

Performance management system in the organisations: An empirical study

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Abstract

Performance management philosophy is based on innovation in every area of the organization. Concern with continuous improvement is based on the belief that continually striving to reach higher and higher standards in every part of the organization will provide better performance and will be in position to give competitive advantage to the organization over its competitors. This means clarifying what organizational, team and individual effectiveness look like and taking steps to ensure that those defined levels of effectiveness are achieved. As Armstrong and Murlis said that helps in establishing a culture in which managers, individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, competencies and contribution.' The present study is an empirical study to find out the Performance Management System interventions in the select organizations.

Keywords: performance, rating, human resources

Introduction

"Talent is one of the last frontiers for differentiation. Any company can have a patent or produce a product. The difference is the quality of that product comes with the value of the talent you have." – Elaine Orler, President and Founder of the Talent Function Group

According to Armstrong and Baron (1998), Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals.

The term performance management gained its popularity in early 1980's when total quality management programs received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an ongoing communication process which is carried between the supervisors and the employees throughout the year. The process is very much cyclical and continuous in nature.

A performance management system includes the following actions.

- Developing clear job descriptions and employee performance plans which includes the key result areas (KRA) and performance indicators.
- Selection of right set of people by implementing an appropriate selection process.
- Negotiating requirements and performance standards for

measuring the outcome and overall productivity against the predefined benchmarks.

- Providing continuous coaching and feedback during the period of delivery of performance.
- Identifying the training and development needs by measuring the outcomes achieved against the set standards and implementing effective development programs for improvement.
- Holding quarterly performance development discussions and evaluating employee performance on the basis of performance plans.
- Designing effective compensation and reward systems for recognizing those employees who excel in their jobs by achieving the set standards in accordance with the performance plans or rather exceed the performance benchmarks.
- Providing promotional/career development support and guidance to the employees.
- Performing exit interviews for understanding the cause of employee discontentment and thereafter exit from an organization^[10].

The terms 'performance management' and 'performance appraisal' are sometimes used synonymously, but they are different. Performance management is a comprehensive, continuous and flexible approach to the management of organisations, teams and individuals which involves the maximum amount of dialogue between those concerned. Performance appraisal is a more limited approach which involves managers making top-down assessments and rating the performance of their subordinates at an annual performance appraisal meeting.

Table 1

Performance appraisal	Performance management
Top-down assessment	Joint process through dialogue
Annual appraisal meeting	Continuous review with one or more formal reviews
Use of ratings	Ratings less common
Monolithic system	Flexible process
Focus on quantified objectives	Focus on values and behaviours as well as objectives
Often linked to pay	Less likely to be directly linked to pay
Bureaucratic-complex paper work	Documentation kept to a minimum
Owned by the HR department	Owned by line managers

Source: <http://www.whatishumanresource.com/performance-management-vs-performance-appraisal>

Performance management is concerned with assumptions, mutual obligations, expectations and promises (Guest, D E *et al.*, 1996). The views of some of the leading organizations of performance management approach are given below:

- According to Eli Lilly and Co., performance management focuses on aligning the individual goals with the goals of the organization and ensures that the employees work on the right tasks and do the right things.
- According to Standard Chartered Bank, performance management is concerned with those processes and behaviors by way of which the managers manage the performance of the employees for developing high achieving organizations ^[11].

A good performance management system works towards the improvement of the overall organizational performance by managing the performances of teams and individuals for ensuring the achievement of the overall organizational ambitions and goals.

An effective performance management system can play a very crucial role in managing the performance in an organization by

- Ensuring that the employees understand the importance of their contributions to the organizational goals and objectives.
- Ensuring each employee understands what is expected from them and equally ascertaining whether the employees possess the required skills and support for fulfilling such expectations.
- Ensuring proper aligning or linking of objectives and facilitating effective communication throughout the organization.
- Facilitating a cordial and a harmonious relationship between an individual employee and the line manager based on trust and empowerment ^[12].

