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## **Integrating institutional theory in performance management studies**

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## **Integrating institutional theory in performance management studies**

### **Summary:**

This paper presents a critical analysis of performance management literature and its underpinning theory through an in-depth analysis of the literature on performance management and the findings from an exploratory study on the interpretation of performance management within the Nigerian public health sector. The primary purpose of this paper is to highlight the need to integrate institutional theory within a performance management study because this would provide an in-depth understanding of the contextual factors affecting performance management within a study context. The implication of an in-depth understanding of the contextual factors would benefit practice or the enactment of performance management contextually because managers who are responsible for its enactment would have an in-depth understanding of the contextual factors within its context which would allow them to consider an alternative approach for the enactment of performance management. Theoretically, this provides a gateway for further performance management studies within the context.

Word count: 2237

## Introduction

Den Hartog, Boselie and Paauwe (2004) suggest that since a significant number of organisations are seeking to improve their output, increases the need to research performance management within the context in which it is being implemented or practised (Budworth and Mann, 2011; Haines III. and St-Onge, 2012; Goh, Elliott and Richards, 2015; Schleicher *et al.*, 2018). The knowledge developed would enable academia to understand performance management within these various contexts. The term performance management has been widely used across the different field of study (such as HRM and Management accounting) yet remains complex (Ferreira and Otley, 2009; Chau, Thomas, Clegg and Leung 2012). Its complexity, however, provides a vibrant and exciting research area to explore, and also present the need to concentrate more on understanding the dynamics of the practice rather than to postulate a level of fundamental or practical understanding from a study that will persist over time (Otley 2003). Several motivational theories such as goal theory, expectancy theory, reinforcement theory, social learning theory and self-efficacy theory - underpin performance management (Buchner, 2007; Armstrong, 2014). Amongst them, goal theory is considered as the most prominent because the planning and reviewing of performance are usually against set goals (Armstrong, 2014). This assertion, however, does not moderate the significance of the other underpinning theories as they are equally relevant to the practice of performance management as much as the goal theory. Table 1 presents a summary of these theories and how they are relevant to performance management.

Table 1 Summary of theories underpinning PM

Theory	Author	Description and relation to PM
Goal theory	Latham and Locke (1979)	Goal theory deals with the need to set ends to motivate individuals to pursue the accomplishment of the task. This theory is evident during the planning stage of performance management. The employee's attention is adequately directed to the main concern as well as motivates them to work. It also provides a benchmark against the assessment of performance.
Expectancy theory	Vroom (1964)	This theory motives individuals to work or behave in specific ways because of the rewards that follow. This reward is either/both intrinsic and extrinsic. The employee strives to see that work success and goal achievement.
Reinforcement theory	Hull (1951)	The reinforcement theory suggests that an individual behaviour reinforced following the achievement of goal and reward received. The aspect of PM the theory relates to is the feedback process while managing employees. The feedback can be positive or constructive, with the underlying aim of developing a reinforced positive behaviour in the employee in order to ensure that productivity does not decrease.
Social learning theory	Bandura (1977)	This theory combines both the expectancy and reinforcement theory. Relating this to PM highlights the continuity to ensure that employees are learning from the feedback provided and expects an improvement in their output.

Self-efficacy theory	Bandura (1982)	The self-efficacy theory is the self-belief of an individual that provides confidence in their ability to accomplish a task. One of the aims of PM for the individual is to build confidence in their ability hence the need to create the opportunity for the employee to contribute their knowledge while carrying out the task. However, it is the responsibility of the managers to ensure that the employee develops self-efficacy during the PM process.
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Source: Adapted from Armstrong (2014)

These theories, however, fail to consider the organisation where the enactment of the practice occurs. Armstrong (2014) highlight the reality of performance management faces daunting issues, which makes it more promising than it achieves. These daunting issues are contextual because of the difference in organisational structure and culture. Developing an in-depth understanding of these contextual factors cannot be achieved using these motivational theories. Earlier, Pollitt (2013) had suggested a careful study of the range of local factors that affect performance management because they are not a unique fit across contexts.

