

## Management Processes as Antecedents of Organizational Performance: A Literature Review

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### Abstract

*The purpose of this study is to critically analyse previous studies on management processes as antecedents of organizational performance. The study summarizes the level of understanding as regards the topic presently because of the importance of the information to the performance of organizations.*

*The author searched Emerald, ScienceDirect.com, EBSCO and Google Scholar using a series of combinations of the following keywords: organizational management, performance management, high-performance organizations, management processes, management tools, influences of management processes, strategic management, marketing management, services marketing mix, , business organization and performance.*

*This literature review has shown that performance is critical for the survival of the organization. It has also revealed that strategic management processes, marketing management processes and services marketing are key to organizational performance.*

**Keywords:** *Management processes; Organizational performance; Strategic management; Marketing management.*

### Introduction

Activities of different groups of individuals are brought together and coordinated to achieve a desired outcome in organizations. The purpose of the organization or the goal for which it is set up to achieve is paramount and therefore its activities are controlled to ensure progress towards that goal. Roberts (2007, pp. 75) explained further that organizations are created to 'coordinate and motivate' the activities of different individuals. He noted that there are extremely large gains in efficiency when labour is divided according to individual specialization. However specialization leads to mutual dependence because each specialized group depends on the other to thrive. Control and coordination of activities in an organization is therefore necessary due to the inter-dependency of different groups if goals are to be achieved.

An organization must be able to create and make use of new knowledge, be innovative,

creative as well as have clear vision in addition to its capacity to use modern technologies in order to become a successful player in the business environment nowadays [1], [3]. Performance in relation to an organization means development and excelling in or occupying a superior position in its area of focus. In simple terms organizational performance means effectiveness, efficiency, productivity and ultimately adding the desired value [2], [3].

The purpose of this study is to critically analyse previous studies on management processes as antecedents of organizational performance. The study summarizes the level of understanding as regards the topic presently because of the importance of the information to the performance of organizations. This analysis will lead to answering the following research question, 'what is the current state of understanding of management processes as antecedents of organizational performance'.

The literature was reviewed to identify and evaluate management processes as antecedents of organizational performance as well as to understand their effects or influences on the performance of organizations. The study will contribute to knowledge of organizational performance and improve managerial competency as well as achievement of organizational goals.

## **Methods**

### **Search Strategy**

The author searched Emerald, ScienceDirect.com, EBSCO and Google Scholar using a series of combinations of the following keywords: organizational management, performance management, high-performance organizations, management processes, management tools, influences of management processes, strategic management, marketing management, services marketing mix, business organization and performance. The search was limited to articles published in English especially publications done between 1990 to present. Also, related articles were searched for and the references of qualified articles were examined for further sources of information.

## **Discussion**

### **Organizational Performance**

Performance has taken centre stage in contemporary business environment and every organization needs to perform to survive. However, the tendency to succeed and maintain a high-level of performance is a great challenge to every management of organization due to the complexity of such a task. The management is left with the difficult assignment of showing clearly what effectiveness means to that organization as well as to create ways to track and measure it. Scholars have defined an effective organization as the one that achieves its goals [3]. Effectiveness has been explained to mean “doing the right things” from acquiring resources to the processes involved with production and ultimately to the point of selling the products to the customers [3]. Other scholars argue that an effective organization is that which fits with its external environment, have a high performing internal system, are continuously

learning and ensures stakeholder satisfaction [3]. It has also been stated that high performing organizations or those considered as the “most rated global companies” are able to attract and retain the best of human resources, have high quality management, are innovative, produce quality products or services, have good return on investment at the long run, are socially responsible, have strong financial base as well as carry out their activities effectively and globally [3].

Earlier studies view organizational performance as a dependent variable that depends on other variables to achieve its goal [4]. Others are of the opinion that the above definition of organizational performance did not consider the difficulties that may be encountered while using such a definition. Difficulties may arise due to the fact that the processes leading to performance are complex and the outcome, competitive advantage, is unstable in nature as it can change at any time [4]. Another source of complication is the disadvantage of exploiting retrospective data which depends on participants’ ability to recall past information [4], [7] explained that organizational performance is a ‘complex and multi-dimensional phenomenon’ and this is why it lacks an all agreed definition and measurement even though it has been studied widely.

