Organizational Performance: A Conceptual Framework

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Abstract

Purpose- The purpose of this paper is to review the existing literature on factors/determinants that influence organizational performance and build a framework which could be adopted as a managerial tool for organizational success.

Methodology- This paper uses a systematic review on existing literatures in order to find out factors affecting organizational performance and collect and summarize different empirical and conceptual evidences that fit the context of the present study.

Findings- Organizational performance is a subject of interest for many researchers in the field of management, economics, and organizational psychology etc. The findings of the study decipher that there are various determinants or factors which influence organizational effectiveness or success of an organization. Job satisfaction, competency mapping of employees, leadership styles, job analysis are some of the factors to be considered as a managerial strategies, which have a significance influence over employee performance as well as organizational performance.

Implication- This research is a contribution in the area of industrial/organizational psychology and human resource management which aim is to study the organizational performance in different work setting and find out the key determinants which are the cornerstones for success of any business firm.

Keywords: Organizational performance, Job satisfaction, Competency mapping, Job analysis, Leadership styles

1. Introduction

The potential success of an organization or a business firm depends on its employee job satisfaction as it is the crucial factor for organizational performance and its output. Organizational performance is the ability of an organization to implement strategies to achieve institutional goals and objectives effectively (Randeree & Al Youha, 2009). According to Deshpande *et al.* (1997), the constituent factors of organizational performance are efficiency of managers and employees, business model effectiveness, outcomes etc. in an organization, when employees find individual goals and organizational goals congruent, the effectiveness of such organizations becomes higher. But there are always some difficulties in achieving organizational goals as the strategies and techniques leader use

should be elastic enough to accommodate change (Almatrooshi, *et al.* 2016). The conditional relation between the manager, leader, and team members is another important factor of organizational performance (Silva, 2014). Organizational performance is quite dependent on a leader's social, cognitive, and emotional competencies (Ryan *et al*., 2012) as he plays a crucial role in the orientation and direction of a particular organization and its employees and followers (Meraku, 2017).

Profiroiu (2001) defined organizational performance as the relationship between organizational objectives, means and results.

According to Matei L. (2006), the idea of organizational performance is found at the intersection of three notions, and those are:

- Implementations of rules, regulations, and orientation followed by a particular organization.

- The target groups (customers, users, and other actors) should be in focus.

- Effective use of organizational resources to achieve the organizational goals and objectives.

The variables considered for study in this paper are job satisfaction, leadership style, competency mapping, and job analysis. All these constructs are embedded together to ensure the best possible output and success of the organization as well as to meet the individual goals along with organizational goals.

The aim of this paper is to build a conceptual framework from the relevant literature study done on organizational performance. As this conceptual paper is based on relevant literature on this particular topic, it will help future researchers to identify the gaps in the existing literature for further in-depth study.

2.   Review of literature

Since this paper is a conceptual one based on existing literature, a systematic review of studies has been conducted on the organizational performance and relevant notions in order to collect, gather, and summarize the empirical evidences from the previously published literature that suits the context of the present study. This paper can be considered as a meta-analysis on the said topic as this paper is not based on statistical data analysis from primary data and its summarization. After doing a rigorous review, the researcher has put a few numbers of relevant ideas from the said topic.

The performance of an enterprise, organization, or business firm is significantly determined and influenced by the performances of the human resources engaged with it (Babelova, Z. G., 2020). It is of utmost importance that an organization should oblige to work on improving managerial processes which will otherwise lead to organizational downfall. Regarding the downfall of one of the best company Enron in the year 2001, Stein (2007) argued that there are different leadership factors which lead to organizational collapse such as greed of the manager or the leader, narcissism, use of primitive 'splitting' etc. Swiercz *et al*. suggested that both self and functional competency of a leader is required to stay at the helm of a growth driven organization.

