational performance management which are aligned with organizational goals. This study also aims at providing a model, which aligns performance management with organizational goals, and explains the relationship among its components.

Similarly, the conceptual model of this research is a theoretical model based on the relationships between a numbers of factors that are recognized in the statement of the problem. Likewise, the hypothesized relationships between research variables are shown in Figure 1.

### 3 RESEARCH METHOD

The method of this research was using a survey. In order to undertake it, the questionnaire developed by (Sherafat, 2017) was used to collect the required data. Therefore, It consisted of four main components and 57 items which are measured on five-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree). Also, the questionnaire measures individual performance (twenty four items which were divided into seven subcategories: judgment ability, productivity, attitude, learning, cooperation, ethics, and creativity), organizational performance (consisting of sixteen items and five subcategories: promotion and rewarding, structure, financial regulations, leadership, and competition conditions ), alignment (consisting of twelve items and three subcategories: compatibility, vertical alignment, horizontal alignment), and organizational goals(consisting of five items). Similarly, the construct validity of the questionnaire was estimated through running Structural Equation Modeling using Smart PLS3 software (See appendix A). The internal consistency of the questionnaire was also estimated through running Cronbach's alpha. Therefore, the detailed description of the instrument is presented in Table 1.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Items</th>
<th>Factors</th>
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<tr>
<td>Individual performance</td>
<td>1-24</td>
<td>0.85</td>
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<tr>
<td>Organizational performance</td>
<td>25-40</td>
<td>0.82</td>
</tr>
<tr>
<td>Alignment</td>
<td>46-57</td>
<td>0.89</td>
</tr>
<tr>
<td>Organizational goals</td>
<td>41-45</td>
<td>0.82</td>
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3.1 PARTICIPANTS

The participants of the study were consisted of 504 employees of the banking industry, who were selected through multi-stage sampling. The first step in this selection was to randomly choose 16 banks, consisting of eight private banks and eight public banks, out of 30 banks. Then, some participants were selected through convenience sampling from each of these banks. In other words, sixty percent of the participants were selected from public banks, and forty percent of the participants were selected among the employees of the private banks. The results of the demographic analysis of the participants also show that thirty percent of the participants had working experience of less than 10 years, 40 percent had working experience of 10 to 20 years, and 30 percent of the participants’ working experience was more than 20 years.

4 FINDINGS

In order to test the research model and the hypotheses and to determine the causal relationship between the variables, structural equation modeling was used using SmartPLS3 software. Therefore, the results are shown in Figures 2 and 3 as well as Table 2.

![Figure 2: Standardized Coefficients between the components of research model](image)

![Figure 3: Correlation coefficient between components of research model](image)
As displayed in the Figures 2 and 3, t values for all relationships among the components of the model exceed +1.96 and -1.96; therefore, the relationships among the components of the models are all statistically significant. The goodness indices are also presented in Table 2.

Table 2: Goodness indices of the model components

<table>
<thead>
<tr>
<th>Component</th>
<th>Goodness fit</th>
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<td></td>
<td>$\chi^2$/df</td>
<td>RMSEA</td>
<td>GFI</td>
<td>AGFI</td>
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<tr>
<td>Individual performance</td>
<td>$&lt;$ 3</td>
<td>2.26</td>
<td>$&lt;$ 0.1</td>
<td>0.064</td>
<td>$&gt;$ 0.9</td>
<td>0.97</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>$&lt;$ 3</td>
<td>0.681</td>
<td>$&lt;$ 0.1</td>
<td>0.075</td>
<td>$&gt;$ 0.9</td>
<td>0.97</td>
</tr>
<tr>
<td>Organizational goals</td>
<td>$&lt;$ 3</td>
<td>0.35</td>
<td>$&lt;$ 0.1</td>
<td>0.095</td>
<td>$&gt;$ 0.9</td>
<td>0.94</td>
</tr>
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</table>

As displayed in Table 2, the goodness indices of all components of the model are within acceptable range. Therefore, it can be strongly argued that the model has an acceptable goodness.

**Hypothesis 1: Individual performance has a positive and significant effect on alignment.**
This hypothesis examines the relationship between the individual performance and the alignment variables. That is, the individual performance has a positive and significant effect on the alignment. Also, the standard coefficients, which show the strength and significance of the relationship between the two variables, were estimated through Bootstrap method in the PLS software. As shown in Table 2, the standard coefficient between the two variables of individual performance and the alignment variable is 0.134, which is a very weak effect. Moreover, the t-value is 0.923 is smaller than 1.96. Therefore, it can be strongly argued that the relationship between the two variables is not statistically significant.

**Hypothesis 2: Organizational performance has a positive and significant effect on alignment.**
This hypothesis aims at investigating the relationship between the organizational performance and the alignment variables. That is, the organizations performance has a positive and significant effect on the alignment. The standard coefficients, which indicate the strength and significance of the relationship between the two variables, were estimated through Bootstrap method in the PLS software. As shown in Table 2, the standard coefficient between the two variables of organizational performance and the alignment variable is 0.746, which is estimated to be relatively strong. Moreover, the t-value is 5.51 which exceeds 1.96. Therefore, it can be strongly argued that the relationship between the two variables is statistically significant.

