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# **Game on: under-promise and over-deliver**

A qualitative case study of cultural significance of performance appraisals at “Company X”

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## Abstract

**Title:** Game on: under-promise and over-deliver - A qualitative case study of cultural significance of performance appraisals at “Company X”

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**Keywords:** Performance management, performance appraisals, organizational culture, strategic behavior, gaming

**Purpose:** The purpose of this study is to gain a greater understanding of the relationship between culture and the use of performance appraisals. Moreover, this study seeks to extend our knowledge of employees’ responses to and experiences of performance appraisals.

**Research questions:** *What is the cultural significance of Company X’s use of performance appraisals? (and) How is the cultural significance of performance appraisals experienced by the employees?*

**Theoretical perspectives:** This study positions itself within the theoretical framework of performance management systems in relation to cultural significance, with a specific focus on performance appraisals.

**Methodology:** To achieve the purpose of the study and answer the research questions, a qualitative interview study has been conducted. The empirical material has been gathered through semi-structured interviews, with a total of nine employees from Company X participating. The study has thus adopted a social constructionist perspective and an abductive approach.

**Result:** The findings of the empirical analysis reveal two strong cultural norms at Company X: change and ambition. These norms are then aligned, assured and amplified by the performance appraisal (PA) system used at Company X. The PA system aligns the employees to the culture by making them prepare and be ambitious in planning their future goals for each PA. The PA system also assures the culture by providing a source for termination if the employee does not manage to meet the goals set on the PA, as well as motivating the culture-aligned to remain. Finally the PA system amplifies the culture by making the employees learn new things. Finally, the result shows that the employees respond to this in both unintended and intended ways.

**Conclusions:** Based on the analysis of empirical material, this study concludes that performance appraisals hold cultural significance in various ways, including serving as an organizational tool to manage culture and align with a desired culture. Additionally, the PA system elicits responses from the employees that are both intended consequences, such as annual growth and cultural alignment, and unintended consequences through employees’ strategic gaming behavior, which contradicts the cultural alignment.

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## 1. Introduction

*The introduction aims to introduce the reader to the subject being addressed. Firstly, a background of the performance management field is provided. Then, the topic is narrowed down in the problematization, leading the reader to the purpose and research questions of the study. Finally, a background is given for the object of study, and the chapter concludes with an overview of the study's disposition.*

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### 1.1 Background

Private companies typically operate on the principle that they must generate enough revenue to cover fixed and variable costs. However, this may not suffice as many also thrive and grow their business in order to flourish (Delmar et al., 2013; Maverick, 2022). How profit is achieved still may differ from company to company. One philosophy on how to achieve this is by managing the performance of the employees. In order for growing organizations to keep performance and efficiency from their employees they may need to exert control in order to ensure that the purpose of each individual action nudges the company closer to its corporate goals. There are various managing systems aiming to evaluate, motivate, measure, and control employee performance. One approach to exerting such control is through *performance management systems*, referred to as PM systems in this study.

PM systems have been around in some sort of way for a long time, with companies relying on the outcomes of the PM systems when working with and defining the organizational goals and strategies. When reflecting on how the term has been used in later research it becomes clear that the PM system is a term that keeps on changing and that the purpose of it is not always the same (Sewel et al., 2012). There are different types of PM systems that focus on different corporate goals (Neely et al., 1995). Some PM systems manage quantitative and tangible performance of employees such as financial profit, return on investment, cost per order, number of sales, etc (Daft et al., 2020), meanwhile other PM systems focus on softer and social aspects such as *performance appraisals*, which is the PM tool of choice of the study object of this thesis and will be referred to as PA.

Another crucial part of organizations is culture, where the performance appraisals could play a central role. Our take on organizational culture is inspired by Alvesson (2002) and Daft et al. (2020) where organizational culture is defined as values, norms and beliefs shared by the members in the organization. Daft et al. (2020) argue that having a culture aligned with the organizational goals and strategies could potentially decrease friction and guide behavior so that employee actions align with strategic priorities. In this context performance appraisals can play a central role by expressing, creating, and maintaining norms and values within the organization and is a way for the management to examine how the individual actions align with the strategic priorities of the company. With these two important pillars of organizations in mind the purpose of this thesis becomes to investigate the cultural significance of performance appraisals within a private knowledge intensive company; Company X.

## **1.2 Problematization**

Organizational culture has a significant impact on the success of an organization. If the culture is misaligned with the organizational goals and values the efficiency of the company suffers. If managers are unable to anticipate the evolution of organizational culture or fail to recognize the need for organizational change it can lead to the end of the organization (Mansour et al., 2022). It has previously been considered that estimating different aspects of organizational culture is a challenge (Schein 1985; Reynolds 1986; Rousseau 1990). However, it is in the managers interest to do so in order for the organization to thrive.

The effect of PA systems on organizational culture have previously been studied and shown to be significant (Mullins & Tullar, 1986; Moyo, 1995; Asmita, 2005; Behery & Paton, 2008; Hofstetter & Harpaz, 2015). It has been shown that corporate culture can be shaped, maintained and affirmed using PA systems (Moyo, 1995; Behery & Paton, 2008; Hofstetter & Harpaz, 2015). In contrast to the view that assessing organizational culture is a challenge, Hofstetter and Harpaz (2015) has shown that PA systems can be used to examine whether the desired and declared culture is aligned with the actual culture. Furthermore, Mullins & Tullar (1986) has shown that corporate culture can be unified using PA systems and Asmita (2005) concluded that

management can alter the culture to their choosing, using PA systems. To condense, previous research has shown that management can have a large control over the organizational culture using only one tool; PA systems. The argument is that management can perform a diagnosis on the culture, unify diverged culture and alter culture to align company goals. This gives management a great control over the organizational culture which can minimize many problems.

The previous research has however focused primarily on quantitative measurements of the cultural effect from PA systems (Giles & Mossholder, 1990; Keeping & Levy, 2000; Mulvaney, 2017; Pichler, Beenen & Wood, 2020) . We therefore find it interesting to look at the PA system's impact on culture from a more qualitative perspective. We find it necessary to get a subjective perspective on the PA systems and their influence on individual members of the organization in order to get a deeper understanding of how PA systems impact the organizational culture, as the members' values define the organizational culture. Furthermore, previous research has focused on if the intended consequence of the PA system from management's point of view was achieved regarding organizational culture. We therefore want to study if there are any unintended consequences that can emerge from implementing PA systems. We find these two aspects significant to gain understanding on how the culture is affected by PA systems and if there are consequences that can be important to keep in mind when determining whether to implement PA systems or not.

### **1.3 Purpose**

The purpose of this study is to gain a greater understanding of the relationship between culture and the use of performance appraisals. Moreover, this study seeks to extend our knowledge of employees' responses to and experiences of performance appraisals.



## 1.4 Research questions

- What is the cultural significance of Company X's use of performance appraisals?
- How is the cultural significance of performance appraisals experienced by the employees?

## 1.5 The object of study: Company X

The object of study for this thesis is a knowledge intensive Swedish medium-sized company listed on the Stockholm stock market. In this study we have chosen to fictitiously refer to the object of study as Company X. Company X is a production company with a focus on premium products within a niche market. They have a wide product portfolio with products in different sizes and with different functions. The company was founded in the late 1960s and has a rich history of growth and profit. The current CEO arrived at Company X in the late 1990s, and it has since then grown to be a market leading company within their niche market. Furthermore, Company X went public on the Stockholm stock market 2021 and has since then seen little change in strategy. They started out with a B2B approach aiming to sell to rental studios and the professional segment of the market, but has over time come to shift towards more of a B2C strategy. Company X today has around 120 employees and has their headquarters in Stockholm, Sweden.

From the introductory pilot interview with the CEO of Company X, we obtained information about the PM systems used in the company. The interview disclosed that Company X uses both hard and soft PM systems in the form of *Objective Key Results*, OKR. The harder, more quantitative PM systems consist of broad company OKRs set by top management each quarter. These objectives are then broken down to department specific goals by each department in the company. The performance of each department is measured and discussed at follow-up meetings with middle and top management.

Moreover the company also uses soft, more qualitative PM systems, also in the form of OKRs. This softer PM system is the object of study in this project. These objectives are set by the

employees themselves together with their manager each quarter at a so called “utvecklingsamtal” in Swedish, which we refer to as *employee performance appraisals* in this study. The purpose of the appraisals is for the employees to set personal goals and activities to reach these goals, with the aim to complete the formulated activities each quarter. These personal goals are aligned with the strategic values and are supposed to help every employee's personal development. However the activities that are set to reach the goals cannot be related to the everyday work of an employee. As an example, if an engineer's goal is to "finish the product they are working on ", this may not be sufficient, and they should consider setting a goal that extends beyond their daily work. The activities are entirely individual and related to each person's long-term objectives, whether inside or outside the company.

One key factor however is that the manager has to approve of these activities so that they are relevant in the employees long term development and are both in the best interest of the employee and are in aid of the company. If an employee fails to accomplish or rather start to work on the personal activities two quarters in a row, then the employee is placed in a non-performing category as a consequence. Additionally, if the employee fails a third consecutive quarter in a row, it develops into a cause for termination.

## **1.6 Disposition**

This section aims to clarify and introduce how the disposition of the thesis will be. An overview of the thesis will be provided together with small summarizations of each chapter. This thesis consists of six main chapters.