Employee participation in decision making and other important activities in an organization is a kind of managerial tool for stimulating organizational performance. Employees' participation in

organizational decision making process has both positive and negative effect on organizational performance (Tamunomiebi et al., 2020). Kuye & Sulaimon (2011) found that employee engagement and participation in organizational decision making process forces them to strive towards increased organizational productivity. Firms where employee participation is higher are the firms who outperform or do better.
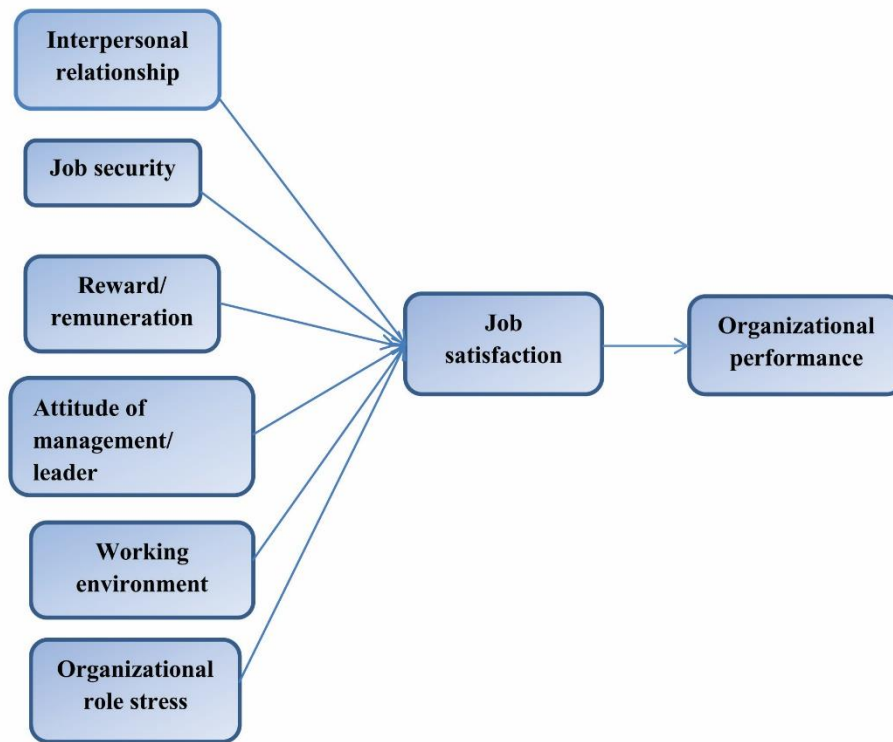
Reward system has been an influencing factor on organizational performance. Downes & Choi (2014) found that involvement of appropriate reward system attracts and retains employees in an organization and it continually motivates them towards engagement and achievement. An effective reward system is enough to increase the desire among employees to help attain high standards, and hence it can promote employee job satisfaction, and give them a feeling of competence and freedom (Danish & Osman, 2010).

Empowerment and practices is another determinant of organizational performance. Making the employees self-sufficient, empowered and passing authority to them to execute their tasks in the area of their jurisdiction is the way to boost commitment, motivation, job satisfaction, and better interpersonal relationship among the employees in the organization (Maynard et al, 2012). Irina, et al., (2015) found that psychological empowerment such as sense of impact, competence, and meaningfulness etc. yield significant positive result.

Job satisfaction and Organizational performance

Every organization has some goals, objectives, mission, vision etc. In order to achieve these, a high level of efficiency among human resources is important and their productivity and performance should also be high. Organizations always try to create a pool of satisfied, highly qualified, motivated, efficient workforce who can help achieving the organizational goals. But to attain better output from the workforce, the employee should be satisfied with their job. Job satisfaction among the employees is an overall feeling of liking or disliking toward the job he/she is presently performing. Baridem & Nwibere (2008) rightly defined job satisfaction as the degree to which one feels negatively or positively about the various dimensions of his job.

The extent and direction of the relationship between job satisfaction and organizational performance are evaluated in different organizational dimension and settings. The more the employee will be satisfied with his job; the better will be his performance in his job. Bayfield & Crockett (1955) suggested that the higher the satisfaction in job, the greater the effort toward the job and its productivity. Ostroff (1992) found that the performance of an organization where employees are satisfied with their job and position is way better than that of organization where employees are dissatisfied with their job. Organizational performance is dependent on employee performance. If employees are predominantly occupied with the organizational goals and work actively and effectively for the organization, the ultimate and overall organizational performance will be superior. Schneider et al. (2003) found that higher returns on assets and higher earnings per share both have a significant positive correlation with employee job satisfaction.

