

**CORRELATES OF MANAGERIAL
PERFORMANCE: A STUDY OF SOME
BUSINESS ORGANIZATIONS OPERATING
IN INDIA**

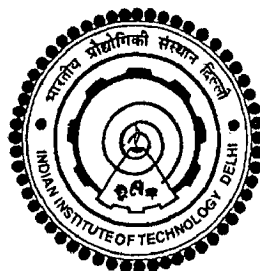
by

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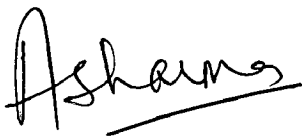


Indian Institute of Technology Delhi
April 2008

CERTIFICATE

This is to certify that the thesis entitled, “**Correlates of Managerial Performance: A Study of Some Business Organizations Operating in India**”, being submitted by Ms Sanyukta Jolly for the award of the degree of **Doctor of Philosophy**, to the **Indian Institute of Technology, Delhi** is a record of original bona-fide research carried out by her under my guidance and supervision. I am satisfied that the thesis presented by Ms Sanyukta Jolly is worthy of consideration for the award of degree of Doctor of Philosophy.

The results of this thesis have not been submitted to any other University or Institute for award of degree or diploma.



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New Delhi.

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ABSTRACT

Due to rapid globalization, the nature of work organizations is undergoing a transformation and the focus of the present day business organizations is to attract, engage, develop and retain the best and the brightest of their employees. Successful organizations are those that define return on investment in terms of both tangible and intangible measures, emphasizing on the development and aggregation of human capital for a competitive advantage.

Performance maybe defined as a potential for work effectiveness, which in turn leads to parameters of performance appraisals (Pattanayak & Verma, 1997). Performance is a behavior and in its ideal form it is something that people actually do and that can be observed. Performance is defined as “actions or behaviors relevant to organizations’ goals, measured in terms of each individuals’ proficiency” (Landy & Conte, 2008). Performance appraisal refers to all those procedures that are used to evaluate the personality, the performance and the potential of its group members (Rao, 2004). Performance management is strategic and integrated approach to delivering sustained success to organizations by improving the performance of people who work in them and by developing the capabilities of teams and individual contributors (Armstrong and Baron, 2007).

The goal of performance management is to achieve human capital advantage, as people are now recognized as the most important source of competitive advantage. According to Boxall (1996), human capital advantage results from employing people with competitively valuable knowledge and skills and the aim is to develop the organization’s intellectual capital - ‘the accumulated stock of knowledge, skills and abilities that individuals possess which the firm has built over time as identifiable expertise’ (Kamoche, 1996). Therefore, to achieve this, the process of performance management has to be integrated with the key process of resourcing,

human resource development and knowledge management (Armstrong & Baron, 2008). The focus of selecting individuals has shifted towards “whole-person” approach taking into account personality traits, such as emotional intelligence, anger etc. Today world is looking at performance parameters to achieve competitive advantage. However, studies reveal that job performance is an abstract, latent construct and no single manifestation can be defined as job performance, there are several constructs defining this concept. Therefore, maximizing performance for value addition is a top priority for most organizations today.

Performance management processes have come to the forefront in the recent years as a means of providing a more integrated and continuous approach to the management of performance than provided by previously, isolated and often inadequate, merit rating of performance appraisal schemes. The performance management process focuses on the principle of management by agreement or contract rather than management by command. It views performance as a self-managed learning process with the integration of individual and corporate objectives (Marikova, 2005).