### **1. Introduction**

Here an introduction to why this subject is studied in combination with the problematization, purpose, research questions of this thesis is presented as well as an introduction to the study object.

### **2. Literature Review**

The literature review will provide a context to which studies and theoretical framework this thesis aims to contribute in. Furthermore other terms and theoretical frameworks that we do not aim to contribute but are used in this thesis will also be introduced in order to supply the reader with the necessary information and context.

### **3. Methodology**

This chapter consists of an explanation of how this study actually was carried out. What considerations did we take before and during the execution of this thesis, and what discussions we had that solidified the trustworthiness of this thesis.

### **4. Empirical findings and analysis**

In this part of the thesis the empirical findings will be brought forward together with our interpretation on the meaning of the material.

### **5. Discussion**

During this part the implications that our material, findings and interpretations have on the theoretical frameworks will be discussed. Here we aim to explain in what ways this thesis contributes to the studies within similar fields of knowledge.

### **6. Conclusion and further studies**

This chapter will explain the conclusions from our empirical findings, analysis and discussion as well as give an explanation of practical implications and to what future studies within the same field may hold interest for the future.

## 2. Literature review

*The purpose of this chapter is to explain relevant concepts and background theories within the area of expertise that this thesis aims to cover. The main focus of this will be to explain the performance appraisals which are a type of performance management systems and the studies that have been conducted within this area. Furthermore, the theoretical concepts of organizational culture will also be discussed since this will play a crucial part.*

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### 2.1 Performance appraisal

Performance appraisal as a concept has been around for ages (Murphy & Cleveland, 1995; Kakkar et al., 2020; Pichler, Beenen & Wood, 2020; Aboubichr & Conway, 2021). Performance appraisal is argued as a sort of performance management where the performance is managed through the individual employees salary, position and goals. Generally performance appraisal is divided into two different sub groups; evaluative and developmental (Boswell & Boudreau, 2000). The evaluative aspect of performance appraisal targets functions such as, salary, administration, promotion/termination decisions, recognition of individual performance. Developmental functions could be exemplified through performance feedback, determining assignments, identification of individual strengths and weaknesses (Ostroff, 1993; Boswell & Boudreau, 2000).

Performance appraisal is a performance management method which today is argued to be essential. The reasoning behind this is that since each individual employee has its own strength, weaknesses and behaviors there is simply not a one system fits all. With this in mind performance appraisal becomes a dynamic solution where it is possible to fit performance management actions in accordance with each individual employee's strengths, weaknesses and behaviors (Lin et al., 2008;Kakkar et al., 2020). However, while there are many great advantages it is argued that it is not always possible to reap the rewards and that there are apparent issues when it comes to implementing and maintaining the performance appraisal as a tool for performance evaluation. An issue may for example be that the PA system is interpreted as

coercive managerial power and may affect employees well-being and motivation negatively (Das, 2018).

## **2.2 Organizational Culture**

There are many different definitions of organizational culture. Our take on the study is inspired by Alvesson (2002) and Daft et al. (2020) where organizational culture is defined as values, norms and beliefs shared by the members in the organization. These factors are then taught to new members and are often not something that is written down but more of a way of being. Some parts of the culture can be noticed through symbols, ceremonies, discourse and behaviors. This is however only the tip of the iceberg since there are often many complex underlying values, assumptions and beliefs that build the organizational culture. Therefore, large parts of the culture can go unnoticed by the members. There are many different definitions of where organizational culture begins. However some emphasize and argue that, generally, the organizational culture begins with an early leader or founder that formulates and implements certain values or ideas as a philosophy. If this is shown to be a success, the culture tends to be formulated and institutionalized, thereby a culture that represents the vision of the leader emerges (Daft et al., 2020).

## **2.3 Performance Appraisal (PA) in relation to organizational culture**

The impact of PA systems on corporate culture has shown to be significant (Mullins & Tullar, 1986; Moyo, 1995; Asmita, 2005; Behery & Paton, 2008; Hofstetter & Harpaz, 2015). Previous research has concluded that the corporate culture can be shaped, maintained and affirmed using PA systems (Moyo, 1995; Behery & Paton, 2008; Hofstetter & Harpaz, 2015). PA systems have been considered as a ceremony or a rite of enhancement that reflects and visualizes organizational values and norms. These values and norms are argued to be affirmed and communicated to the members of the organization through the process of PA systems (Trice & Beyer 1984; Hofstetter & Harpaz, 2015).

### *2.3.1 PA systems effect on culture*

The relationship between an organization's culture and their PA system has been examined in a previous study (e.g Moyo, 1995; Behery & Paton, 2008; Hofstetter & Harpaz, 2015). Moyo (1995) examined the relationship using quantitative methods whereupon it was revealed that the culture was strongly influenced by the PA system. The author argues that PA systems can be used as a tool to create and maintain the organizational culture in an organization (Moyo, 1995). Furthermore, it is argued that the socializing that comes as a consequence of PA systems leads to a nurturing of the culture where organizational values and behaviors are reflected upon, by the employees, during the use of the PA instruments. In relation to this the author argues that by conducting frequent appraisals it becomes possible to teach new members and reinforce the company values to older members and in such a way maintain the organizational culture.

Moyo (1995) furthermore argues that how effective the PM system is correlates to how the managers, that are responsible for maintaining the PA system, view the system itself. If the manager handling the performance appraisal is supporting and coaching then that leads to a receptive attitude from the employee towards the PA system (Moyo, 1995; Pichler, 2012; Ratkovic & Orlic, 2015). This attitude of fairness and receptiveness is argued to lead to a stronger belief in the PA system and what it is trying to reflect. If the contents that the PA system is trying to reflect is connected to the cultural values of the organization then the PA system provides an opportunity to reinforce and maintain the organizational culture (Moyo, 1995; Asmita, 2005).

In addition, another study revealed that the culture of an organization could be changed by creating a PA system formulated from desired cultural values. In the study, management desired a higher degree of accountability in the organization and by formulating a PA system based on the features of the organization's strategic framework, a culture of accountability was fostered (Asmita, 2005). However, once again, this is not simply a system that affects the employees. The author mentions that this had effects on the accountability of the managers as well and that the real benefits of the PA systems came when the senior management's individual goals aligned with the organizational goals. These arguments are in line with the two main arguments, that

Moyo (1995) brings forward, of PA systems being able to change and maintain organizational culture; and that the success of PA systems being dependent on the management's handling of the PA instruments. In accordance with this, Hofstetter and Harpaz (2015) argues that PA systems can be seen as a rite of enhancement in which cultural meanings are communicated and affirmed. The author furthermore establishes the premises of the PA system where the managerial impact on it is rudimental. Hofstetter and Harpaz (2015) mentions that by using a PA system, management has the possibility to control the process in regards to what dimensions are included. The author further argues that this use of PA systems results in a flexible environment-dependent culture which is not as easily controlled by top management as may be perceived.

Furthermore, both Moyo (1995) and Behery and Paton (2008) argue that frequent uses of the PA instrument plays a crucial part in both shaping and maintaining the organizational culture. However both studies argue that the acceptance of the PA system is a crucial cog in order for the machine that is PA systems to work in relation to organizational culture. Behery and Paton (2008) however argues that PA systems need to be aligned with the culture in order to achieve a “good fit” for the employee. Only when these two are aligned may the organization reap the rewards of an effective PA system. This somewhat contradicts earlier studies mentioned as this views PA systems and organizational culture as two separate entities that need to be aligned rather than two intertwined entities that constantly affect each other.

### *2.3.2 Unifying culture with PA systems*

Different cultures in an organization can lead to a culture clash if poorly managed (Daft et al., 2020). It has previously been considered that estimating different aspects of organizational culture is a challenge (Schein 1985; Reynolds 1986; Rousseau 1990). Therefore it can be beneficial to find tools that help unify the corporate culture.

Mullins and Tullar (1986) argues that PA systems can be used to unify corporate culture in an organization where different cultures exist. The study was conducted in a company where different corporate cultures existed due to an acquisition of a new company. Naturally this led to

different corporate cultures which in turn led to decreased overall productivity and cooperation. In an attempt to create a coherent company, consultants created unified PA forms in the entire company. As a consequence, the authors saw a unification in the corporate culture and with that, an increase in productivity and a decrease of resistance towards the system (Mullins & Tullar, 1986). However, the trait of compliance was connected to the success of the PA system also in this study. The employees needed to see the personal gain and to get an understanding on how the PA system benefited them in order to embrace the system. So only once the employees saw the benefit of understanding their managers expectations on them did the PA system start to unify the culture. Mullins and Tullar (1986) thus argues that PA systems can be used to unify an incoherent corporate culture if the PA systems have a strong connection between the individual employee's goal and the organizational goals.

### *2.3.3 PA systems as a tool to diagnose culture*

As mentioned earlier, the organizational culture is defined by values and norms shared by the organizational members. Therefore, the formulated and communicated culture by management might not cohere with the actual culture shared by the employees (Hofstetter & Harpaz, 2015). The possibility to detect a distinction between the desired culture and the actual culture might be difficult due to the nature of culture itself. As culture is a set of norms and beliefs it is hard to completely understand the underlying norms and beliefs of the employees through their actions. However, a solution to this is argued by Hofstetter and Harpaz (2015) who mentions that PA systems can be used as a tool to 'diagnose' the organizational culture in relation to the perceived culture by top management. By using post-hoc analysis of PA data, the author argues that a potential gap between the perceived culture and the actual culture in an organization can be discovered. Specifically, the actual cultural norms in the organization can be realized and compared to the declared cultural norms, thereby the culture can be 'diagnosed' (Hofstetter & Harpaz, 2015).