**Hypothesis 3: Individual performance has a positive and significant effect on organizational goals.**
As shown in Table 2, the standard coefficient between the two variables of the individual performance and the organizational goals is 0.201, which is estimated to be relatively weak. Moreover, the t-value is 2/655 which exceeds 1.96. Therefore, it can be argued that the relationship between individual performance and organizational goals is statistically significant.

**Hypothesis 4: Organizational performance has a positive and significant effect on organizational goals.**
As shown in Table 2, the standard coefficient between the two variables of the organizational performance and the organizational goals is 0.401, which is estimated to be relatively average. Moreover, the t-value is 3.218 which exceeds 1.96. Thus, it can be argued that the relationship between the organizational performance and the organizational goals is statistically significant, and the stated hypothesis is confirmed.

**Hypothesis 5: Alignment has a positive and significant effect on organizational goals.**
As viewed in Table 2, the standard coefficient between the two variables of alignment and the organizational goals is 0.409, which is estimated to be relatively average. Moreover, the t-value is 3.27 which exceeds 1.96. Therefore, it can be argued that the relationship between organizational performance and organizational goals is statistically significant, and the stated hypothesis is confirmed.

**Hypothesis 6: Individual performance has a positive and significant effect on organizational performance.**
As presented in Table 2, the standard coefficient between the two variables of the individual performance and organizational performance is 0.83, which is estimated to be strong. Moreover, the t-value is 21.9 which exceeds 1.96. Therefore, it can be argued that the relationship between individual performance and organizational performance is statistically significant, and the stated hypothesis is confirmed.

5 DISCUSSION AND CONCLUSIONS

The purpose of this research is to provide a model for aligning performance management with organizational goals. We used Pearson correlation and path analysis to test the hypotheses. The results of the correlation test show that there is a positive and significant relationship between personal performance, organizational performance and alignment. Also, the relationship between all of these three variables and organizational goals is significant. As the results indicate the intensity of the relationship between the individual performance and the alignment is weak, therefore, the relationship between all variables is significant, except in hypothesis one.

The model confirms the findings of Suttapong et al. (2014). It means that human resource performance is the basis of performance management system. Moreover, the findings are consistent with the model provided by Zhang (2012) which assumes that the alignment between human resource management activities and company business goals affects performance management system. The findings also confirm the model of Tsang and Lee (2012) which holds that individual performance management affects organizational performance.

Results of the study also indicated that individual performance has a (strong) positive and significant effect on organizational performance. This finding confirms the findings of prior studies (e.g., Sang and Lee, 2012; Van Ree, 2009).

Therefore, in light of the findings, it can be postulated that it is very important to develop an organizational mechanism, which guarantees pointed variables and encourages a comprehensive performance management system aligned with organizational goals. Organizations and HR managers should pay more attention to the individuals’ roles in the management performance process. Moreover, managers should provide creative context in organization and do practices lead to facilitate learning process all of the organization and encourage employee participation.

Regarding the findings of the present study, it could be strongly argued that the provided framework is to some extent different from the models developed by the other researchers since 1980. It could also be stated that the difference between this study and the other related studies is that this study enjoyed an integrative approach. Moreover, through interviews with elites meaningful themes were extracted. Therefore, the explored themes are more complete than those of the previous studies. That is, the extracted components of individual performance, organizational performance, alignment, and organizational goals are to a great extent novel.

Finally, it can be argued that the present study is the first study in banking industry which has ever been undertaken in the context of Iran. Therefore, the results should be generalized to the other settings with great care.

The findings of the present study have theoretical and practical implications for human resource management researchers and managers. The first implication is that managers of the organizations should have a clear definition of systems, and try to take into account all of the sub-components of the variables of the given study in order to contribute to the productivity of the organization and maintain the human resources. The administrators should also recognize the significant roles, which individuals can play in the organizational performance, and they should also encourage the employees’ innovations and creativities. Another implication is that the managers should highly appreciate the employees’ judgment ability, productivity, and ethics if they aim at enhancing the productivity of the organization. Moreover, as individual performance, organization performance, and alignment significantly affect the organizational goals, managers should take into account variables such as cooperation, creativity, learning, and productivity at both individual and group levels, and they should also pay great attention to the structure, promotion and rewarding system and the cooperation conditions, so that they can successfully achieve the organizational goals.

As for the limitations of this study, the first limitation regards the sampling procedure. In other words, it was difficult to select the banks randomly. Therefore, due to the possible differences between the banking industry and other organizations, these results should be interpreted and generalized with great caution the second limitation was the sampling size. In fact, the sample was representative of all of the banking employees in Iran. Hence, the findings should be interpreted with taking into account all of the contextual factors that are present in Iran. As a result, other researchers can replicate the study using a larger sample size to see whether the findings differ or not. The next limitation of the study was the researcher’s inability to make a distinction between the public and the non-public organizations to include more variables. Thus, it is recommended for other researchers to study the relationship between the performance management and other human resource management functions such as, retention, carrier development, and promotion.
REFERENCES