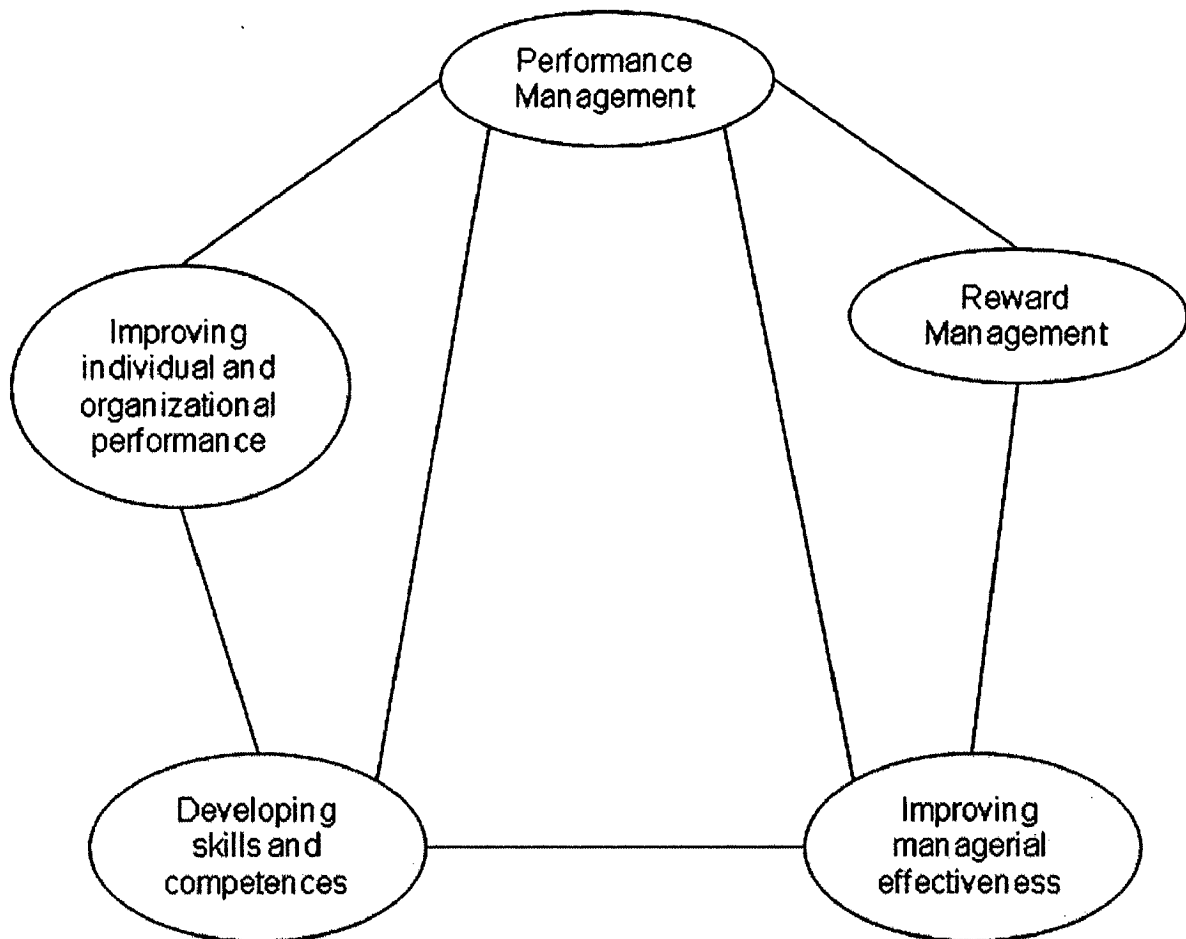


Fig A. Performance management as an integrating role

There are five issues that need to be considered to obtain a complete understanding of performance management. These are – the meaning of performance, significance of values, meaning of alignment, managing expectations and significance of discretionary behavior. Performance management can be described as a continuous self-renewing cycle consisting of three processes- performance review, performance and development agreement and managing performance throughout the year (Armstrong, 2006). Thus, performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2006). The aim is to get better results by understanding and managing performance requirements. The whole ethos of performance management rests on the assumption that if the performance levels of individuals can be raised,

better organization performance will follow. It demonstrates that performance management is a holistic and an integrated process which has implications for a broad range of management policies and not just a means of setting and reviewing the objectives. It ensures the fact all employees in an organization can reach their potential and remain committed and motivated (Smith, 2008).

An effective performance system increases the likelihood that the efficiency and productivity of the managers, employees will increase. It requires evaluating worker competencies that are different from those evaluated in the past, worker demographics, skills, values and beliefs are also changing. As a result of this, there is greater emphasis for developing and measuring competencies, building an effective framework to measure individual job performance based on organizational and personal competencies in addition to technical, interpersonal and social competencies.

A performance management system consists of processes used to identify, encourage, measure, evaluate, improve and reward employee performance and has been linked with organizational strategy and results. Some authors have suggested that there is a missing link between strategy and performance measures. It is suggested that HR plays an important role in implementing and maintaining high standards of performance. The performance management practices and outcomes are related to strategy. The performance management system should provide information to employees and document performance and clarify goals and values which help in further development of the organization. Guest et al. (2000b) gave a model discussing the relationship between HRM and performance, which is depicted below.