### *2.3.4 Employee reactions to PA systems*

Studies have also been done in regards to how employees react to the implementation and existence of PA systems (Giles & Mossholder, 1990; Keeping & Levy, 2000; Mulvaney, 2017; Pichler, Beenen & Wood, 2020). It is argued that it is important to study the employees' reaction to the PA system for two main reasons; the reactions are important for the practitioners to have in mind and that it has been argued that acceptance to the system correlates with its success (Keeping & Levy, 2000). It is also concluded that there are many different possible measurements when it comes to measuring performance appraisal reactions such as satisfaction with the appraisal, overall or composite measures of reactions, etc. It is however noted that many of these measures are used as a quantitative measure on subjective matters since there are no objective ways to measure satisfaction (Keeping & Levy, 2000; Pichler, Beenen & Wood, 2020). Furthermore, studies have argued the effects certain characteristics regarding how the PA system is performed may have on the reactions (Pichler, Beenen & Wood, 2020; Mulvaney, 2017). One finding shows that increased feedback leads to increased performance rating favorability on appraisal reactions (Pichler, Beenen & Wood, 2020). However it has also been argued that there are several factors, such as salary, that are not strictly related to the PA system that affect the reactions to the PA system (Giles & Mossholder, 1990). It is then argued that there is a positive correlation between the employee salary and the satisfaction of the PA system (Giles & Mossholder, 1990). What however is not considered by these studies is a more qualitative subjective interpretation of the reactions and how they relate to the organizational culture.

Furthermore, gaming is a consequence or reaction that comes hand in hand with performance management and can be explained as actions with the goal to reach the performance target set through performance management systems, but which has undesirable outcomes for the organization and or the employee (Graf et al., 2019). Different views on the exact reason and background for these actions have been made through the years. One view argues that gaming is used in order to gain a competitive advantage and meanwhile other views this behavior as an unlucky incident that happens due to misunderstanding of the goal or badly set targets by the PM system (Smith 1995; Bevan and Hood 2006; Graf et al., 2019). In short gaming has been put in relation to straight out cheating.

One view however has described gaming as bending the rules whereas cheating would be straight out breaking the rules (Pollit, 2013; Randor 2008). Gaming has also been shown to not simply be a behavior in devious people that intend to bend the rules. A study performed in Great Britain showed that academics performed gaming activities in order to reach the goals set by their performance management systems (Aboubichr and Conway, 2021). However it was also concluded that the same academics were against gaming behaviors as it was viewed to collide with their academic ethic and moral values. From this study the author shared the view that PM systems are something that carries an inherent risk in that even individuals against gaming, may perform gaming activities when the PM system is integrated into their workplace (Aboubichr & Conway, 2021). In order to better map the issues with gaming behavior, several studies have been done with the aim of categorizing it (Randor, 2008; Gao, 2015). One view on how to categorize it is provided by Randor (2008) who argues that there are two main aspects to the act of gaming and created a topology mapping in order to provide clarity. The author expresses that the outcome of the gaming activity should be the primary focus. Building on this Gao (2015) presents an image on this concept where he shows that gaming activities can be viewed as harmless if goals are reached and reported in a truthful way. One aspect that the studies do not consider is how this specifically relates to PA systems and how it may affect the usefulness of those systems as a whole.

## **2.5 Summary**

The impact of PA systems of corporate culture has been argued to be significant (Mullins & Tullar, 1986; Moyo, 1995; Asmita, 2005; Behery & Paton, 2008; Hofstetter & Harpaz, 2015). Previous research has concluded that the corporate culture can be shaped, maintained and affirmed using PA systems (Moyo, 1995; Behery & Paton, 2008; Hofstetter & Harpaz, 2015). In line with this Mullins and Tullar (1986) argues that PA systems can be used in order to change and unify corporate culture in an organization where different cultures occur. This argument was further investigated by Asmita (2005) who studied the possibility for management to alter the culture in the company to their choosing by implementing a PA system. Furthermore, PA systems have also been argued to enable management to examine whether the desired and declared

culture is aligned with the actual culture in the organization (Hofstetter & Harpaz, 2015). Furthermore the reactions to PA systems have been examined (Giles & Mossholder, 1990; Keeping & Levy, 2000; Mulvaney, 2017; Pichler, Beenen & Wood, 2020). These studies have been focused around quantitative measure on subjective matters (Keeping & Levy, 2000) and have focused on how certain aspects of the PA system (Mulvaney, 2017; Pichler, Beenen & Wood, 2020) and other quantitative factors (Giles & Mossholder, 1990) may lead to a more positive attitude towards the PA system. Lastly gaming is explained as rather bending the rules than breaking them (Randor 2008; Pollit, 2013; Graf et al., 2019) and can have different effects on the individual and organization depending on the intention behind the gaming activity (Randor, 2008; Gao 2015). Furthermore, gaming is argued to be performed even though the performers find it unethical and against their values (Aboubichr & Conway, 2021).

## **2.6 Positioning**

As noticed in this chapter, existing literature has individually examined PA systems' effect on culture and PA systems' effect on employees' reactions to the PA system itself. They have also tried to quantify the reactions and primarily focused intended reactions. This thesis aims to position itself in a more qualitative space and connect how the employee reactions may relate to the organizational culture. Furthermore, already existing literature focuses on how to maximize the intended consequences that the PA system has on the culture. In contrast to this, this thesis aims to gain a deeper understanding of the unintended consequences that PA systems may have on organizational culture and employees behaviors from a qualitative angle. Since we understand culture as the sum of all employees' shared norms, beliefs and goals, understanding how the PA system not only affects the culture as a whole but the subjective understanding of the employees becomes important.

### 3. Methodology

*In the following methodology chapter, a description of the work process behind the study is provided. This includes various considerations, decisions, and actions that have emerged during the work process of the study, as well as the collection and analysis of empirical material. At the end of the section, it will be discussed how the method choices made have impacted the credibility of the study.*

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#### 3.1 Methodological considerations

In order to answer the purpose and research question of this study, a qualitative approach is applied during the working process. The aim of this study is to contribute to the existing research on performance measurements from a qualitative perspective through an interview study. Therefore, the emphasis in collecting and analyzing empirical material is focused on words and experiences rather than quantifiable data (Bryman & Bell, 2017). Furthermore, we adopt an abductive approach with the aim of explaining our observations and serving as a tool to refine existing theory, as well as identify new perspectives. Bryman and Bell highlight abduction as a new way of interpreting theory in order to draw logical conclusions and develop theories that depict the real world (Bryman & Bell, 2017). In accordance with the abductive perspective, we have presented a problem in the aim of the study as well as the research question and from that, we will select the most suitable explanations when analyzing the empirical data from the explanations that are at our disposal.

As earlier mentioned, our study aims to examine the cultural significance of Company X's use of performance appraisals and the employee responses to the system. To achieve this, we adopt a perspective based on social constructivism and interpretation. This approach, according to Bryman and Bell (2017), involves making dual interpretations. Firstly, the employees' perception of their context within the company is interpreted, and secondly, we interpret their perceptions to analyze, reflect and explain what we see, to lastly draw conclusions. With the aim of answering the research question and contributing to existing research in a qualitative way, we considered

this approach to be the most suitable given the nature of the study since we have chosen to mainly focus on *'soft values'* of performance management systems as well as experiences of the employees.

### **3.2 Collection of empirical data**

Considering the nature of the study, empirical data has been collected through qualitative semi-structured interviews. As time limitations have played a central role in accessing study subjects, we have primarily sought out study subjects within our network of contacts, which can be described as a convenience sample. Bryman and Bell describe that convenience sampling often occurs when resources are limited (Bryman & Bell, 2017). In this study, we were limited in both resources and time, and therefore chose to collect empirical data through convenience sampling. However, Bryman and Bell also explain that convenience sampling often results in findings that cannot be generalized, but may serve as a stepping stone for further research and/or allow for connections to be made with existing results (Bryman & Bell, 2017). With these considerations in mind, we chose to gather empirical data through convenience sampling based on the available access to data at that particular moment. However, the purpose of this study is not to generalize the results and conclude that they apply to everyone, but rather to the specific company we chose to study where we can generalize the results based on our empirical findings.

Furthermore, a total of nine people participated of which eight were employees and one person in the CEO position which was our first pilot interview. This could be viewed as a type of purposive sampling, which Hood (2007, cited in Bryman & Bell, 2017) describes as an a priori sampling, where the selection criteria for participants are established in advance to answer the research question. As the study has been delimited to examine the cultural significance of Company X's use of performance appraisals and how this is responded by the employees, we have made the decision to exclude top management from the study. Top management refers to the so-called "C-suite," which includes the CEO, CFO, CIO, and COO. We made one exception from this, which was the initial pilot interview with the CEO as we felt it was necessary to gain insight into Company X, understand their strategic operations, and determine what we would further build the study on. Thus, this was the first interview which we refer to as the 'pilot

interview'. The reason for excluding the rest of the C-suite from the study is partly that they are not part of the PM system within the company from the perspective where they need to report their performance to someone at a higher hierarchical level and participate in an employee performance appraisal.