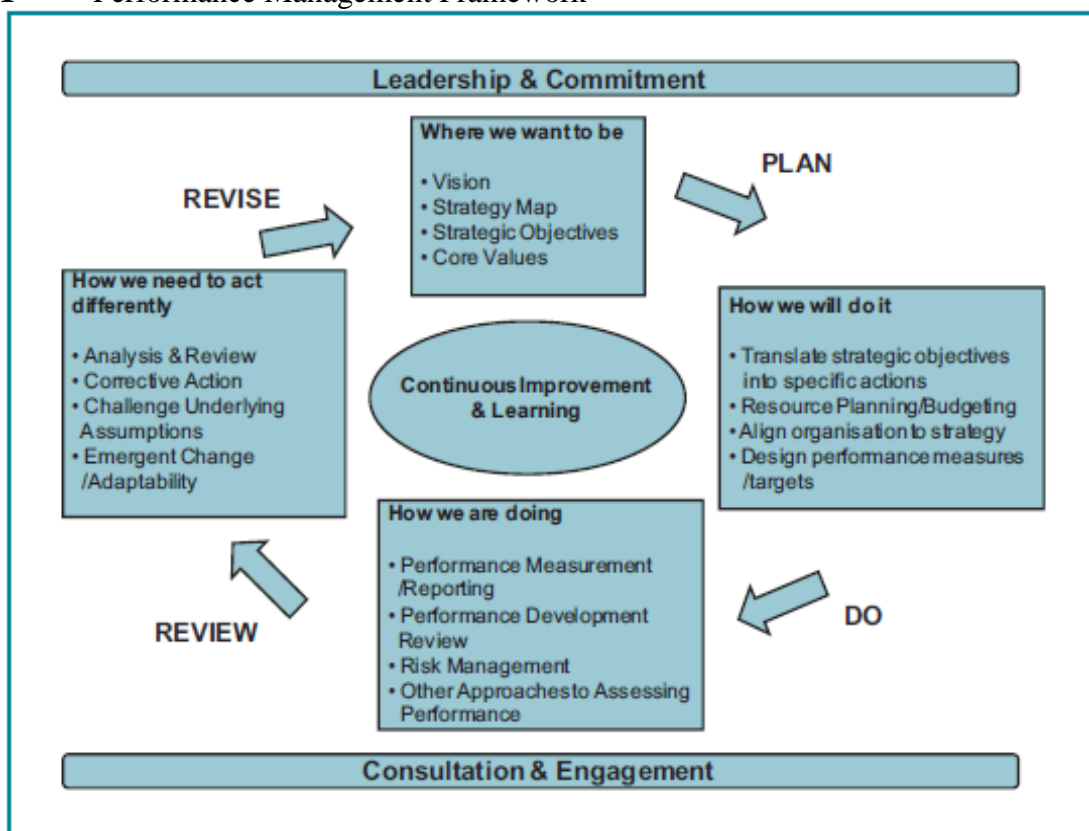
The paper, therefore, highlights the need to integrate an aspect of institutional theory while reviewing literature in performance management studies because this would enable an in-depth understanding of the contextual factors identified within a study context. The next section presents a critical interpretation of performance management from extant studies. The subsequent sections present an overview of institutional theory and its significance within performance management studies, methodology and the discussion of findings from the explorative study on the interpretation of performance management within the Nigerian public health sector. The paper concludes by highlighting the importance of integrating institutional theory within future performance management studies and the limitation of the paper.

### **Interpretation of performance management**

There exist controversy on the interpretation of performance management, ranging from the argument that there is no general or universal definition of performance management (Andersen, Henriksen and Aarseth, 2006; Franco-Santos, Rivera and Bourne, 2014) to the argument that it has not been appropriately defined (Andersen, Henriksen and Aarseth, 2006; Schleicher *et al.*, (2018). Scholars have used these words – ‘continuous’ (Sahoo and Mishra 2012; Armstrong, 2006; Rao, 2007; Haines III and St-Onge, 2012; Aguinis, 2013; and Rashidi, 2015) and ‘integrated’ (Lucas, Mathieson and Lupton 2006; Den Hartog, Boselie, and Paauwe 2004) in their interpretation of performance management. Nevertheless, the interpretations from these scholars maintain the underlying objective of performance management which is to maximise organisational success. This underlying objective also explains the strategic implication of performance management as it is also considered as a strategic tool that focuses on managing employee output in order to maximise organisational performance (Esu and Inyang, 2009; Fryer, Antony and Ogden, 2009; Rashidi, 2015). At the strategic level, performance management “deals with the achievement of organisational objectives” (Brudan, 2010 p.114). In essence, performance management can be described as an integrated, continuous, and strategic tool that could be used to manage employees’ output in order to improve their productivity, bearing in mind the ultimate aim of achieving organisational goals.