Figure 1: Showing determinants of Job Satisfaction

Apart from the influence of job satisfaction on organizational performance, study on the inverse effect i. e. the effect of organizational performance on job satisfaction of employees should also be assessed. Satisfaction and performance both are mutual; the relationship between these two is reciprocal. Satisfaction brings better output or performance and better performance leads to satisfaction. So, both are interdependent on each other. Cole & Cole (2005) found that organizational performance is one determinant of job satisfaction of employees. Gross & Etzioni (1985) in this context said that organizational reality and employee satisfaction go hand in hand.

Leadership style and Organizational performance

Leadership is one of the important determinants associated with the success and failure of any organization or business firm. It is a kind of direction through which other employees are motivated to work under the guidance and direction of a leader or a boss. There are mainly six leadership styles in organizational behavior- transformational, transactional, autocratic, charismatic, bureaucratic, and democratic styles. Leadership styles and organizational performance are explicitly correlated. The role and significance of leadership is crucial for an organization in terms of the goals, objectives, mission, vision, policy formulation, and achieving the best out of it (Xu & Wang, 2008). Due to lack of appropriate leadership style, many business firm and organization face difficulties related to unethical business practices, employee turnover, poor organizational performance etc. (Khajeh, E. H. A., 2018).

Figure 2: Showing different leadership styles

Ghazzawi & Cook (2015) suggested that leadership is the most crucial organizational factor which promotes organizational development. Good leadership is a storehouse of organizational success, and absence of it leads to dysfunction (Ghazzawi, 2018). Making quality decision should be an important agenda of leadership (Kaipa, 2014). Khajeh (2018) argues that leadership styles explicitly influence the organizational culture which ultimately affects the organizational performances. Klein et al. (2013) suggested that organizational performance is influenced by both organizational culture and leadership style followed by the organization.

Strickland (2010) found that there is a positive correlation between leadership and employee performance and both of these two have enormous contributions on organizational effectiveness.

Competency mapping and Organizational performance

Competency mapping is a managerial strategy or process which refers to identifying specific knowledge, skills, abilities, attitudes, aptitudes and other behavioral obligation required to engage in a particular job or profession and operate effectively the duty and assigned responsibility. It is the foundation of the Person-Environment-Occupation (PEO) model or the Person- Environment Fit model adopted in business firm or any kind of service organization. These models help the human resource managers in identifying the relationship between a prospective employee, the working environment and occupation or activities they will be assigned.

UNIDO (2002) defined competency mapping as a set of skills, knowledge, and attributes which are required by an employee in order to perform a task successfully and efficiently in his job. Competency of employees is considered as the heart and soul of an organization as it is the foundation of any successful business process, operation, and activity (Sanghi, 2007).

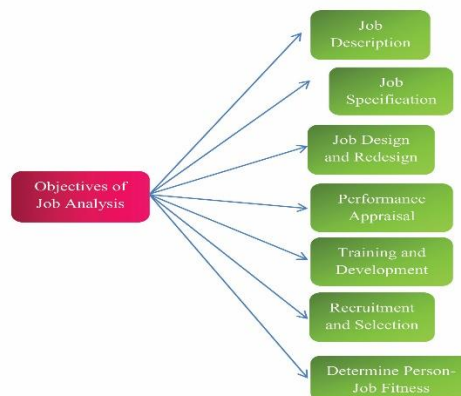**Figure 3**: Illustrating the significance of competency mapping

In an organization, competency mapping as an important variable for organizational development was brought to forefront for the first time by David McClelland. McClelland argued that traditional measures of achievement in organizations and intelligence scores of employees are not able to assess and predict the job success. In order to map the exact competencies required among employees, we have to measure it using a variety of tests to understand their effectiveness of doing a particular task efficiently. Awasthi & Sharma, (2016) found that there is a positive significant relation between competency mapping and employee development and employee development has positive significant effect on organizational overall growth. Career based and competency based approaches in human resource development sector in an organization or business firm has prolific effect in employee performance, job satisfaction of employees, productivity, output, business surplus and low employee turnover.

Job analysis and organizational performance

Job analysis is one of the most proactive activities performed by human resource management of an organization. It is a systematic procedure of studying, gathering, identifying, analyzing, and submersing data on a particular job and the people who are doing that particular job and who are yet to perform (Augustine, E. A. *et al.,* 2019). Job analysis is the foundation of job description, job specification, recruitment and selection, organizational performance, and other variables related to ultimate organizational development.

