

**RELATIONSHIP OF EMPLOYEE PERFORMANCE
MANAGEMENT SYSTEM WITH ORGANIZATIONAL
CULTURE AND STRATEGY - AN EXPLORATORY STUDY
OF SELECT ORGANIZATIONS IN THE INDIAN BANKING
SECTOR**

by

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in fulfillment of the requirements
of the degree of
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to the**



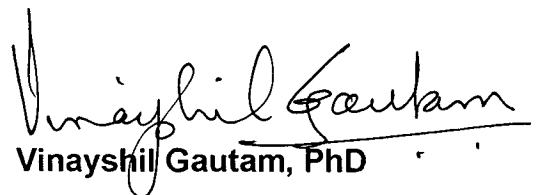
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CERTIFICATE

The thesis titled “**Relationship of Employee Performance Management System with Organizational Culture and Strategy - An Exploratory Study of Select Organizations in the Indian Banking Sector**” being submitted by **Mr. Jai Prakash Upadhyay** to the Indian Institute of Technology, Delhi for the award of the degree of Doctor of Philosophy (Ph.D.) is a record of *bona fide* research work carried out by him. He has worked under my supervision, and has fulfilled the requirement for the submission of this thesis, which has attained the standard required for a Ph.D. degree of the institute. The results presented in this thesis have not been submitted elsewhere for the award of any degree or diploma.

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ABSTRACT

In recent times, when organizations are in search of effective methods and mechanisms to leverage the performance of their employees to gain competitive edge over their rivals, the design and implementation of employee appraisal methods have come under the increasing scrutiny of researchers and practitioners. Empirical studies have revealed that organizations in the same industry are using varied employee appraisal practices. There is also evidence that contextual factors are driving the adoption and implementation of Employee Performance Management System (EPMS) in organisations. Recent research is advocating that the contextual issues are crucial in facilitating the understanding of the functioning and implementation issues of employee appraisal. It is being increasingly advocated that answers to conducting performance appraisal effectively lie in focusing on the process of and the organizational context in which the event takes place, not on the form and system. In this context, the desirability of conducting a research study to find out the relationship of EPMS with its contextual factors becomes a significant enquiry.

The study has chosen banking sector mainly for three reasons. First, it is the critical sector in the economic development of the country. Second, at micro level, the banking sector is witnessing the entire trauma, turmoil and triumph that service sector is witnessing in general. Third, much work has been done to reform the employee appraisal methods to enhance its effectiveness in this sector. It is accordingly considered that a study of organisations from the banking sector with a view to address issue of strategic and cultural fit of employee appraisal system in

order to enhance their effectiveness and thereby the performance levels of organizations in the banking sector could be highly useful.

There are three specific objectives of the study. The first objective is to explore the differences in employee performance management practices in various categories of banks in the Indian banking sector. The second objective is to explore the relationship between organizational culture and employee performance management practices among the select organizations. The third objective is to find out the relationship of employee performance management system with strategic orientation in select organisations.

Based on the objectives of the study and literature review, several hypotheses were formulated. Purposive sampling was used to select five banks for case studies. At least one bank was selected from public, private, Regional Rural Bank and cooperative sector, respectively. Questionnaire survey of executives of the various banks was conducted. The existing systems and practices of EPMS was studied through visiting the research sites, collecting documents and interacting with concerned officials.

The collected data were analyzed to test various hypotheses. Select organizations were compared using means and standard deviations in respect of their EPMS, organizational culture and strategic orientation. One-way ANOVA test and *post-hoc test using S-N-K* was performed to test the significance of difference among means of various variables. Correlation coefficients were obtained among various variables. Stepwise regression analysis was performed to test the predictive power of predictors on criterion variables.

The findings of the study show that the executives perceive that principal objective of EPMS is “deciding promotion” and appraisal data is used for deciding promotion and miscellaneous administrative purposes. The study also shows that Immediate superior is the principal assessor of performance. The study found that subjectivity pervades the implementation of EPMS in select organizations. The EPMS representing all stages of evolution right from the trait based ACR type of EPMS to Balanced scorecard derived EPMS were noticed. Executives satisfaction was found highest in the most evolved category of EPMS (EPMS-III). Organizations under study manifested the elements of various organizational culture typologies - autocratic, bureaucratic, technocratic and entrepreneurial. In terms of strategic orientations also, all the typologies envisaged by Miles and Snow - defender, prospector, analyzer and prospector were observed in select organizations. Prospector strategic orientation had positive correlation with EPMS-III and satisfaction level with EPMS and negative correlation with EPMS-I. Defender and reactor orientations had negative correlation with EPMS-III and satisfaction level with EPMS.

The findings of the study have strengthened the assertion that evolution of EPMS and user satisfaction with it to a large extent is the product of the macro-level contextual factors in terms of strategy and organizational culture. Thus, there is need for a paradigm shift from earlier focus on improving effectiveness of EPMS by way of only reforming the EPMS to focusing on the strategy-culture-EPMS fit models.

The present study to some extent narrows the gap between the micro analytic and rationalistic focus of the research of the academia and the imperfect, at times irrational realities in terms of social, political and psychological factors prevalent in organizations. We have to take into account the fact that environment around the individual and the organization also influences performance, making organisational contextual factors integral component of any employee performance management system. Thus, there is a need for a holistic and integrated approach in designing appraisal systems. Implementation of EPMS-culture-strategy fit model will lead to its better acceptance and implementation and enhancing effectiveness of EPMS to that extent.

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