Atkinson's (2012) study developed 'performance management framework' to help define corporate performance management by exploring the various aspects involved in managing employees' performance as well as how its implication enhances organisational success. The performance management framework accentuates the words (continuous and integrated) extant scholars have used to interpret performance management. Also, it illustrates the various activities involved in managing employees performance such as planning, measuring performance, review of feedback which aligns with the motivational theories discussed in the earlier section of this paper. Furthermore, the framework highlights the actors (management and employees) involved in performance management as 'leadership and commitment' and 'consultation and engagement' respectively. The position of these actors in the framework emphasises their significance in the enactment of performance management. Figure 1 below illustrates the 'performance management framework'.

**Figure 1** Performance Management Framework



Source: Atkinson, (2012 p.49)

The framework, however, failed to acknowledge the influence of contextual factors which in itself contradicts Armstrong's (2014) assertion of the daunting issues performance management encounters and presents an assumption of the absence of the contextual factors that affect performance management. This limitation exists because it is beyond the scope of the motivational theories that underpin performance management to guide the identification of the contextual factor as well as provide an in-depth understanding of them because these motivational theories pay no attention to the social structure which in this case is the organisational structure. The institutional theory allows the exploration of the social structure in-depth hence the call for its integration in performance management studies because "performance management has to function flexibly in tune with the constant changes in

demands and expectations to which the organisation is subject” (Armstrong, 2014 p.60). The following section presents the institutional theory and its implication in performance management studies

### **Institutional theory and its significance in performance management studies**

The eminence of the institutional theory has grown in popularity and power according to Dacin, Goodstein and Scott, (2002) because it explains both individuals and organisational action. The enactment of performance management resides within the organisation. Thus, the need to consider institutional theory alongside motivational theory because a vibrant sight of the organisation can be achieved (Zucker, 1987). The theory has been adopted by different fields (such as arts, business, economics, political science, history, medicine, education and sociology) to shape their studies (Wiseman and Baker, 2006). However, there exist different institutional theory because institutionalism is in two approaches - old and new (Wiseman and Baker, 2006). Scott, (1987) had earlier described the multi - accounts of institutional theories as institutionalism as a process of instilling values; institution as a process of creating reality; institutional system as a class of elements; and institutions as distinct societal spheres. The explanation for this diverse account to institutional theory is because “the accounts vary in one or more respects: (1) what type of institutional elements are singled out for attention; (2) what influence or causal mechanisms are identified, and (3) what aspects or organisational structure are affected” (Scott, 1987 p.501). Nevertheless, “institutional explanations are not all of a piece” Scott (1987 p.501) as such this paper cannot contain the entirety on the discussion of the complexity surrounding institutional theory. The essence of highlighting the complexity surrounding institutional theories provides the background for the precise account considered within this study.

The new approach to institutionalisation was considered following Scott, (2005) who described that institution theory considers the broad and more resilient facets of the social structure because of the varied and conflicted institutional environment. The social structure comprises of three elements as asserted by Scott, (2005). They are regulative, normative and cultural-cognitive. The regulative elements refer to external controls such as government laws and legislation; the normative elements refer to the internalisation processes within the institution such as the current professional associations; and the cultural-cognitive elements refer to prevailing belief and assumptions that exist (Scott, 2005; Liu *et al.*, 2010). Integrating this aspect of institutional theory in performance management studies leads to the research question – How will institutional theory influence studies on performance management?