### *3.2.1 Conducting interviews*

Step one in our interviews was to design an interview guide. This was based on three themes that we wanted to cover during the interview with each respondent. The themes were following; background and introduction, motivation and goals, and performance measurements. These themes were broken down into sub-questions, which at first were more of a structured character and became more open-ended towards the end. Dividing the questions in this way was a tool for us to keep a thread throughout the interviews and to obtain the information we deemed necessary to further proceed with our study. A detailed interview guide was mainly created for our own benefit in order to have something to refer to during the interviews. Thus, the interview guide was adapted after each specific interview based on what felt most natural in the context. An example of this is that some questions were asked in a different order based on what the respondent shared during the interview.

After designing an interview guide, a first pilot interview was held with the company's CEO. The purpose of this interview was primarily to obtain information about how the company operates, how the organizational structure and hierarchical levels are structured, and what could be interesting to investigate further within the company. Bryman and Bell argue in favor of conducting a pilot study, where the benefits include assessing how the questions are perceived, identifying the risks of misunderstanding, determining which questions are consistently answered (and which are not), as well as whether the terminology fits the context (Bryman & Bell, 2017). We took note of these advantages and acted accordingly, which we found to be an advantage since we obtained information that helped us understand the company's context and the direction in which we should take the study. After the pilot interview, we quickly understood that performance evaluations and the development/improvement of both the company and employees were a central part of the company's vision and core values. Based on this, we chose

to revise our interview guide as we needed to adapt it to what we found interesting to further examine within the desired field, which resulted in focusing on performance measurements.

Step two in the process was to schedule interviews with the employees within the company. A total of eight interviews were held with employees over a period of three weeks. Initially, our group had the idea of dividing the interviews among us to make our time more efficient. However, after conducting the first pilot interview together, we realized the importance of all three group members being present for all future interviews. We reflected and agreed that this would make us all equally involved in further conducting the analysis of the empirical material, and would also reduce the risk of misinterpreting the respondents' answers. Further, we found support for this approach in Bryman and Bell's book, where they argue that multiple interviewers can have advantages such as asking relevant follow-up questions and capturing interesting aspects of the respondents' stories (Bryman & Bell, 2017). However, we appointed a main interviewer responsible for each interview to reduce the risk of a "messy" interview, while still allowing the other two group members to jump in with follow-up questions and support the main interviewer at any time.

Approximately one hour was allocated for each interview to ensure that both we and the respondent had plenty of time and did not feel stressed about the time limit. However, the length of the interviews varied and ended after all questions were discussed with the respondent. Since the company was not located close to our university in Lund, we decided to conduct the interviews digitally via Zoom. This way, we also had the opportunity to record both audio and video, to later be able to revisit the material several times during the analysis process. Before starting the recording, all participants were asked if they consented to us recording the interview, and were also guaranteed full anonymity in the study. This will be further discussed in the following section below.

### 3.2.2 *Incognito-mode*

As presented in an earlier stage of our thesis, we have chosen to fictitiously refer to the company as "Company X" in this study. To keep each respondent anonymous in the study, we have chosen to use fictitious names for every respondent participated in the study. The aliases are some of the most common Swedish surnames according to Google, presented in the table below in alphabetical order along with their positions at the company and the time required for each interview. There is only one exception, which is the pilot interview with the CEO, who we will refer to as CEO.

<b>Alias</b>	<b>Interview duration</b>	<b>Recorded</b>
CEO	(Pilot interview, 100 min)	Yes
Andersson	28 min	Yes
Bengtsson	37 min	Yes
Carlsson	29 min	Yes
Danielsson	35 min	Yes
Eriksson	42 min	Yes
Fransson	30 min	Yes
Gustafsson	37 min	Yes
Hansson	35 min	Yes



### **3.3 The analysis process: transcription, coding, and analysis**

#### *3.3.1 From verbal to written*

After conducting an interview, the next step in the process was to transcribe the collected empirical data. The transcription of the interviews was divided equally among us who were conducting the study, and was done as soon as possible after each interview. All interviews were transcribed verbatim with the purpose of creating a comprehensive overview that we could refer back to as many times as necessary during the analysis of our collected data.

In practice, the transcriptions were collected in a shared document with a comment function that all group members had access to. When we reviewed the transcribed material, our initial intention was to examine how control and performance measurements were portrayed at Company X. However, the collected data indicated the presence of other significant themes that came to shape the direction of our analysis. We observed that Company X exhibited a strong culture of change, which could not be overlooked. The respondents frequently discussed ambition, personal development, and the consequences of a sturdy ambition-based culture. These aspects were highlighted in the transcriptions to ensure clarity for subsequent coding, which, as described by Charmaz (2002; cited in Rennstam & Wästerfors, 2011), can be considered as the *initial coding* of the empirical material. At that moment, we were unaware of the theoretical definition of initial coding. Instead, our approach was to highlight quotes from the empirical data that we found intriguing during the interview in combination with using the comment function to translate or explain what the material is saying. According to Charmaz, this implies that analysts “translate” the empirical material into social science theories and phenomena (Charmaz, 2002; cited in Rennstam & Wästerfors, 2011).

#### *3.3.2 Cracking the code: patterns and themes in the empirical material*

Upon completing the initial coding, we proceeded to organize the material into distinct themes, which we color-coded for enhanced comprehensibility. At this point, it had not yet been decided which direction the analysis would take, but the material was color-coded and sorted into

categories that were similar to each other. All group members read and approached the material with the question in mind; *What are the respondents really talking about?*

As we coded the transcribed material, we simultaneously started extracting quotes that were similar to each other and placed them together, forming an initial framework for the analysis. By selecting quotes that we perceived as explanations for social phenomena, we also simultaneously reduced other material that, from our perspective, did not appear relevant to include in the analysis. We aimed to create a good representation of the material, which Rennstam and Wästerfors (2011) emphasize is of great importance to present the material in a selective yet accurate manner. The three main themes that emerged from the coded empirical material were: identification of cultural norms, cultural significance of PA systems, and employee reactions.

### *3.3.3 Convincing with evidence: The empirical argumentation*

The final step of the analysis process was to argue for the finding we could observe in the conducted empirical material from the interviews. According to Rennstam & Wästerfors (2011), to argue academically means to discuss the empirical material in relatively general terms. Thus, an argument is a set of statements intended to persuade or convince through reasoning (Rennstam & Wästerfors, 2011). To try to make sense of the argumentation, we followed a system of introducing what we are going to argue for followed by quotes from the empirical material. Afterwards, in the analysis, we engaged in a discussion about what we interpreted the respondents to be discussing and what phenomena it could have been translated into.

## **3.4 Results to rely on: ensuring credibility of the study**

As the final part of the method chapter, we will now reflect on the credibility of the results. The starting point we chose to reflect on the study's credibility is the basic criteria for assessing a qualitative research, which is *trustworthiness* proposed by Lincoln & Guba (1985; 1994, cited in Bryman & Bell, 2017).

Lincoln & Guba (1985; 1994, cited in Bryman & Bell, 2017) further believe that trustworthiness is divided into four sub-criterias; *reliability*, *transferability*, *dependability* and *confirmability*. The first criterion, *reliability*, refers to how well the researcher's observations align with their theoretical ideas, which can be achieved through long-term presence and participation in the social object of study. In this study, we have not had the opportunity to observe our study subject over an extended period. The time constraints have played a central role in our prioritization throughout the work, and we have also been geographically distant. Instead, we have chosen to streamline our available time as much as possible and conducted digital interviews via Zoom. However, during all the interviews, we have had access to both video and audio contact with the respondents, and we have also obtained permission to record the interviews to be able to revisit the material. To the best of our ability, we have tried to observe body language, tone of voice, and atmosphere during the interviews, despite them being conducted digitally.

Secondly, *transferability* as a sub-criterion refers to the extent to which the results can be generalized to other social settings and situations. LeCompte & Goetz (1982; cited in Bryman & Bell, 2017) explain that this can be a challenge for qualitative research, which often relies on case studies and limited samples. However, since we have adopted a perspective based on social constructionism and interpretation, the purpose of this study has never been to generalize the results. Therefore, we acknowledge the general limitations of the results not being generalizable, as it is not possible to apply them to other organizations since each organization is unique. However, we argue that the results can be generalized for the specific study subject in question. Moreover, since the PA systems are commonly used there might be similar patterns and tendencies in other companies, why our findings and insights might resonate in other companies.

The third sub-criterion, *dependability*, concerns the credibility of the study and suggests that researchers should adopt a scrutinizing perspective to ensure that a comprehensive explanation is provided for all phases of the research process (Guba & Lincoln, 1985; 1994, cited in Bryman & Bell, 2017). In order to fulfill this criterion, we have aimed for maximum transparency in presenting all aspects of the thesis in the methodology chapter. However, it is not possible to fully meet this criterion since readers will never have access to the empirical material. Therefore, the material remains influenced by our subjective interpretations of what has been reduced and

what has been deemed relevant to present in the analysis. Nevertheless, our ambition has been to strive for transparency in the working process and to substantiate our arguments so that the reader can form their own assessment of the study's credibility.

