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Human oriented performance management: Is there a gap between executives and non-executives?

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Abstract

For organizations it is important to translate the strategy and goals of the organization in tangible targets for the employees. Often, this leads to many Key Performance Indicators (KPI) for the employees. However, the link between their personal KPI's and the goals of the organization is not always recognised. Therefore, based on previous research into performance management and on theories of organizational behaviour, culture and performance a model was developed to measure human oriented performance management in organizations. Human oriented performance management is all about establishing a direct connection between the objectives and strategy of an organization (or part thereof) and the activities and tasks of the people in the different processes. The research question in this paper is to what extent the dimensions of human oriented performance management do occur within organizations and how these

dimensions are perceived by executive and non-executive employees. Using a mixed method approach, survey data was collected among 64 employees of three organizations, and additional eight interviews with executives and eight interviews with non-executives were held to explore and understand the results of the survey. The results show that continues improvement and organizational learning have the highest scores within all of the organizations. The lowest score for all the organizations is Visualization. Executives score slightly higher on most dimensions of human oriented performance management. Especially, the difference between the dimensions Action orientation and Dialogue is notable. The main conclusion is that it's unclear to which extent management and employees really talk about the performance and how to improve it. For many non-executives it is unclear what the organization objectives are and how they perform on these objectives.

Keywords: Human oriented performance management, strategy execution, executives and non-executives, quantitative research, qualitative research.

1 Introduction

Once Michael Armstrong said: "Performance management is a process which is designed to improve organizational, team and individual performance and which is owned and driven by line managers" (Armstrong, 2009). Performance management is an HRM process (which has become increasingly popular since the 1980s) concerned with getting the best performance from individuals in an organization, as well as getting the best performance from teams, and the organisation as whole (Dransfield, 2000). Effective performance management therefore involves sharing an understanding of what needs to be achieved and then managing and developing people in a way that enables such shared objectives to be achieved. Human oriented performance management is added value to the well-known performance management theory. Human oriented performance management is all about establishing a direct connection between the objectives and strategy of an organization (or part thereof) and the activities and tasks of the people in the different processes. Human oriented performance management ensures that the objectives and strategy of an organization are anchored in the minds and hearts of people (De Waal and Ter Hedde, 2014).

For organizations it is a big deal to translate the strategy and goals of the organization in tangible targets for the employees. Organizations often make use of Key Performance Indicators (KPI) for the employees. But it may sometimes be difficult for employees to see the direct link between their personal KPI's and the goals of the organization. In this case human oriented performance management could be useful.

Human oriented performance management is about establishing a connection between the organization objectives, the strategy of the organization and the activities and tasks of the people in the processes. Human oriented performance management ensures that the organizational objectives and the strategy of the organization is translated and understandable for the employees.

The basic principle of human oriented performance management is that performance improvement only becomes significant within the direct and personal work relationships. We believe that there is significant room for improvement in the attention

to the human factor in performance improvement and strategy execution programs within organizations.

This paper begins with the theoretical foundation of this research. Thereafter, the context of the study will be described. Then, the research methodology is presented to collect data and develop an answer to the research question, followed by the description and analysis of the results. In the closing section, conclusions and discussion will be presented.

2 Theoretical perspective

2.1 Human behaviour and performance within organizations

In times of challenging economic times, human behaviour and performance within organizations becomes more important (Blahová, 2012; De Waal, 2012; Pudil et al., 2015). This is where the organizations distinguish themselves from each other. The highest performing organizations will survive during difficult economic times (De Waal, 2012). So the way employees behave becomes more and more important. Human behaviour becomes the key to success for a lot of organizations (Senge, 1990; Paul and Berry, 2013). There has been a lot of changes in regard to human behaviour within the organizations.