### **Methodology and Methods**

The adopted methodology was interpretivist philosophy with abductive reasoning. This methodology relied on individuals’ interpretations for the development of knowledge (Marshall and Rossman, 2011; Flick, 2014) as well as the social context while creating knowledge (Robson, 2011; Silverman, 2014). Furthermore, the adopted methodology allowed the commencement of the study from existing literature on performance management by adapting the performance management framework as the theoretical framework of the study. A case study strategy was adopted since this also supports an in-depth investigation of a contemporary phenomenon in its real-world context (Stake, 2005; Yin, 2014) as well as retains

the contextual interpretation during the data analysis process (Vissak, 2010). The case for this study was the Nigerian public health sector.

40 staff (clinical and non-clinical) of a Federal Government owned hospital was purposefully selected to participate in a semi-structured interview that lasted an average of 45 - 60 minutes. The researcher obtained ethical approval before data collection and recorded all the interview sessions. The recording of these interviews enabled the researcher to capture all of the interviewee responses during the interview (Kvale and Brinkmann, 2008) which mitigate against bias because the transcription was done verbatim not the summary from the interviewer (Voss, Tsikriktsis and Frohlich, 2002) using NVivo. Data collection was carried out in two phases. The questions asked during the first phase of semi-structured interviews were developed from the performance management framework, going by the adopted logic of this research. The questions for the second phase of the data collection process developed from the findings of the data collected during the first phase of data collection. These semi-structured interview questions consist of detailed, probing and demographics questions to ensure sufficient collection of data (Rubin and Rubin, 2012).

Thematic analysis was used to analyse the data collected following Braun and Clarke's (2006) thematic analysis guide. The analysis process was not restricted to existing knowledge but allowed the identification of new or surprising interpretations from the data (Kovács and Spens, 2005). This adopted methodology also assists the creation and instituting of the findings and conclusions coherently (Levin-Rozalis 2004). Table 1 summarises the six phases of thematic analysis as suggested by Braun and Clarke, (2006).

Table 1 Six phases of thematic analysis

<b>Braun and Clarke's (2006) Six phases of thematic analysis</b>	
Phase 1	Familiarisation with data
Phase 2	Generation of initial codes
Phase 3	Searching for themes
Phase 4	Reviewing themes
Phase 5	Defining and naming theme
Phase 6	Producing the report

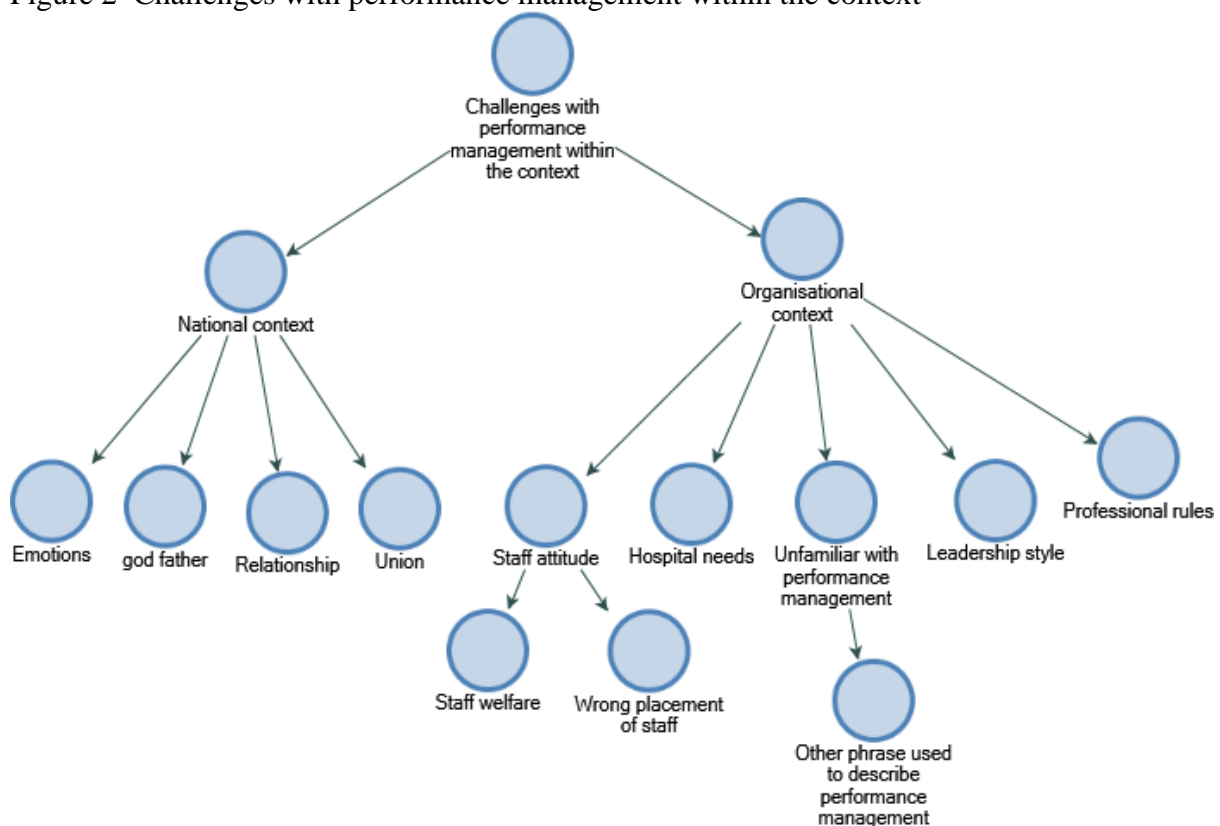
The researcher commences with the transcription of the interview as the means to familiarise with the data. The complete data was read through to generate initial codes from which themes emerged. The themes were created inductively (data-driven), allowing the in-depth development of knowledge from the data. The entire analysis process was recursive following the adopted logic or reasoning – abductive.