Lastly, *confirmability* refers to the researcher's attempt acknowledging the impossibility of achieving complete objectivity in social research. Hence, it should be evident that the researcher has not knowingly allowed personal values or theoretical orientation to influence the completion and conclusions of a study (Bryman & Bell, 2017). To some extent, we have addressed this criterion. However, despite our efforts, we have been mindful of the fact that we carry various experiences and knowledge from the past, which may have an impact on how we interpret our empirical material and how we perceive it. On the other hand, our previous experiences and knowledge sensitizes us and enables us to make such interpretations as presented in the analysis, and see “something” in the empirical material. Thus, the important thing has been to continuously reflect on this and explicate our perceptions.

## 4. Empirical findings

*From the conducted empirical material, three main themes were identified; identification of cultural norms as change and ambition, the performance appraisal to align, assure, and amplify the cultural norms and employees reactions. This chapter aims to provide empirical material and explore the factors that contribute to the perception of organizational culture expressed through performance appraisal systems at Company X.*

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### 4.1 Identification of cultural norms

During the collecting and sorting of our empirical material, two prominent themes emerged that are part of the prevailing culture at Company X. Company X is characterized by a strong ambition-based culture, where employees consistently strive to develop and evolve in their professional roles. Norms exist within the company that discourage complacency and encourage constant challenges, along with setting high goals. These themes will be further explored in the following two sections: *Change as a cultural norm* and *Ambition as a cultural norm*.

#### 4.1.1 Change as a cultural norm

Within Company X a clear culture of change is apparent. In the empirical material it was observed that most parties described how change is a natural way of being a part of Company X. Initially this was noticed in the pilot interview where this was mentioned by the CEO.

*“So when I studied there was a woman there who held the graduation speech. She said “Go out there to be change agents”. Ever since then, every time I talk to my employees I talk about change, not improvement but change. We shall always perform activities that change us since it is important to understand that we should always change and then earn more money in the long term” - CEO*

In this quote it is clear that the CEO who has been in charge of the company for almost 30 years puts a lot of emphasis on change and has done this almost all of her/his time at the company. The CEO further goes on to explain how s/he invokes this on the employees in the company. We interpret this as an indication that there is a goal from upper management to put a lot of focus and emphasis on continuously changing the company. It is evident that upper management aims to exert influence not only on their own decisions but also on fostering a culture that permeates the entire company. Moving on, this is also observed as we gather more empirical material with the employees of Company X.

*I think it is in our corporate culture to ensure that the employees are constantly growing, that you are not standing still in one place and simply not getting too comfortable. - Andersson*

Here we once again notice that the outspoken culture of Company X is tightly related to change. It is noticeable that Andersson mentions that s/he believes the culture of the company to be connected to growth and not getting comfortable. We interpret the use of “*not getting too comfortable*” in this context to be a way of describing a perceived need for change. This is something that can be tied back to the original intention of the CEO, the importance of always changing. The mention by Andersson regarding the importance of avoiding comfort in relation to the company culture highlights the increasing prominence of the culture of change. This becomes more evident in further interviews with Gustafsson, when s/he discusses getting out of the comfort zone. However, s/he on the other hand does not talk about it in reference to the culture but rather in reference of her/his view on her/his work in general.

*If I work with accounting and writing invoices for example, if I'm not interested in learning new things and only want to sit still then I can have many goals but I will never achieve them since I never push myself out of my comfort zone. - Gustafsson*

In this quote from Gustafsson it once again becomes evident how performing and conducting activities outside of their comfort zone could be interpreted as discourse for doing new activities and change. With this interpretation of the way of talking in mind we interpret this quote as a

further example of how change is something that the employees at Company X deem as necessary. Gustafsson describes how s/he and her/his personal view on achieving her/his work related goals is connected to change, which indicates that the culture of change is not only evident when the employees talk about the specific culture in mind but also in the goals and beliefs of the employees. Since the definition of culture is the manifestation of expectations, goals and values of organizational members, Gustafssons quote becomes a clear example of how change is a rooted part of Company X's culture. It may however be interpreted as a bit subjective to talk about single individual values and how the employees talk about culture in itself. However, the empirical material also contains more evidence of actions that confirm this belief of an organizational culture of change.

*Employees who are not comfortable with working hard and changing and learning new stuff all the time, they may leave the company since they think that that is hard. - Fransson*

*Because it is always something new each quarter that we have to work toward. Maybe you have to make sure that the key performance indicators that we have are good and then ok we need to read and learn and there is always something new. - Carlsson*

These quotes we interpret together since the combination of Carlsson really empowers the quote from Fransson. Starting off with the quote from Carlsson, we believe this finding materializes the actual high pace change environment that the earlier interviewees talk about. Earlier material has only indirectly talked about culture and their personal beliefs. While these quotes indicate a shared belief or a norm of where getting comfortable is not accepted we believe this quote we interpret the actions mentioned in Carlssons quote as the actual happenings that contribute to those beliefs and so the culture of change becomes more apparent. Since culture simply is the sum of all employees' thoughts, goals and aspirations that gets embedded into their action we interpret Franssons thought on this to replicate that if you are a part of Company X then you are a individual whom are “*comfortable with working hard and changing and learning new stuff all the time*”. Ergo a culture of change becomes apparent at Company X. The last empirical material

that we present in regards to culture of change is another example of how this culture has become embedded in the individuals and in their personal beliefs.

*(...) Yes now we are changing this again... that is a personal driving force for me, this concept of change. To always adapt and learn new flows and find new ways to work and implement new ways of working. - Bengtsson*

We interpret this quote in the empirical material as a clear indication of the fact that change occurs often at Company X has resulted in an organizational culture of change. This observation is evident in the interview with Bengtsson, where s/he shares her/his perspective on the significance of change. Her/His view on the concept of change reflects a positive perspective, as s/he consistently strives to embrace it. This observation, along with the earlier and forthcoming evidence, suggests the presence of a culture of change at Company X, which is very much in line with the empirical material gathered from the pilot interview with the CEO. In our understanding, this becomes a good indication of how the culture of change has spread within Company X from the top down.

In summary, there appears to be an apparent culture of change at Company X. Based on the empirical material, this is observed in three main ways; primarily through the aspiration of the long lasting CEO of always conducting change. This was then indicated further on when employees discussed how they view the culture of Company X. Finally this was also confirmed in further empirical material from employees where they describe that their own drive forces are connected to change which to us indicate a significant culture of change.

#### *4.1.2 Ambition as a cultural norm*

Moving on to the second pillar of the culture which was observed in the interviews with employees at Company X is a culture of high ambition. When talking to the employees at Company X, a common denominator of an inner motivation to perform at work becomes evident. Andersson and Danielsson for example describe a feeling of satisfaction when they are doing a good job.



*I get satisfied if I feel like I have performed well. - Danielsson*

*To deliver what should be delivered with a high quality and more importantly see results is something I think is important, it is a driving factor for me personally. - Andersson*

From this material we gather that these employees express that a good performance in their professional role is something that makes them feel content. Performance appears to be strongly related to motivation and satisfaction for many employees in Company X, which further suggests ambitious traits.

Furthermore, some employees express that a key factor in order for them to perform well in their professional role is their personal drive. Carlsson describes that ability as a key part of her/his job description:

*Well, you need to be driven in order to be a good (product owner) because you need to find new solutions also. - Carlsson*

This interpretation suggests that Carlsson views being driven as an indicator of performing well in one's professional role. This interpretation suggests an equivalence between her/his statement and the implication that being driven is a requirement for performing well in her/his role. When interviewing Gustafsson it once again becomes apparent that the employees view their personal traits of being driven as something that is positive for their professional role.

*I believe I have a central characteristic of not being afraid when trying new things and not being afraid of pushing into unknown territory. - Gustafsson*

This is how Gustafsson responds to a question that asks which traits and characteristics that are advantageous to have both within her/his role and within Company X. Here we interpret that pushing into unknown territory as a synonym for trying new things and wanting to try new things. This indicates that Gustafsson believes that in order to thrive at Company X the employee

needs to be driven enough to want to try new territory and explore, that it is simply not enough to follow the pack. The employees do not only talk about needing themselves to be driven, they also discuss in general what type of personality traits that would fit well at Company X.

*Employees who are not comfortable with working hard and changing and learning new stuff all the time, they may leave the company since they think that that is hard. - Fransson*

*There actually is a spirit of pushing forward among the people working (here). I don't think I could imagine anything more boring than someone tardy, like at an authority office where no ambitious... or not no ambitious, but that they prioritize going home at 3 pm you know... - Hansson*

Even though this quote was used earlier to describe a culture of change we believe this quote to be a broader generalization to what was described in Carlsson and Gustaffsons quotes. Fransson mentions that not only people who are not willing to change but also employees who are not comfortable with working hard would probably have a hard time at Company X. Furthermore, Hansson mentions that s/he gets motivated by driven and ambitious coworkers and would not want to work at a place where people were not ambitious. We believe that these statements from Fransson and Hansson describe cultural norms at Company X. The fact that these answers are not related to any questions about the culture is even more convincing that this in fact is a description of cultural norms. When Fransson and Hansson mention this outside of any culture-related question they materialize the culture in describing their view on what it is to work at Company X. When they describe what their individual beliefs are regarding which individuals would fit in at Company X, they are also in proxy describing the norms of being ambitious at the company.

Moreover, many employees expressed an urge to over-deliver. The respondents were asked what it meant for them to perform well at work. In many cases, the answers to this question revolved around exceeding the expectations of others.