[5] described organizational performance as the positive inputs of employees towards the achievement of organizational objectives. Some scholars have underscored the intimate relationship between organizational performance and the performance, skills, knowledge as well as experience of employees [6]. The behaviours and actions of an employee that influence growth of the organization are the inputs of such employee [5]. Another definition of performance is that it is the degree of achievement of set goals or objectives [9].

### **Measurement of Organizational Performance**

Both subjective and objective methods are used to measure organizational performance [7]. Subjective methods include performance indicators (also called non – financial indicators) such as employee satisfaction, customer satisfaction, market share, sales growth,

competitive advantage, customer retention, product development as well as others [7], [8]. The subjective opinions of the respondents are examined to assess performance using this method. On the other hand the objective (financial or economic) indicators of organizational performance are indices such as profit, revenue, return on investment (ROI), return on assets (ROA), share price, liquidity and operational efficiency [7]. Researchers have however shown discontent with the economic method of measuring organizational performance due to its inconsistencies. This is the reason why many scholars prefer to use the subjective method in order to avoid the complications related to the objective method [7]. The complications of using objective method may arise due to falsification of objective performance data which many managers of organizations may be guilty of doing [7]. Manipulation of data makes it unreliable for use to assess performance objectively and many managers are more often than not found to tamper with the real information to evade taxes either as individuals or as a group [7]. Also profitability as a measure of organizational performance may not represent the real financial situation of the organization because profitability fluctuates with organizational activities such as marketing or research and development investment which could help to increase profit.

Studies have shown that organizational performance is intimately related to the quality of services the organization delivers [8], [9] explained that delivery of quality services is related to customer satisfaction, loyalty, services guarantees, costs as well as financial performance. A range of definitions of what service quality means have been put forward by different scholars however in general service quality is a judgment passed by a customer based on their perception of how closely the service satisfies or exceeds their expectations [8]. Customers are therefore the chief evaluators of performance of a service which makes performance a highly valuable competitive advantage in services business [8].

Performance clearly defines the differences between one organization and another as well as creates loyal customers who willingly recommend the organization to others [8].

## **Strategic Management and Strategic Thinking**

In order for an organization to attain and remain competitive in an environment that is highly unstable its management must emphasize strategic management [10], [11], [12]. This is because strategic management is not just “a set of decisions and actions of the management that influences performance of the organization at the long run” [10] but it protects the organization from unnecessary errors and serious mistakes as well as prevents it from economic devastation [10]. Also, the management must encourage strategic thinking amongst its managers because it is an important business process that helps to improve effective organizational performance management [13] Strategic thinking guides towards logical decision making, understanding of the role of power, policies and importance of change in organizational management [14]. Scholars have shown that strategic thinking is required at different levels of the organization because it provides the means to exploring complex business situations that leads to gaining of in-depth understanding as well as defining the best action that will ensure that the organization is focused on achieving its set goals [13]. The organization must think strategically for it to develop timely responses to challenges within its business environment.

Strategic management processes involve carrying out ‘environmental scanning’ (collecting information about internal and external environments in relation to the organization), ‘strategy formulation’ (development of long range plans), ‘strategy implementation’ (taking action to ensure that the strategy formulated is effected), as well as ‘evaluation and control’ (performance management) [10], [11]. As important as strategic management is to the life of organizations, many researchers however believe that some of its processes are not practiced effectively [11].

A variety of strategic indicators are used to assess the performance of an organization and these indicators guide an organization to plan for the future. The McKinsey 7S framework is a management model used for analyzing effectiveness of organizations [15] The model

assesses and tracks changes in the organization's circumstances and it is based on some 7 key elements that lead an organization to success. These elements are strategy, structure, systems, shared values, style, staff and skills [15]. The theory behind the McKinsey 7S framework states that "for an organization to perform well the 7 elements need to be aligned and mutually reinforcing" [15].