According to Wierdsma and Swieringa (2011), there are two main changes in the way employees behave within organizations. The first one is self-direction: individuals focus more on self-developing which results into more loyalty towards themselves and the organization. And the second one is co-creation of knowledge: more interaction between people leads to a new light on the way people create knowledge and meaning. Thanks to those changes people act in a different way within organizations. The way they think, operate and execute all changed. While employees become more modern, their performances increases. These individuals are seeking to deliver an added value and in return the organizations need to connect their vision, mission and objectives to that of the employees. In three steps you can subscribe what's necessary. Firstly they need to understand the strategy of the organization. Then they should be motivated by this strategy. And finally they have to start acting according this strategy.

2.2 Human Oriented Performance Management

Human oriented performance management is all about establishing a direct link between the objectives and strategy of an organization and the activity of the people that execute the processes on the different workplaces. For an organization to achieve their objectives and strategy the following three cases are important (De Waal and Ter Hedde, 2014):

- Organizations should translate their strategy in a way so every employee understands it.
- Every employee should be motivated by the eventual translated strategy.
- Organizations should perform the right actions to get the right things done.

Only when an organization is successful on all of these three cases, she would be able to achieve her objectives.



Figure 1: Human Oriented Performance Management-model

The core of human oriented performance management (HOPM) is shown in Figure 1 (De Waal and Ter Hedde, 2014). The model shows that the link between strategy and action within an organization is established by means of initiating and keeping in motion of two continuous learning loops/improvement loops. "Are we doing the right things?" and "are we doing things right?" are the important questions within the model. The model shows that within organizations both a top-down (control) as a bottom-up (self-organization & feedback) motion must be visible forming a dynamic balance together. The 'moments of truth' of human oriented performance management are shown in the heart of the model above: The dialogue and feedback of results and relation between management and employees (How are we doing? And how are we working together?). The actual implementation of the strategy, the associated changes and the resulting performance improvements are only meaningful within the direct and personal relationships where everything comes together. Those are the catalysts of change and improvement.

The HOPM model is built around four important dimensions:

- Strategy translation: To what extend are the objectives and strategy of the organization translated into a focused, well-balanced set of Key Performance Indicators?
- Dialogue and action orientation: To what extend are management and employees involved in dialogues and focused on actions to improve performance?
- Continuous improvement and organizational learning: To what extend are management and employees focused on challenging themselves and the current performance of the organization?
- Information, measurement tools and visualization: To what extend is the information within reports & dashboards easy to understand and can it easily be communicated? Furthermore does the information reflect current (KPI) performance?

In this paper we address the following three exploratory research questions:

- To what extent do the dimensions of human oriented performance management occur within organizations;
- How are these dimensions perceived by executive and non-executive employees;
- What are the differences between executive and non-executive employees?

Based on previous research into human oriented performance management and on theories of organizational behaviour, culture and performance an on-line questionnaire was developed to measure human oriented performance management in organizations. To understand the motives behind the findings of the on-line questionnaire, interviews were conducted under the participators of this research.

3 Three organizations operating in different markets

For this paper research was conducted in three different organizations. The organizations were contacted as part of the study program Business Information Management from the Utrecht University of Applied Sciences. The organizations operate in different markets: media and communication, financial services and the construction sector. The departments of the organizations where the research was done mainly focus on the Dutch market.

The case study organisation in the media and communication sector has 35 employees and it's primarily goal is to provide media, brand and advertisement consultancy. The organisation in the financial services sector has taken place within one department of a Dutch Bank. The main goal of this department is to sell mortgages and has around 35 employees. The case study in the construction sector took also place within one department. In this department the primarily goal is railway maintenance and has around 75 employees.

4 Research methodology

4.1 Data collection of the quantitative research

The empirical approach was to collect data from executive and non-executive employees in three organizations from different sectors. They were asked about their experiences in relation to the performance management function within their organization. The aim was to collect data on the four dimensions of human oriented performance management. The survey was conducted using a web-based tool and it was sent to the respondents' corporate mail address. The respondents had a deadline of 14 days to fill in the survey. After a week a reminder was sent. In this survey the questions were based on the four dimensions of the human oriented performance management model: strategy translation, dialogue and action orientation, continues improvement and organizational learning, information/measurement tools and visualization. All data was collected in November 2014.