*Wow, that's a good question, actually. Well, I think that performing well at work means doing what is expected of you. It's about meeting your responsibilities. If you perform well, then you might even exceed those expectations. - Hansson*

*I believe delivering what needs to be delivered to a high quality and, above. Seeing results is important. It's more than a driving factor for me personally. I want to see that what is being done leads to something better, and not just numerically. - Andersson*

From the answers from Hansson and Andersson it is clear that performing well does not only mean doing what is on your table of tasks, but also exceeding the expectations of the colleagues, management and other stakeholders, in other words; over-deliver. In line with this, other respondents agreed with the fact that doing a good job means that you should over-deliver in order to do a good job;

*I also think that if you want to do some kind of career or perform well at work, it is pretty important for me to over deliver a little bit so the people that I work with and my managers see that I am doing a good job. - Fransson*

*And to do it (the job) is of course good, but usually you would want to do a little bit more I think. (...). So I think that to perform well is to always change how you are working and to grow, to move forward in some ways. - Carlsson*

These answers from Fransson and Carlsson amplify the suggestion that over-delivering is a shared norm among many employees of Company X which further suggests ambition as a cultural norm.

To summarize, we see a clear norm by the employees to over-deliver and to be ambitious at the workplace. For some of the employees at Company X performing well is not only something that they strive for but also something that motivates them at the workplace. The employees also express that they believe a driven personality is important in order to do a good job in their position. We draw the analysis that over-delivering, being motivated by high performance and

having a driven personality are strong arguments for a person being ambitious. We identify a norm of over-delivering in order to consider doing a good job, a norm of feeling satisfied at a high performance and a value of being driven in order to fit in at Company X. As culture can be defined as norms and values shared by members of the organization we argue that there is indication for ambition being a cultural norm in Company X.

## **4.2 The performance appraisal to align, assure and amplify the cultural norms**

As discussed in the earlier sub-chapter, two main pillars of organizational culture were identified at Company X; change as a cultural norm and ambition as a cultural norm. In relation to this, we have found that the employee performance appraisals could be a way of amplifying the two main cultural norms. Furthermore the employee performance appraisals could also be a way to make sure that only seemingly dedicated employees stay. In this subchapter of the analysis we will reason how the performance appraisals interviews aligns, amplifies and assures the organizational culture.

### *4.2.1 Alignment*

When doing field work some factors that indicate that the PA system leads to alignment appear. For example, the employees talk about the PA system and describe the actions needed to be taken before these interviews, which indicate that the PA system encourages or even pushes them to align themselves to the cultural norms of ambition and change. This is apparent in the following quotes from Carlsson and Andersson.

*So it is about me wanting to do something, but at the same time it is like... For me to be able to develop in my role I need to grow in the direction of the company, so they usually go hand in hand. - Carlsson*

*This is more of a performance appraisal that you have with your boss, so once every quarter we have a performance appraisal with our boss and as an employee you are*

*expected to come prepared to, well to have determined what you want, what you need to improve the coming quarter in order to, well, deliver in your position and to ensure future competence. And that could for example be that you need to develop your knowledge. - Andersson*

In these quotes Andersson and Carlsson describe the process of preparation for the PA interviews. Here two interesting aspects indicating the alignment with the cultural norms appears. Primarily Carlsson mentions that for her/his to personally develop s/he needs to grow in the same direction as the company. This indicates that Carlsson feels the need to fit into the described organizational culture when setting her/his personal goals for the PA interviews. Since the company has a goal to always change, the PA interviews may force Carlsson to think about and align her/his goals and actions with the corporate culture and goals for change. Furthermore Andersson mentions how the PA interview forces the employees to align themselves with the culture of being ambitious. Andersson describes that the PA system forces the employees to prepare for them. As an initial thought that might not seem surprising or significant, but after further analysis, this need for preparation could be interpreted as a factor that leads to one main action that aligns the employees to the culture of being ambitious. Preparing for the PA interview forces the employees to think about and plan where they want to be in the future in order to set goals and targets for the future. This in turn forces them to both think about how they want to change, but also urge them to set goals that evolve them which in turn could be seen as aligning the employees with the culture of being ambitious. Other instances that suggest the alignment as a result of the PA system can be observed when discussing the transition with employees. When discussing the transition to this PA system with senior employees, implications can be inferred that the employee actually has been aligned with the organizational culture. This becomes evident in the interview with Danielsson.

*In the beginning I thought it was a little bit troublesome. I saw it almost as a threat but that was before I understood that this is about personal knowledge development then I decide what I want to develop but of course there is a demand to always develop. - Danielsson*

Here we notice that Danielsson firstly indicated some issues with the PA system. But the fact that s/he later mentions that s/he now enjoys the PA system could be seen as a signifier that s/he is fully aligned with the culture. The concerns that Danielsson had in viewing this as a threat is legitimate since the PA system could lead to termination. But now that s/he talks about it after the fact and s/he has already been aligned s/he discredits that threat. This shows that the PA system in combination with the culture at the company may have changed the way Danielsson views the PA system itself. We interpret her/his change of view on the PA system as the effect of Danielsson being accustomed to the PA system and the PA system aligning him to the culture.

#### *4.2.2 Amplification*

The empirical material indicates that the performance appraisals used by Company X is not only sustaining the existing culture but also amplifying it. After the performance appraisals were explained by the employees who attended the study, the conversation naturally transitioned into discussing the purpose of the performance appraisals. In those responses, the nature was consistent; employees believed that the performance appraisals were meant for personal growth, which they indeed appreciate.

*Since the purpose of this (performance appraisals) is to evolve the employees competence within their field of work and to create employees that care for the corporation. I believe it to work quite well anyways. - Fransson*

*(the purpose) is to always learn something. Would you just sit still and do the same thing and not learn anything then you get into a situation where you go “Oh Sunday again I am not looking forward to going back to work”. But in contrast this is fun since I get to learn new stuff all the time. - Danielsson*

Fransson describes that s/he believes the purpose of the performance appraisals is to evolve the knowledge of the employees and to create employees that are driven for the company cause. Danielsson confirms Franssons statement by also describing the cause of the appraisals to make the employees always learn something. Danielsson also describes her/his enjoyment in the

appraisal since s/he gets to learn new things all the time. This displays signs of an amplification of the identified cultural norms of always learning and evolving. Furthermore, when asked what the employees think of the performance appraisals, some describe them as having a positive influence since it makes them evolve in ways they wouldn't in absence of the system.

*Yes, I view it as positive. I think it is good because I believe I get to learn new things that I would not have learnt otherwise. Yes, I would not have paid and went to those courses privately. - Hansson*

Hansson describes that s/he would not have made the same knowledge development, for example by paying and going to courses, if the performance appraisals did not exist. This is a strong indication that the cultural norm of always changing is amplified with the existence of the performance appraisal system. Andersson also describes a positive view on the PA system since s/he gets the resources to evolve.

*I personally think it is very motivating to get resources and possibilities to evolve and I have had many different roles at X since I started and that is with help from these courses and evaluation plans which have resulted in you always being able to take the next step. - Andersson*

Anderssons statement attest to Hanssons regarding getting opportunities to evolve. The statement "you get resources and opportunities" suggests that you get something you wouldn't have otherwise, meaning you get to develop in a way you wouldn't without the PA.

Considering that learning new things entails updating existing knowledge, we interpret these statements as equivalent to the concept of change. Furthermore, when employees advocate that these performance appraisals contribute to learning new skills and continuous improvement, this could be interpreted as a way for the PA system to amplify the emphasis on being ambitious.

### 4.2.3 Assurance

In employee interviews, it was found that not meeting goals set during quarterly performance appraisals with one's manager has consequences, including placement in a non-performing category after two consecutive failures and potential termination after three consecutive failures. However, when the employees explained the consequences of the non-performing group, there was some uncertainty expressed. This is how the employees described the process:

*If you fail at it, I think it's two consecutive quarters, then you end up in some kind of no-performance process, and then you get an action plan together with the manager on how to improve... you have to achieve it (the goal) in order not to end up and receive some sort of warning, I believe. I don't know the details, but it's something like instead of rewards, we have the opposite? - Andersson*

*I believe there is a certain rule set in place there... I don't remember it exactly, but what I think is that if you miss it twice, meaning two consecutive quarters without achieving or making progress in what you have stated in your goals, then something might happen. It could be like this... Let's say I have completed 50% of a course, so I have still done something, but I haven't achieved the full 100%. However, if someone hasn't done anything for two quarters, then I believe they would have a discussion with their manager about... Are they doing enough? - Carlsson*

The quotes indicate that there is some uncertainty regarding the process if one fails to meet their goals. This could be due to certain employees not being aware of the goals or not being provided with the information. The variation in employees' knowledge of the consequences is an interesting factor. According to our interpretation, intentionally or unintentionally, this performance management system may be designed to ensure that individuals who fit the core culture and share the company's values remain in the organization, while the system also is serving as a means to part ways with employees who are deemed incompatible with the company's long-term vision of constant change and improvement. Another way that the PA system assures that the culture remains is by motivating and encouraging individuals that share



the same beliefs as the company culture to stay. This can be demonstrated through the following quote.

*Many times has it (the PA system) contributed to the fact that I still work at Company X. The fact that I get to try new things and learn and change. Not all steps have been to a higher hierarchical level. - Hansson*

In our estimation, the PA system does not only assure the culture by sorting out the individuals not fit for but it also manages to maintain the employees who do identify with the culture. By giving the employees the possibility to thrive in an ambitious and changing environment and workplace the PA system can detect this and enable the employees to perform the change and ambition that they so deeply comply with. In this way by keeping and motivating the individuals that recognize themselves in the culture the PA system manages to assure the culture at Company X.