### Discussion of key findings

The finding from the explorative study on the interpretation of performance management within the Nigerian public health sector suggests that there are challenges to enacting performance management. These challenges cut across two social structures -national context and organisational context. In other words, the challenges performance management encounters were described within these two contexts because some of these challenges as described by the research participants was outside the control of the organisation – national context, while some challenges are within the control of the organisation – organisational. This finding presents itself as surprising because beyond the influence of the organisational structure there is also the influence nationally. The challenges listed within the national and organisational context presents the contextual factors affecting performance management within the context of the study. An illustration of these contextual factors is in the figure below.

Figure 2 Challenges with performance management within the context



Source: Extract from analysis on NVivo

The suggestion to integrate institutional theory presents itself at this phase because developing an in-depth understanding of these contextual factors is unattainable with the underpinning motivational theories. Mapping these contextual factors to the institutional element as described by Scott (2005) develops a rich understanding of the findings, as the researcher sufficiently describe these contextual factors within the different institutional elements. The theoretical contribution for integrating institutional theory within a performance management study arguably allows performance management studies to extend its knowledge beyond the identification of contextual factors, to an in-depth understanding of them because of the mapping of the contextual factors with the different institutional elements. The table below illustrates the mapping of the contextual factors identified in the Nigerian public health sector with the institutional elements Scott (2005) highlighted.

Table 2 Mapping contextual factor with the institutional element

Social Structure	Institutional elements		
	Regulative	Normative	Cultural-cognitive
National	union		Emotion relationship godfather
Organisation	professional rules	lack of resources unfamiliar with PM leadership style staff attitude	

Source: Findings from this study and Scott, (2005)

### Conclusion

The significance of integrating institutional theory in performance management studies develops rich insight into the context providing an in-depth understanding of the contextual factor identified as there is no ideal or unique fit across context. Again, an in-depth understanding of the contextual factors would benefit practice or the enactment of performance management contextually because managers who are responsible for its enactment would have an in-depth understanding of the contextual factors within its context which would allow them to consider an alternative approach for the enactment of performance management. Hypothetically, this provides a gateway for further performance management studies within the context.

The limitation of this study is that the finding discussed in this paper is unique to a context (Nigerian public health sector). However, the theoretical contribution of integrating institutional theories to performance management studies would support studies in another context as the researcher can map the contextual factors against the different institutional element highlighted by Scott (2005).

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