From the people that were contacted, 78 were willing to participate, of which 64 fully completed the questionnaire. Of these respondents, 84% were male and 16% were female. Of the respondents, 38% were executives and 62% were non-executives. The

average age of the respondents was 44 years old and their ages ranged from 22 to 60 years. Of the respondents 25% was employed less than 10 years by their organization, 41% was employed between 10 and 25 years and 34% longer than 25 years. Our sample of respondents had an average education: 46.9% of the respondents held a community college degree, 37.5% held a bachelor's degree and 15.6% held a master's degree. The respondents were employed in the fields of media and communication (14.0%), financial services (26.6%) and construction sector (59.4%).

4.2 Instrument validation

4.2.1 Strategy translation

In order to validate the measurement of strategy translation, factor analysis was performed to analyse the construct validity of 6 items. Principal component analysis (PCA) with varimax rotation resulted in a two-factor solution with own values of 2.31 and 1.65, accounting for 38.5% and 27.6% of the explained variance. Table 1 shows the results. The factor loadings were between 0.664 and 0.901, which can be considered as being significant (Hair et al, 1998). The reliability of the two scales – a four-item Goal-setting scale (ST01-ST04) and a two-item Participation scale (ST05-ST06) – was confirmed by Cronbach's alpha value of 0.742 and 0.718 respectively (cf. Nunnally and Bernstein, 1994).

No.	Item	Goal-setting	Participation
ST01	The organization has translated its objectives in clear measurable Key Performance Indicators (KPIs).	.828	.121
ST02	The balance between financial and non -financial KPI's is optimal.	.760	.173
ST03	The non-financial KPI's measure at least customer satisfaction.	.664	-.206
ST04	The KPI's are a good translation of the organization's objectives.	.754	.268
ST05	A representative part of the employees were involved in the strategy translation process.	-.012	.901
ST06	The strategy translation is widely accepted within the organization.	.195	.826

Table 1: Factor loadings based on PCA analysis of items measuring Goal-setting and items measuring Participation (N=63).

4.2.2 Dialogue and action orientation

Our measurement of dialogue and action orientation can be validated by factor analysis to analyse the construct validity of the group of 7 items. Principal component analysis (PCA) with varimax rotation resulted in a two-factor solution with own values of 2.37 and 1.81, respectively accounting for 33.9% and 25.9% of the explained variance. Table 2 shows the results. The factor loadings were between 0.578 and 0.811, which can be considered as being significant (Hair et al, 1998). The reliability of the two scales – a four-item Dialogue scale (DA01-DA04) and a three-item Action orientation scale (DA05-DA07) – was confirmed by Cronbach's alpha values of 0.716 and 0.705 respectively (cf. Nunnally and Bernstein, 1994).

No.	Item	Dialogue	Action orientation
DA01	There is continuous dialogue between management and employees.	.756	.024
DA02	Staff meetings between management and employees are held several times per month to discuss how to improve performance.	.578	.217
DA03	Improving performance is always a separate item on the agenda of staff meetings.	.672	.305
DA04	Mutual work relations and cooperation are always discussed during staff meetings.	.811	.134
DA05	The reported information is consistently used for performance analysis of the results and the conversion into actions.	.304	.755
DA06	Within our organization, it is completely clear which performance standards and targets need to be met.	.508	.684
DA07	Within our organization, it is completely clear to which extend the performance standards and targets are met.	-.063	.784

Table 2: Factor loadings based on PCA analysis of items measuring Dialogue and items measuring Action orientation (N=63).

4.2.3 Continuous improvement and organizational learning

To validate the measurement of continuous improvement and organizational learning, factor analysis was performed which analysed the construct validity of 6 items. Principal component analysis (PCA) with varimax rotation resulted in a two-factor solution with an own values of 2.01 and 1.51, accounting for 28.7% and 21.5% of the explained variance. Table 3 shows the results. All factor loadings were between 0.581 and 0.855, which can be considered as being significant (Hair et al, 1998). The reliability of the two scales – a four-item Continuous improvement scale (CO01-CO04) and a two-item Organizational learning scale (CO05-CO06) – was partly confirmed by Cronbach’s alpha value of 0.683 and 0.524 respectively (cf. Nunnally and Bernstein, 1994).