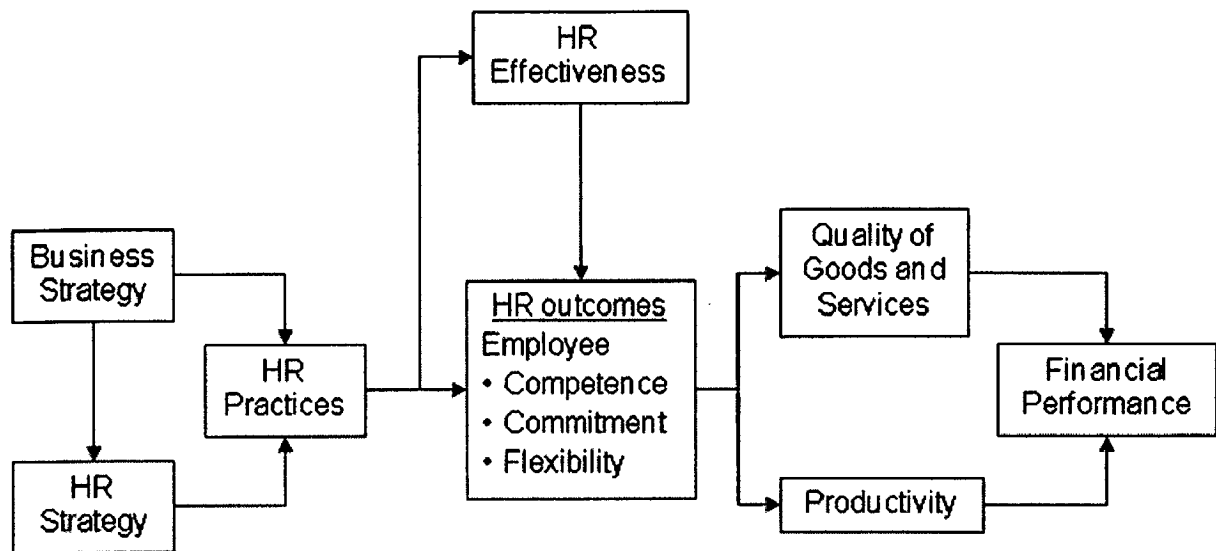


Fig B. Relationship between HRM and Performance

Though this study is on individual performance, the concept of organizational performance remains closely related when organizational variables are taken into consideration. Managers are the most important participants of business organizations. Their work behavior thus becomes important. The focus of this study is on managerial performance. Managers get things done through other people to achieve organizational goals. Their task involves, making decisions, allocating resources and direct the activities of others to attain goals. In order to achieve these goals, managers perform five major management functions: planning, organizing, command, coordinating, and controlling. Managers are an important asset in the organizations and their performance affects organizational performance and this in turn influences overall productivity of the system. A managerial competency is a skill or personal characteristic that contributes to high performance in a management job, thus manager's performance becomes an important aspect of overall organizational functioning.

Today world is looking at performance parameters to achieve competitive advantage. However, studies reveal that job performance is an abstract, latent construct and no single manifestation

can be defined as job performance. Campbell, McCloy, Oppler and Sager (1993) asserted that the concept of performance is poorly understood. They stated that performance is to be distinguished from effectiveness, performance is synonymous with behavior, it is what people actually do, and it can be actually observed. Performance includes those actions that are relevant to the organization's goals and can be measured in terms of individual's proficiency (that is, the level of contribution). Effectiveness on the other hand, refers to evaluation of results of performance, and it is beyond the influence or control of the individual. Measures of effectiveness, while of major importance to the organization, are contaminated by factors over which the employee has little influence.

According to Brumbrach (1988) "performance is both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right- the product of mental and physical effort applied to tasks and can be judged apart from results". But Campbell (1990) performance is defined as a behavior that is relevant to the goals of the organization and can be measured in terms of individual's contribution to those goals.