Performance Management Analysis

A technique that can be used to assess the impact of performance management in an organization is the Performance Management Analysis

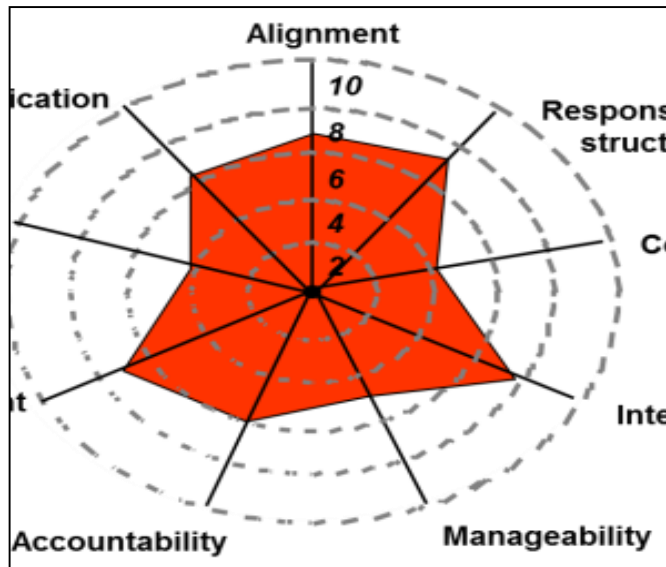


Fig 1: (PMA) (de Waal, 2010).

The Performance Management Analysis makes a distinction between structural and behavioral aspects of performance management. The structural aspect refers to the system’s architecture, which needs to be in place in order to use performance management. This usually involves determining Critical Success Factors (CSF) and Key Performance Indicators (KPI) as well as designing a Balanced Scorecard (Kaplan & Norton, 1996).

Nine Dimensions of Performance Management Analysis

The Performance Management Analysis is a comprehensive survey instrument currently divided into nine dimensions. These dimensions are briefly described below ^[13].

1. **Responsibility structure (structural dimension):** A clear parenting style; tasks and responsibilities have been defined and are applied consistently at all management levels.
2. **Content (structural):** Organization members use a set of financial and non-financial performance information that has a strategic focus (e.g., CSFs and KPIs).

3. **Integrity (structural):** The performance information is reliable, timely, and consistent.
4. **Manageability (structural):** Management reports and performance management systems are user-friendly, and more detailed performance information is easily accessible through ICT systems.
5. **Alignment (structural):** Other management systems, such as the human resource management system, are aligned with performance management, so what is important to the organization is regularly evaluated and rewarded.
6. **Accountability (behavioral):** Organization members feel responsible for the results of the KPIs of both their own responsibility areas and the organization as a whole.
7. **Management style (behavioral):** Senior management is proactive and involved in the performance of organization members and stimulates an improvement culture. At the same time, management consistently confronts organization members who are underperforming.
8. **Action orientation (behavioral):** Performance information is integrated into the daily activities of organization members in such a way that problems are immediately addressed, and corrective or preventive actions are taken.
9. **Communication (behavioral):** Communication about the results (top-down and bottom-up) takes place at regular intervals as well as the sharing of knowledge and performance information between organizational units.

Mercer Research on Performance Management

The Mercer research, which took in 64 organisations across 18 countries including Australia, identified eight emerging trends that employers need to understand to evolve their thinking on performance management ^[14]:

1. Performance management will evolve – not disappear: the focus will shift away from annual performance evaluations to a continuous dialog on performance, development and coaching – more about talent management than purely management against objectives.
2. Closer link to corporate culture and values: a shift away from “fixing” performance to enabling employees to be at

their best. Embed this as an ongoing activity, rather than a once a year “event”.