No.	Item	Continuous improvement	Organizational learning
CO01	Management is continuously coaching their employees to improve results.	.855	-.041
CO02	The reported results are consistently used to evaluate previously specified standards and targets.	.675	-.045
CO03	Management and employees provide performance feedback to each other.	.581	.335
CO04	The organization is performance oriented.	.631	.393
CO05	Employees are coaching each other to improve results.	-.056	.837
CO06	Employees want to take responsibility for their results.	.294	.731

Table 3: Factor loadings based on PCA analysis of items measuring Continuous improvement and items measuring Organizational learning (N=63).

4.2.4 Information, measurement tools and visualization

The measurement of information, measurement tools and visualization can be validated by factor analysis to analyse the construct validity of the group of 7 items. Principal component analysis (PCA) with varimax rotation resulted in a two-factor solution with own values of 2.02 and 1.86, respectively accounting for 28.8% and 16.3% of the explained variance. Table 4 shows the results. The factor loadings were between 0.530 and 0.873, which can be considered as being significant (Hair et al, 1998). The reliability of the two scales – a four-item Information scale (IV01-IV04) and a two-item Visualization scale (IV05-IV07) – was partly confirmed by Cronbach's alpha values of 0.666 and 0.651 respectively (cf. Nunnally and Bernstein, 1994).

No.	Item	Information	Visualization
IV01	All necessary information is available to the management to be able to evaluate performance.	.822	-.075
IV02	The information in the reports is designed in such a way that the message within the information can be read at a glance.	.671	.155
IV05	Reports are easily accessible to everyone.	.699	.227
IV06	The reports contain information from all relevant source systems within the organization.	.530	.293
IV07	The capabilities of mobile devices (smartphones and pads) is taken into account when reports and dashboards are designed.	.105	.804
IV08	All reports can also be accessed via mobile devices (Pads, smartphones).	.062	.873
IV09	Within the (mobile) reporting environment it is possible to share information with each other via e-mail, discussion forums and/or chats.	.327	.535

Table 4: Factor loadings based on PCA analysis of items measuring Information and items measuring Visualization (N=63).

4.3 Data collection of the qualitative research

4.3.1 Analyse procedure

Eight interviews with executives and eight interviews with non-executives were held to explore and understand the results of the survey. For each case study the interviews were analysed using a cumulative editing approach (Runeson and Höst, 2009). Each interview report was read carefully by the researchers in order to determine the meaningful fragments of text. These fragments were coded using open coding. Fragments of text from within one interview and between interviews within the same case study were compared in order to determine whether or not they had the same code. If necessary, it was decided to merge codes or to change a fragment to another code following an axial coding procedure. This procedure was repeated for the other case studies. Thereafter, the fragments and codes of the three case studies were compared. In addition, when necessary, changes were made to codes, and fragments were replaced. The last step was to structure the codes at the level of main- and sub-variables/dimensions using selective coding. Thereafter the three cases were compared which resulted in a structured identification of fragments relating to the different

concepts of human oriented performance management (Miles and Huberman, 1994; Boeije, 2002).

4.3.2 Validity procedure of interview data

In this investigation four aspects of validity were applicable: construct validity, internal validity, external validity, and reliability (Yin, 2009). Construct validity in this study was handled by using multiple sources of evidence and defining measurements by a protocol that was used to each case study. The internal validity was protected by conducting interviews with several actors in order to cross-check documentation, and to check statements made in different interviews. To govern external validity, multiple case studies were set up for comparison, in particular with regard to the different dimensions of human oriented performance management. Finally, to ensure reliability, interview reports were sent to interviewees for approval. To generally govern validity, the case study protocol and a case study database was created and communicated with all subjects.