To summarize, these performance appraisals could be interpreted as a way to control, assure and amplify the desired culture within the company. This is achieved by employees setting goals every quarter in alignment with their manager, ensuring that the culture of constant change and improvement is upheld. If this is not achieved, there are consequences in place with the intention of retaining the 'right' employees and legitimizing removing those who, according to the logics of the PA system, do not align with the company's core values.

### **4.3 Employee reactions**

A third theme observed in the conducted empirical material is the employee reactions to the performance management system in the form of performance appraisals at Company X. As sorting the empirical material, two types of consequences were identified; *intended* and *unintended* consequences.

### 4.3.1 Intended consequences

In order to understand what the intended employee consequences are we find it essential to understand what reactions management wants to receive in relation to the PA system. From the pilot interview with the CEO s/he described that in order for the company to reach their target growth, 15% annually, the employees need to grow as much.

*All employees have a performance appraisal each quarter, just them and their boss, where we demand a 15% growth every year from every employee so that you get to learn more so that you can deliver more and more. And this is great. - CEO*

The CEO explains that the purpose of the performance appraisals is for the employees to develop and evolve. There is even a target amount of how much the employees should change for the better, 15% annually. S/he also describes that the employees need to be driven in their own goal setting.

*The employees come to me and suggest this (their goals), or report this to their boss and then they say “well this is not enough, you need to do more” in order to stimulate and push so that they (the employees) are driving their own competence. And that responsibility is on the employee to do this. - CEO*

Here it becomes clear that it is the employees responsibility to set goals and to be driven about their knowledge development process. To summarize, the intended goal of the PA system in Company X is for the employees to develop their knowledge, i.e to constantly change and grow in the direction of the company goals, and for the employees to be driven about their change journey. When comparing these intended goals with the analysis drawn above, it can be observed that they align well. Employees' reactions such as wanting to stay at the company partly because of the PA system and employees confessing to adapting to the culture of change and being ambitious is a testimony to the alignment. In the chapter above we further argue that the PA system affects the culture in three ways: alignment, amplification and assurance. We thereby

draw the analysis that these three effects on culture were an intended consequence of the PA system from management point of view.

#### 4.3.2 *Unintended consequences*

An unintended consequence of this PA system could be seen from reactions from individuals that already were compliant with the culture. We deem that reactions from employees that are not compliant with the culture as an intended consequence. The reason for this is connected to the assumption that one intended consequence of the PA system is to align the culture. Then causing employees that are not aligned to the culture to react to the PA system can be seen as an indicator that they are not aligned and prompt management to act accordingly. However a reaction on the PA system from employees who are compliant with the culture could be seen as an unintended consequence. An example of this can be observed in the following quote.

*I think maybe the company should ponder (about the non-performative association), because I know that when I got the instructions for this (PA), a policy, or a file, for under performers was included. It basically says more or less that if you do not fulfill what is demanded of you, two quarters in a row, you are classified as a non-performer and if you do not do it (the goals) for another quarter, then that is reason for termination. And that feels, well it is not so motivating to have that in the foundation of a development plan. - Hansson*

Here Hansson mentions that s/he believes that Company X should reconsider the way that they present the information in regards to the non-performative association. Hansson expresses concerns and skepticism towards the PA system that is not connected to the culture within the company. And since Hansson otherwise mentions that s/he likes the PA system and what it accomplishes, small details of the system that are not there to contribute or affect the culture may lead to resistance towards the PA system. Carlsson also questions the intent of the PA system and describes that s/he thinks there is an underlying will to control people with the system.

*I think it probably is some sort of underlying control, that they want to check that people actually take measures to develop and push themselves. - Carlsson*

Carlsson expresses that there probably is an intent to control that people are active in their development and that they push themselves. As we pointed out in the previous sections, this can be seen as one of the purposes with the PA system. Furthermore Carlsson explained that s/he does not see the point of the PA and could manage without it.

*The personal performance appraisal I could probably manage pretty well without, but I think the group OKRs are good to drive us forward. - Carlsson*

Here Carlsson describes that s/he could manage well without the performance appraisal but thinks the group OKRs, another performance management system in Company X on group level, is good since they drive them to develop as a team. It becomes clear that the purpose of the PA is not experienced by Carlsson and s/he does not think it is necessary. We view this as Carlsson questioning the intent of the system and thereby also the need and benefit of it. This can be seen as a consequence that management did not intend to happen when they formulated and established the PA system.

Furthermore, other unintended consequences of gaming behavior are apparent. The empirical evidence suggests that there seems to be a strategy for maintaining an improvement spirit; under-promise and over-deliver. Throughout the gathering of the empirical material, some of the respondents explained that in order to over deliver, they set slightly more cautious goals to ensure that they actually achieve them.

*So otherwise, you would probably set slightly higher goals. Now it becomes more like you set a lower goal just because you know you can achieve it, and then it's not like... It's not good to set any goal, but... I think you become a little more cautious when setting a goal. But I think it affected me more in the beginning when we started with it. - Carlsson*

Setting lower goals may, therefore, mean that employees feel more restrained and do not develop to the same extent as would otherwise be possible. Since there is generally an ambitious atmosphere in the company with high goals coming from each employee, it may be a hindrance for them to be challenged to set tougher goals since their performance is evaluated based on whether their goals have been achieved with consequences for those ‘non/low-performers’ that does not meet the set goals. As Carlsson explains, they may set lower goals just to ensure that they have met and in best case, exceeded them. Based on this, a parallel could be drawn to a classic grading system in schools. The goal for a subject may be to pass and complete the course, but the better the performance, the higher the grade, which is further followed by praise and benefits. It thus becomes a certificate of how well-performing one is, with consequences for low performers, who in this case would receive a failing grade from the system while the high performers get the opportunity to thrive in their professional role. Thus, this can lead to the employees, consciously or unconsciously, performing gaming activities to avoid a failing grade and risking being categorized as non-performers.

Further on this is also noticed through other interviews. We notice that even though the culture within the company is ambitious there is a tendency towards not setting the highest possible goals due to wanting to rather over achieve. This can be seen in the following quote

*No, but... It's about being able to deliver something when it is supposed to be delivered. It's about, what you do say, under-promise over-deliver. - Eriksson*

This quote comes as an answer to the question if there is any specific indicator that makes Eriksson feel like they have performed well at work. Even though this answer does not come from a question that relates to PA systems it appears to carry some correlation to the earlier quote by Carlsson, who mentioned how some of the employees set slightly lower goals to ensure the actual achievement and in order to over-deliver. We interpret the saying “under-promise over-deliver” as an indication of some sort of gaming behavior. Since gaming is about meeting the measurement that is set rather than trying to achieve the underlying goal the pursuit to under-promise and over-deliver can thus be viewed as gaming behavior. And since this is the general mindset of Eriksson, this may apply for the goals set by the PA system as well. With this

in mind the possibility of gaming being an unintended consequence of the PA system becomes more apparent.

To summarize, in the empirical material we have identified two strong cultural norms of change and being ambitious. These norms are then aligned, assured and amplified by the PA system used at Company X. The PA system aligns the employees to the culture via forcing them to prepare and be ambitious by planning their future goals for each PA interview. The PA system also assures the culture by providing a source for termination if the employee does not manage to meet the goals set on the PA interviews. It also assures the culture by providing a reason for the employees who are aligned with the culture to stay. Finally the PA system amplifies the culture by forcing the employees to learn new things which can be interpreted as an indicator of change and being ambitious. Finally we observed that employees respond to this in both unintended and intended ways.

## 5. Discussion

*The purpose of the following section is to flesh out how this study contributed to existing knowledge. In this section, the empirical findings are discussed in relation to the theoretical framework of the study.*

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### 5.1 The relationship between organizational culture and PA systems: theoretical correspondences

The empirical findings discovered in this thesis supports earlier studies done in regards to how PA systems assure, align and amplify the organizational culture (Moyo, 1995; Asmita, 2005; Hofstetter & Harpaz, 2015; Behery & Paton, 2008; Mullins & Tullar, 1986). The results in this study shows how the culture within Company X is aligned by the PA system. This can be noticed in the empirical material when the employees talk about the task that has to be performed before the interview with their manager and it becomes clear that the PA system forces the employees to become more in line with the culture of change and being ambitious. Since the preparations require the employee to reflect on what they need to do to improve, change and accomplish in order to reach their long term goals. This results in the PA system aligning the employees with the culture. The same phenomenon is brought up in earlier studies by Moyo (1995) where it is argued that the socializing and reflections that comes as a consequence of the PA system leads to a maintenance of the organizational culture. In this study the same behavior is noticed but we refer to it as assuring rather than maintaining.

Furthermore, reasons for the use of PA systems assuring the culture rather than maintaining it is due to that we also find tendencies mentioned by Hofstetter and Harpaz (2015). Within the empirical material it is found that the activities that need to be done before the PA interview are decided by the top management. Therefore, they control what dimensions should be focused on before and during the PA interview. This way where top management controls the dimensions of the PA systems is mentioned by Hofstetter and Harpaz (2015) and contributes to the fact that management can in such a way steer the culture. Accordingly, the alignment between our

empirical findings and the previous studies by Hofstetter and Harpaz (2015) as well as Moyo (1995) support their argument and lead to the conclusion that the PA system aligns the culture at Company X.