3. Different approaches for different parts of the workforce: different types of jobs (e.g. sales versus senior executives versus designers/developers) need different types of models – one size doesn’t fit all.
4. Abandon the performance rating: the rating ends up being a label but not helpful for enabling performance. If ratings aren’t eliminated altogether then they will be simplified into broader categories.
5. Separate performance from reward: formulaic approaches to reward, based on performance ratings, are questionable particularly where the objectives are more qualitative or delivered through team collaboration.
6. Continuous feedback: the frequency, focus and quality of interactions will all change to enable a more real time conversation about feedback and more contemporary data on how the employee is tracking.
7. Technology to enable, rather than record: mobile technology can be used to allow for more immediate and personalized feedback.
8. Enable managers to become leaders: development of managers to enable them to become better coaches and mentors for their employees. Enable them to focus conversations with employees on capabilities and performance rather than what went wrong.

Statement of the Problem

The Performance Management system plays a very important role since it plays a very important role in the organisation in bringing individual effectiveness and in turn organizational effectiveness. The present study attempts to study the Performance Management interventions in the organizations empirically.

Sample

For the study a sample of 219 respondents across five sectors namely Hospitality, Automotive, Information Technology, Health care and Electronic industry are chosen.

Results and Discussion

Table 2: The Scope of Performance Management System

S. No.	Statement	Scale	Responses	Mean Score	S.D	
1	Identifying the parameters of performance and stating them very clear	SA	97	44.29	4.03	1.17
		A	73	33.33		
		N	23	10.50		
		DA	11	5.02		
		SDA	15	6.86		
2	Setting performance standards	SA	87	39.73	3.82	1.28
		A	67	30.59		
		N	18	8.22		
		DA	33	15.07		
		SDA	14	6.39		
3	Planning in participative ways where appropriate, performance of all constituents	SA	73	33.33	4.05	0.83
		A	99	45.21		
		N	52	23.74		
		DA	04	1.83		
		SDA	01	0.46		

S. No.	Statement	Scale	Responses	Mean Score	S.D	
4	Identifying competencies and competency gaps that contribute/hinder to performance	SA	68	31.05	3.80	1.09
		A	73	33.33		
		N	56	25.57		
		DA	11	5.02		
		SDA	11	5.02		
5	Planning performance development activities	SA	82	37.44	3.95	1.07
		A	72	32.88		
		N	44	20.09		
		DA	13	5.94		
		SDA	8	3.65		
6	Creating ownership	SA	70	31.96	3.87	0.97
		A	68	31.05		
		N	68	31.05		
		DA	9	4.11		
		SDA	04	1.83		
7	Recognizing and promoting performance culture	SA	77	35.16	4.02	0.90
		A	78	35.62		
		N	59	26.94		
		DA	05	2.28		
		SDA	-	-		

Seven variables were identified for the scope of performance management system. 77.62% of the respondents agreed on the statement identifying the parameters of performance and stating them very clear. 11.88% of the respondents denied the statement. For the variable, setting performance standards 8.22% of the respondents showed neutral opinion. 78.54% of the respondents agreed on the statement planning in participative ways where appropriate, performance of all constituents. 2.29% of the respondents denied the statement. For the statement Identifying competencies and competency

gaps that contribute/hinder to performance 25.57% of the respondents showed neutral opinion. 70.32% of the respondents agreed on the statement Planning performance development activities. 9.59% of the respondents denied the statement. For the statement Creating ownership 31.05% of the respondents showed neutral opinion. 70.78% of the respondents agreed on the statement Recognizing and promoting performance culture 2.28% of the respondents denied the statement