5 Results

5.1 Results of survey

In this section the results of the quantitative research are discussed. First, we describe the results of human oriented performance management in the different organizations. Second, the results between executives and non-executives are shown separately. In Table 5 the results of human oriented performance management on each sub variable are shown. The items of each variable had four answer categories (1 = fully disagree, 4 = fully agree). For all respondents together Continues improvement and Organizational learning have the highest scores (2.85 and 2.89 respectively). The lowest score (2.42) for all the organizations is Visualization. Divided by organization, we see that media and communication has the highest scores on Organizational learning and Continues improvement (3.22 and 2.92 respectively). The financial organization has the highest score on Goal setting (2.81). The construction organization has the highest scores on Participation and Action orientation (2.69 and 2.57 respectively). Comparing the means between the different organizations shows that only the difference between the media and communication organization and the construction organization on Organizational learning is significant ($p < .034$).

	Alle respondents (N=64)		Financial services(N=17)		Media and communication(N=9)		Construction (N=38)	
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
Goal-setting	2,66	0,48	2,81	0,51	2,56	0,37	2,62	0,48
Participation	2,58	0,54	2,38	0,45	2,50	0,43	2,69	0,58
Dialogue	2,70	0,50	2,63	0,52	2,78	0,52	2,71	0,50
Action orientation	2,53	0,47	2,51	0,50	2,41	0,40	2,57	0,48
Continues improvement	2,85	0,42	2,76	0,38	2,92	0,35	2,88	0,45
Organizational learning	2,89	0,50	2,82	0,50	3,22	0,44	2,84	0,50

Information	2,50	0,42	2,59	0,52	2,42	0,25	2,49	0,40
Visualization	2,42	0,55	2,33	0,54	2,37	0,39	2,47	0,59

Table 5: Descriptive analysis of sub-scales of human oriented performance management for different organizations.

Table 6 shows the results of the scores on human oriented performance management for executives and non-executives. Comparing the results of the executives and the non-executives it can be concluded that executives score slightly higher on the most variables. However, only the difference between Action orientation is significant ($p < .012$).

Sub-variable	Mean scores			Two sided t-test of equality of means		
	Executives (N=24)	Non- Executives (N=40)	difference	t- value	degrees of freedom	p- value
Goal-setting	2,71	2,62	0,09	0,719	62	,475
Participation	2,60	2,58	0,02	0,208	62	,836
Dialogue	2,83	2,61	0,22	1,749	62	,085
Action orientation	2,71	2,41	0,30	2,575	62	,012
Continues improvement	2,95	2,79	0,16	1,496	62	,140
Organizational learning	2,88	2,88	0,00	0,000	62	1,000
Information	2,59	2,45	0,14	1,347	61	,183
Visualization	2,42	2,42	0,00	-0,015	61	,988

Table 6: Two sided t-test of sub-variables of human oriented performance management for executives and non-executives.

5.2 Results of interview data

How can the difference between executives and non-executives explained? And what are the reasons of the differences between the organizations? The semi-structured interviews that were conducted after the survey provide some answers to these question. The findings will be explained in terms of the (sub-) dimensions of the HOPM-model.

5.2.1 Goal-setting and participation

From the interviews it appears that the organizations have translated their organizational objectives into KPI's. Most executives and non-executives indicated that the strategy of the organization is well known by the employees. Most of these organizational objectives are in line with the personal objectives of the employees. However, it seems that organizations struggle with the creation of a good balanced set of KPI's. Often, there are too much KPI's and they not always justify the word "critical". Also, there's not always a balance between the financial and non-financial KPI's. From one organization it became clear that the link between what the employees do every day and what kind of impact this has on the results of the organizational objectives was not discernible.

5.2.2 Dialogue and action orientation

All of the organizations seem to have frequent work meetings between management and employees. These work meetings are held in various forms. Two of the organizations make us of daily- and weekly starts. The other organization hold their work meetings

periodically. According to executives and non-executives, in all organizations employees have the opportunity to have their own contribution. However it is still clear that these meetings are guided by the executive. In two of the organizations performance improvement are often discussed, however it's not a permanent item on the agenda. Most non-executives indicated that management information is rarely used during work meetings. Also for non-executives, targets and standards are not entirely clear for everyone and it is not clear to everyone how they satisfy the conditions at the moment. This can explain the difference between executives and non-executives on action orientation in the survey.