There is a famous quote which says that "what gets measured gets done and if it can't be measured, it cannot be managed" (Armstrong and Baron, 2007). Keeping this view in mind, many approaches have been developed to measure performance in various contexts. Though there are many criteria on which performance can be measured, the most important ones are those that link customer-oriented strategies, goals and actions, aligning rewards with performance which can be measured in terms of outputs and accomplishments. The results obtained should be precise, quantifiable, measurable, verifiable, replicable and comprehensive. Several measures of job performance have been used over the years as criterion measures

(Campbell, 1990; Cleveland, Murphy and Williams, 1989) and many attempts have been made to identify the specifications for these criteria (Toops, 1944).

Performance measurement is universal. In the work setting especially performance measurement goes beyond annual review and can be used for many purposes: i.e. criterion data, employee development, motivation/satisfaction, promotion, transfer, rewards and layoffs to name a few. Performance measurement is a set of metrics used to quantify both the efficiency and effectiveness of actions (Neely et al, 1995). There are various methods that have been used to assess individual performance; some of them are organizational records and subjective evaluations; objective and subjective classes, jointly known as criterion measures (Burt, 1926 and Viteles, 1932); Farmer (1933) grouped them into judgments of performance (based on objective performance) and judgments of ability (based on traits); Smith (1976) distinguished between hard criteria (i.e. organizational records) and soft criteria (i.e. subjective evaluations) and Thorndike (1949) distinguished three types of criteria: immediate (measure of individual performance at that particular point in time), intermediate (performance over a period of time) and ultimate (total worth of an individual to the organization over the entire career span). The organizational records can be further classified into direct measures of productivity and personnel data (Schmidt, 1971). Performance measurement is a part of performance management. According to Waggoner et al (1999) performance measurement serves the purpose of monitoring performance, identifying the areas needing attention, enhancing motivation, improving communication and strengthening accountability.

Prior to 1990's, performance appraisal and evaluation systems were usually based exclusively on task-oriented job analysis systems and only accidentally related to organizational goals or profitability. Performance management systems emphasize a link between individual behavior

and organizational strategies and goals by defining performance in the context of those goals (Banks & May, 1999). It includes task analysis with strategic job analysis, thus including goals and organizational strategies in the process.

1. Performance management has three distinct components: Consists of definition of performance including organizational objectives and strategies.
2. The actual measurement process
3. The communication between supervisor and subordinate about the extent to which individual behavior fits with organizational expectations (Banks & May, 1999)

There is a gap in the literature of performance management; large number of studies has focused on the organizational aspects of work performance but this study is an attempt to take into account the micro aspects to study. The focus of the study is on individual managerial performance. The proposed study looks at how managerial performance could be understood using a number of variables, i.e. manager's background factors like gender, marital status, education, age, work experience, tenure, salary, designation; organizational factors like type of organization, ownership, organizational sector, personality related variables like (MBTI and ACT), EI, anger, occupational stress, organizational perceptual factors like work culture, organizational commitment, organizational support and organizational justice interacting with each other leading to managerial performance which results in performance outcomes and eventually performance management. Performance outcomes in this study are understood in reference to the variables of the study. Competency has not been measured directly but it is understood as a consequence and an important factor that can influence managerial performance.

The objectives of this study are to analyze the correlates of managers' performance system in Indian organizations and to present a multivariate paradigm of performance management system.

The methodology of the present study is based on a sample of 427 managers who were randomly selected from various public, private and multinational large organizations operating in Delhi and National Capital Region (NCR) of India. The study adopted a two-stage sampling for selecting the sample. In the first stage, the organizations were selected purposively to adequately represent industries from various sectors (manufacturing sector, information technology, banking sector etc). In the second stage, simple random sampling was used to select managers from lower, middle and higher organizational hierarchy across all departments in the organizations.

Quantitative data was collected using questionnaires. Two questionnaires have been developed, one for performance measurement and the second for emotional intelligence. The data analysis has been performed using SPSS (Statistical Package for Social Sciences) version 15.0 and various univariate, bivariate and multivariate statistical techniques have been used to analyse the data. In this study an attempt has also been made to combine qualitative and quantitative techniques for analysis of performance outcomes and Myer Briggs Type Indicator (MBTI) profiles.

Based on the review of literature, the following five hypotheses have been proposed.

Hypothesis 1: Background of the managers will be significantly related to performance.

This hypothesis has eight sub-hypotheses.