Figure 4: Illustrating purpose/ objectives of Job analysis
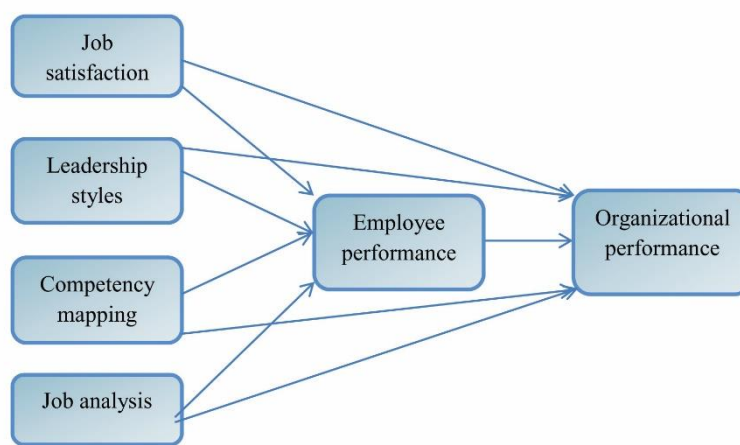

Researchers have found that there is a significant co-relationship between job analysis and organizational performance. In the context of human resource management, job analysis is as important as the other variables like job satisfaction, employee performances, job effectiveness, strategic leadership styles etc. Hence, job analysis for both employee performance and organizational development can be considered as important cornerstone for human resource management sector (Sherman, *et al.,* 1998). Cucina (2005) suggested that in personal psychology we use job analysis in order to determine required knowledge, skills, abilities and other characteristic feature of an employee for doing a particular task. So, it is a prerequisite of every organizational personnel to understand the required field for a particular job.

A proposed framework

This particular section of this paper presents a framework including the determinants found from the review of literature having a definite aim. Though besides these factors, there are numerous other factors which have their own importance on promoting and accelerating organizational performances, these are our area of interest in this study. So, the proposed framework serves as a tool for overall organizational performance which can be enhanced through the better employee performances.

Figure 5. A framework on relationship among determinants of organizational performance

There are different factors which play an integral role in employee performance as well as organizational performance. Leadership style is such an important factor which influences performance of other employees (Ryan et al, 2009). High performance of an organization also depends on job satisfaction among employees. Since job satisfaction is the key ingredient which leads to monthly remuneration, recognition, reputation, promotion, achievement and other feelings of fulfillment (Kaliski, 2007), it can extract better performance from the human resources of an organization. On the other hand, better employee performance is the main ingredient of better organizational performance, and hence assessing and identifying employees' competencies is an important managerial tool. Since it is the best way to identify the strengths and weaknesses of employees, it helps managers to take subsequent efforts to develop employee performances.

Therefore, to achieve organizational success, a leader or the manager has to look after different factors. It is his/ her responsibility to incorporate various techniques to outgrow employee performances. With the application of such strategies, better organizational performances and output can be attained. By having a close connection with workforce of a particular organization, the leader or the manager understands about the employees personally which is the key element of organizational effectiveness and performance.

Thus, employees can sustain their motivation to work together and promote organizational performance.

3.   Implications of the study

This conceptual study is purely based on review of both theoretical and empirical literature. It tries to entail understanding on different measures and strategies of organizational success which can be adopted as managerial tools. There are a number of factors which directly or indirectly associated with organizational performance, here only a few numbers of those have mentioned. Though some important factors are omitted, it will be exciting to add those and have some empirical study on different organizations and different settings.

Since this is purely a study based on review of literature, it will serve as a guiding force to researchers and authors who will be interested to do empirical study. It would also be beneficial to explore and understand how researchers have identified and assessed different factors affecting organizational performance.

4.   Conclusion

The purpose of this paper is to review previous studies having particular objectives and variables and to propose a framework based on that which will represent the determinants of organizational performances. This study concludes that there are numerous factors as the determinants of organizational performance albeit, the factors mentioned here also play an integral role and all these factors have a reciprocal relationship with organizational performance. On the aforementioned framework, it is depicted clearly that job satisfaction, different leadership styles, competency mapping for workforce, job analysis for prospective and present employees are some of the influential factors over employee performance, and while the employee performance will be satisfactory, the overall organizational effectiveness and performance will automatically prosper. In combination, these factors also help identifying effective leaders or human resource managers.

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