5.2.3 Continuous improvement and organizational learning

Executives and non-executives seem to find coaching an important factor. Much time is spent on coaching within all three of the organizations. This confirms the findings in the survey. However most of the coaching takes place between executive and non-executives. Coaching between employees occurs, but seem to be difficult because of group dynamic issues. Non-executives indicated that it is difficult to talk with their colleagues about their performance. Further, in all organizations management allows employees to make mistakes although they do not allow to make the same mistake too many. To stimulate improvement, successes are shared but executives and non-executives find that they do not celebrate them exuberantly.

5.2.4 Information and visualization

Regarding information provision, most non-executives stated that the management reports are not easy accessible for the employees. In some cases it's difficult to access the reports at all, in other cases the accessibility of the reports depends on the function of the employee. The content of the management reports are mostly financial in nature and contain a lot of tables and graphs. For some non-executives the management reports are difficult to interpret. In two of the cases the information in reports have a direct link with the organization objectives. In the other case the reports were not used during work meetings and doesn't had a direct link between the content and the organization objectives.

6 Discussion, conclusion and implications

This paper presents a study on the application of human oriented performance management. Human oriented performance management consists of four dimensions: Strategy translation, Dialogue and action orientation, Continuous improvement and organizational learning, and Information and visualization. These dimensions we investigated as part of activities in the field of performance management within three different organizations in order to answer the three research questions: (1) To what extent do the dimensions of human oriented performance management occur within organizations; (2) How are these dimensions perceived by executive and non-executive employees; and (3) What are the differences between executive and non-executive employees?

Data was collected with a survey from 64 employees of three organizations. Furthermore qualitative data was collected by means of interviews with eight executives and eight non-executives. The results show some interesting findings. Overall it can be concluded that the three organizations are all working with the following structure and

process elements of performance management: KPI's, management reports and work meetings. The organizations score relatively high on these elements. This mean there is a lot of potential to use this structure and processes to increase the performance of the organization. The human factor is really important at this point. However, the results show that it is unclear to which extent executives and non-executives really talk about the performance and how to improve it. For many non-executives it is unclear what the organization objectives are and how they perform on these objectives. Besides that, the connection between the KPI's and what the people do in their daily work is moderate. Performance improvement is not always a permanent item on the agenda. At least, if the organizations already use management information in work meetings, the quality is low and the information is difficult to analyse. The story behind the figures often remain hidden.

Looking at the different organizations we noticed some disagree between the executives and non-executives with regard to the structure of the KPI's. Because of this not every non-executive is able to understand the goals of their organization. Based on these findings we conclude that sharing targets with employees is very important. During the various meetings executives should communicate more about improvement of their results. Using clear visual and relevant information during meetings will be helpful. Being clear about your targets and showing the scores of the KPI's is something not every organization does. The executives of the organizations do not always have a clear KPI's-structure. Attention for KPI's-structure and dialogue is limited in different organizations. An analysis of the data reveals that asking questions and involving employees at the right places is the key to success. To improve the results of the organizations, executives should change their KPI's-structure. When there will be a clear structure, employees will perform better. Based on the results it can be recommended that organizations improve the communication between executives and non-executives. Sharing ideas during meetings with regard to improving the results will ensure executives and non-executives have the same information. Finally it can be suggested that organizations use more relevant information and ensure that the information they are using is clear for everyone.

Although this research was carefully designed, there are some limitations. Although different case study organizations were involved, the generalizability of the findings are limited. More (case) studies within the same branches and other branches are needed. Also the limited responses must be taken into account to generalize the findings. Furthermore, we noticed that the reliability check of the variables were partly confirmed. Not all variables reached the generally used threshold of 0.7. This mean that the items of the variables should be further examined. Despite these limitations, we believe this paper has demonstrated that the HOPM model is a useful basis for the empirical study of the practice of performance management.

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