Hypothesis 1.1 Gender will be significantly related to manager's performance

Hypothesis 1.2 Marital status will be significantly related to manager's performance

Hypothesis 1.3 Education will be significantly related to manager's performance

Hypothesis 1.4 Age will be significantly related to manager's performance

Hypothesis 1.5 Total work experience will be significantly related to manager's performance

Hypothesis 1.6 Tenure on a job will be significantly related to manager's performance

Hypothesis 1.7 Remuneration/Salary will be significantly related to manager's performance

Hypothesis 1.8 Designation/Hierarchy will be significantly related to manager's performance

The background factors like gender, marital status, education and tenure did not show any significant relationship with performance measures. Age, total work experience and designation had a positive, where as salary had a negative relationship with performance measures.

Hypothesis 2: Organizational variables will be significantly related to manager's performance. This hypothesis has two sub-hypotheses.

Hypothesis 2.1 Manager's performance will be significantly different for different organizational sectors.

Hypothesis 2.2 Type/ownership of organization will show significant differences in manager's performance.

Different organizational sectors showed significant differences between them i.e. banking, manufacturing and service. Non significant differences emerged for IT and R & D sector which is due to the small sample size in these sectors. The manager's performance was significantly different across types of organizations.

Hypothesis 3: Personality attributes of managers will be significantly related to performance outcomes. This hypothesis has four sub-hypotheses.

Hypothesis 3.1 Personality profile of managers (MBTI and ACT) is related to manager's performance.

Personality variables also affect performance. MBTI can be used in combination with other measures for selection purposes. Helpfulness, sociable, need for approval, conscientious, controlling, achieving and innovative are positively related and dependent, tense and rigid are negatively related to performance measures.

Hypothesis 3.2 Emotional intelligence will significantly affect manager's performance

Emotional intelligence is an important variable that influences performance. Individuals high on emotional intelligence show better performance.

Hypothesis 3.3 Anger will be significantly related to manager's performance.

Anger is negatively related to performance measures. An individual, who scores low on anger, is less prone to stress and performs better than individuals who are high on anger and unable to channelize it into constructive outputs.

Hypothesis 3.4 Occupational stress will be significantly related to manager's performance.

Managers who had a good social support network and rational cognitive skills for coping were better able to deal with work stress and perform better as compared to individuals who reported role ambiguity, role insufficiency and role overload, showed poor coping abilities and underperformed.

Hypothesis 4: Organizational perceptual variables will significantly affect manager's performance. This hypothesis has four sub-hypotheses

Hypothesis 4.1 Different organizational cultures (as measured by Pareek, 2000) will significantly affect managers' performance.

The organizational variables like organizational culture is related to performance, especially dimensions like openness, confrontation, trust, proaction and collaborations showed a positive relationship with performance measures, whereas authenticity and autonomy failed to establish any relationship with performance measures.

Hypothesis 4.2 Organizational commitment will be significantly related to manager's performance

Organizational commitment is an important predictor of job performance. Individuals high on commitment performed better. All types of commitment i.e. affective, continuance and normative showed positive outcomes with performance measures.

Hypothesis 4.3 Organizational support will be significantly related to manager's performance

Hypothesis 4.4 Organizational justice will be significantly related to manager's performance

Both organizational support and organizational justice predict performance. Organizational justice is a better predictor of job performance as compared to organizational support.

Hypothesis 5: Performance of managers can be predicted through a combination of personality, organizational and background factors. This hypothesis has one sub-hypothesis.

Managerial performance can be predicted through a combination of personality, organizational and background factors. Background factors like total work experience, age, number of children, marital status affect performance. Personality and organizational factors like rigidity, openness, innovative, conscientiousness, tense, sociability, anger, occupational stress and autonomy can help predict performance. Organizational commitment, organizational justice, and emotional intelligence are also an important predictor of performance measures.

Hypothesis 5.1: The prediction model for Indian organizations is different than for the multinational corporations operating in India.

The predictors for performance in the Indian organizations are very different than the predictors in the multinational corporations (MNC's)

The implications of this study are in the area of strategic human resource management, recruitment and selection, placement and training and development, such that human resources can be effectively utilized and their potential can be enhanced.

The thesis has been presented in seven chapters.

Chapter 1 presents an introduction; Chapter 2 presents a theoretical framework of the study; Chapter 3 presents literature review development of the hypotheses; Chapter 4 elaborates the research methodology; Chapter 5 presents discussion of results; Chapter 6 deals with conclusion and implications of the study and Chapter 7 presents the limitations of the study and suggestions for further research areas.

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