The empirical material also suggests that the PA system can amplify the culture within Company X. This can be witnessed when the interviewed employees answer how they talk about the PA interviews. The employees describe how the PA system both forces them to reflect and makes them further enjoy personal development. By interpreting that updating your knowledge through personal development is equivalent to changing and raising your ambitions for yourself it becomes evident that the PA system amplifies the cultural norms at Company X. This complies somewhat with the statements made by Asmita (2005). Here the author argues that the culture could be fostered by the PA system. Since our findings show that the PA system can result in the employees amplifying the actions that lead to the culture of change and being ambitious there is somewhat of an alignment between the empirical material and the arguments made by Asmita (2005). However, since our empirical material shows that the PA system leads to a stronger existing culture rather than fostering a new one, the PA system rather amplifies than fosters the culture at Company X.

Lastly, it is also evident in the material that the PA system assures the culture at Company X. This becomes evident when the employees discuss the consequences of failing to embark on the goals set during the PA interview two consecutive quarters in a row. This can be compared to an earlier study by Hofstetter and Harpaz (2015) which argues that PA systems can diagnose the culture in an organization. Hofstetter and Harpaz argues that PA systems can be used in order to notice discrepancies between the declared and actual cultural norms and in such a way diagnose the culture within the organization. The PA system at Company X could be found to do the same, as the PA system alerts the managers when an employee is not aligned with the culture by the “non-performative category”. This could be seen as a diagnostic trait of the PA system where the manager gets alerted if there is an employee who does not fit into the desired culture and therefore fall into the “non-performative category”. This way the PA system can be used to notice discrepancies between the declared culture and the culture within an individual employee. In that way the empirical findings from Company X correspond with the statements by Hofstetter



and Harpaz (2015) on PA systems having a diagnostic feature. However in the empirical material it is also noticed that the PA system enables more than simply providing a diagnosis. Since being in the “non-performative category” and failing the set goals a third consecutive quarter can be seen as cause for termination, the PA system also provides a method for the managers to act on the diagnosis that the system provides. In such a way the PA system observed at Company X not only diagnoses the culture but rather assures a desired culture, which could be an insight adding deeper knowledge to existing literature.

## **5.2 Employee responses to the PA system**

### *5.2.1 The under-promise and over-deliver game*

Based on the analysis, we found a contradiction between the ambitious organizational culture and the strategic behavior of the employees which could be perceived as gaming. On one hand, the employees express a prestigious culture through norms such as change and ambition, but on the other hand, they also state the fact that they may set lower goals during the quarterly performance appraisals to ensure they’ll be achieved. This is consistent with previous research that discusses this as a form of gaming where the employees are not breaking the rules, but rather bending the rules (Randor 2008; Pollit, 2013). However, it is an interesting finding that among the employees there is currently no indication of resistance, but rather an appreciation for these PA systems. This is in line with Behery's and Paton’s statements regarding that PA systems need to be aligned with the organizational culture in order to achieve a *"good fit for the employee"* (Behery & Paton, 2008). The fact that the employees show appreciation rather than resistance to the PA system further gives strong indications that the employees are aligned with the organizational culture that is characterized by high ambition. This is a requirement in accordance with previous research for a system of this nature to be successful (Keeping & Levy, 2000).

Conversely, setting lower goals and then exceeding them can be challenging and developmental for some employees, which can give them a sense of accomplishment and further motivation to strive for improvement, which is very much aligned with the culture at Company X. This sort of

gaming activity has been argued by Gao (2015) to be rather harmless since the goals are reached and reported in a truthful way. If then the desired outcome is achieved through the PA system, it can be viewed as harmless since they are still improving. With that being said, setting lower goals can however be a risk because it may lead to employees not reaching their full potential and perhaps not achieving the highest levels of performance. This in turn can lead to limited organizational growth and innovation and in that way harm both the company and the employee. The employees might have dared to set higher goals if the performance appraisal systems did not exist, which, however assumes that they truly possess traits of strong motivation. It can also create a culture where the focus is on achieving the goals and being classified as a high performer with possibly an internal fear of the consequences, rather than actually developing and growing as a professional, which indeed is an undesirable consequence of gaming in accordance with previous research (Graf et al., 2019).

Additionally, a strategic behavior of gaming is observed at Company X which can be seen as contradictory to the identified culture. An ambitious person probably avoids intentionally setting lower goals to guarantee their achievement. However, doing so might give the impression that employees are apprehensive about the potential consequences of not meeting goals during performance appraisal discussions.

Another noteworthy finding of the analysis is the employees definition of performing well, where they explained over-delivering and exceeding expectations is in their opinion doing a good job. When putting this in relation to the PA system, we reflected on the fact that the PA system is not the driving factor for the employees to over-deliver. It is rather the fact that the employees intentionally set lower goals for psychological safety, which leads to a perception of over-delivering. However, as we perceive ambition and development as influential aspects of employee responses, we connect this reasoning to previous research. Aboubichr and Conway (2021) found an inherent risk of even individuals against the unintended consequences of gaming, performing gaming activities themselves as PM systems are a part of the workplace (Aboubichr & Conway, 2021). In spite of that, we believe it would benefit and promote organizational growth and innovation if the PA systems could be combined with ambitious cultural norms *as well as* psychological safety. In this context, psychological safety would

involve creating a secure environment for employees to set higher goals without fear of falling into the non-performance category, thus promoting their qualities of ambition in order to strive for higher achievements. In summary, the study has shown indications of unintended consequences that contradict the very purpose of developing both the organization and its employees.

### *5.2.2 Influence of an early leader*

One consequence that we saw from the empirical material was tendencies to question the intent of the PA system or to question certain aspects of the system. However, since the employees are happy about the PA system and the results it produces, there is currently no questioning that could lead to a ripple effect of resistance. However, we reflect upon the fact that this could potentially be a concern for Company X in the future. As Daft (2020) points out, organizational culture is often created from the vision and norms of an early leader. If that leader succeeds in making the organization successful, the culture becomes accepted and affirmed by the members. Furthermore, in accordance with earlier research by Moyo (1995), the effectiveness of the PA system is correlated with how the managers responsible for maintaining the performance appraisal system perceive it. When the manager handling the performance appraisal offers support and coaching, it cultivates a receptive attitude among employees towards the PA system, which is an important aspect of managerial involvement in shaping employees perception of the PA system ( Moyo, 1995; Pichler, 2012; Ratkovic & Orlic, 2015).

In the case of Company X, the CEO built the company from an early stage and the methods used can be viewed as successful as the company is world leading in its field. The CEO possesses clear traits that his view is very much aligned with the culture of the company, thus we argue that the culture is strongly influenced by the point of view of the CEO. One can argue that since this culture has worked to make the company successful, employees who do not understand or agree with the management may avoid making resistance. However, in the absence of the early leader - such as if the company decides to expand to more offices or if the CEO is replaced - the traits we observe, where some employees question aspects of the PA system, may become more

significant from a future perspective. This can indeed pose a potential risk for the company and its core culture of constant change and ambition.

## 6. Conclusion

*In this final chapter of the study, the conclusions along with the theoretical and practical implications are presented. Finally, a summary of the study's limitations is provided, along with suggestions for future research.*

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### 6.1 Conclusions of the study

Based on the conducted and analyzed empirical material, we have been able to identify indications that performance appraisals have cultural significance in several ways. Firstly, they serve as organizational tools for managing culture by aligning, amplifying, and ensuring the desired culture of high ambition and constant change for improvement. This can be perceived as a means of controlling behavior, expressing cultural norms and values, as well as ensuring that employees embrace and adhere to a culture of ambition and constant change. Additionally, it legitimizes termination of the employees who don't fit the desired culture of performance. Secondly, the PA system has elicited two distinct reactions from employees; primarily by the intended consequences such as annual growth and aligning corporate goals with cultural norms. Equally important by the unintended consequences of employees' strategic gaming behavior, where the employees engage in counteractive behavior that contradicts the cultural alignment.

### 6.2 Practical implications

The practical relevance of this study is that it can provide managers and others in organizations with a deeper understanding of how performance management systems can control culture and thereby create and maintain cultural norms. This is to ensure that the "right", ambitious employees remain in the company, while this system legitimizes termination of those who do not align with the company's culture. However, the employees can, consciously or unconsciously, find alternative strategies to manipulate the system but still ensure that they align with the company's culture. Hence, the organization may appear ambitious on the surface, but underneath there may be unintended consequences of the performance management system that may inhibit

the development of both the employees and the company, which could be based on a lack of psychological safety for the employees. In conclusion, this study has contributed to a deeper understanding of the relationship between performance management systems and organizational culture.

### **6.3 Limitations and suggestions for future research**

The limitations that we experienced during this study have mainly been the time constraints. We have interviewed a total of nine people from our study object including the CEO. Nonetheless, in order to gain a deeper understanding of the organization, we would have appreciated the chance to interview a greater number of participants. The reason for this is that responses towards PA systems is something subjective to examine and we reflect on whether the answers would have been the same if more employees had participated. Building on the findings of our study, we encourage more studies focusing on the unintended consequences that may emerge as a result of implementing a PA system. If time constraints had not been a limitation, we would therefore also propose to combine a qualitative empirical study in combination with observations at the study object of choice, with the aim of creating further depth in the empirical material and go beyond what appears during interviews.

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