### **Marketing Management**

Marketing means exploring customer needs and serving those needs to achieve a goal. The American Marketing Association (AMA) has defined marketing as activities that lead to "creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders" [16]. Marketing management process comprises of analysis, planning, implementation, and control of marketing activities [17]. Marketing management processes involve the modification and organization of product/service by forecasting demand and planning the services mix in a way that effective outcome is expected to be achieved [17]. Its processes continually assess the performance of the marketing mix and modify marketing plan, policies and programs to ensure that products and services satisfy the needs and expectations of their beneficiaries [17]. Marketing mix describes a specific package consisting of product/service, its price, its promotion processes and how it is made available to the beneficiary [18]. A marketing mix of (4Ps) product, price, place and promotion is created based on the knowledge of customer needs. And all the components making up the marketing mix must effectively support each other to provide the desired value to the stakeholder [18].

### **Services and Services Marketing**

Services have been defined as economic process carried out by one individual or group to another. These processes which are usually

carried out on the basis of time lead to achievement of desired needs of customers. Service customers exchange their money, time, and effort to gain value from access to labour, skills, expertise, goods, facilities, networks, and systems [19]. However, services are a lot different from physical products and therefore more complex to deal with. The characteristics of services include intangibility, inseparability from its provider, these are perishable and may vary any time it is delivered [18]. The challenge is that it may not be an easy task for the customer to evaluate service before spending their money on it since services cannot be seen or touched. However, customers know the exact quality of service they want and they easily get disappointed if the service fails to meet their expectations. Services have stronger effect on customers than products because services require closer interaction between the provider and the customer and this is why services easily please or disappoint the customer [18]. It is also more difficult to control or deal with services than products because services are provided together with other supporting components [18], [19]. For example the attitude and behaviour of an employee help define the quality of a service they provide in which they have specific skills like a doctor seeing a patient.

The level of quality of services is measured using the SERVQUAL: a tool that considers customer's evaluation of services quality as the most significant [8]. The customer's assessment highlights the difference between their expectations from the services of a group of providers and the customer's evaluation of the performance of a service provided to them by a specific provider. Five different aspects of service quality are measured by SERVQUAL and these include reliability, tangibility, responsiveness, assurance and empathy by 22 items [8]. The 22 items are written twice each to capture customer's expectations from the service providers within that group of services being evaluated and then to measure perception of performance from a particular provider [8].

**Table 1.** Management processes as antecedents of organizational performance

Management process	References
Strategic management processes	Anvari, Soltani & Rafiee (2016) Baishya (2015), Hurst & Jee- Hughes (2001), Iwu et al. (2015), Kazmi et al. (2016), March & Sutton (1997), Mišanková & Kočíšová (2014), Shirvani & Shojaie (2011), Striteska & Jelinkova (2015), Wheelen & Hunger (2012), Yeşilada & Direktör (2010), Zamecnik & Rajnoha (2015),
Marketing management processes	Bernhardt (2006), Kumar & Meenakshi (2016) Pillai et al. (2012),
Services marketing mix	Wirtz & Lovelock (2016), Kumar & Meenakshi, 2016, Yeşilada & Direktör, 2010

## Findings

This literature review has shown that performance is critical for the survival of the organization. It has also revealed the complex challenge the management of organization faces due to creating and sustaining performance. The evidence from the review lead to generation of the following themes: organizational performance and its measurement, strategic management and strategic thinking, marketing management, services and services marketing. These will be discussed below.

## Conclusion

This article reviewed the literature on management processes as antecedents of organizational performance. The literature has provided in-depth information about the influences of management processes on organizational performance. The review identified strategic management processes, marketing management processes and services marketing mix as antecedents to organizational performance. It has also shown how these management processes influences the performance of organizations. The review has revealed that these processes lead to improvement of outcome as well as achievement of organizational goals.

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