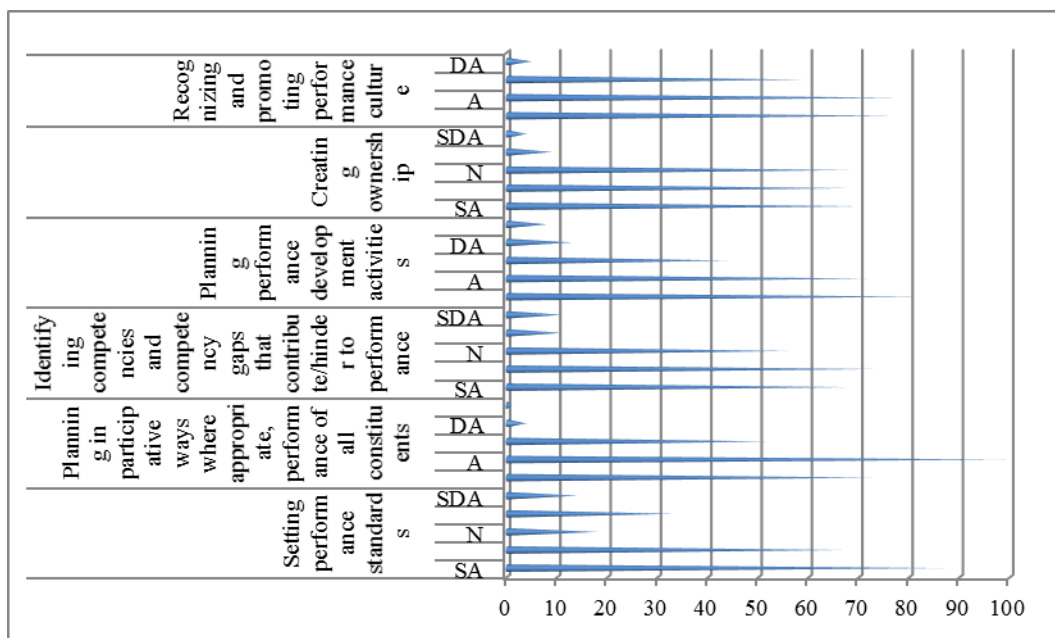


Fig 2: The Scope of Performance Management System

By performing the functions like creating good working environment, planning for performance, measuring performance, providing performance feedback, designing suitable compensation, recognition and reward system the management helps in improvement of the performance as a whole. The work related employees problems are shorted out.

IT gives a sense of confidence and motivation among persons. These persons create publicity by words of mouth in side and in the public outside. It contributes a lot in creating high goodwill of the company. Provide promotional/career development opportunities for staff.

Table 3: Reasons for Initiating Performance Management

S. No.	Statement	Scale	Responses		Mean Score	S.D
1	Desire to improve	Yes	193	88.13	4.88	0.32
		No	26	11.87		
2	Increased demands and expectations	Yes	204	93.15	4.93	0.25
		No	15	6.85		
3	A response to fiscal stress	Yes	195	89.04	4.89	0.31
		No	24	10.96		
		No	17	7.76		

The response was sought from the respondents to the reasons for initiating performance management, the intent desire to improve, 88.13% of the respondents expressed positive opinion. 11.87% of the respondents disagreed for the same. For the statement Increased demands and expectations, 93.15% of the respondents expressed positive opinion. 6.85% of the respondents disagreed for the same.

For the statement a response to fiscal stress 89.04% of the respondents contend with the opinion. 18.72% of the respondents disagreed for the same.

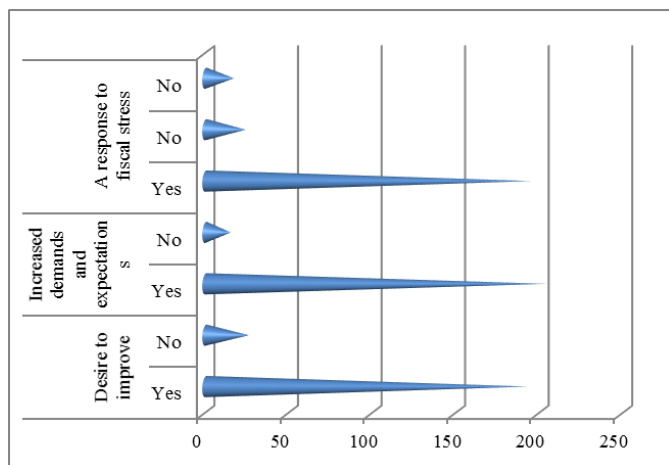


Fig 3: Reasons for Initiating Performance Management

As with any large-scale change, someone is compelled to break out of the status quo. A performance management champion, motivated to make the change, gathers support for the effort. The three driving forces namely the desire to improve, increased demands and expectations and response to fiscal stress. The organisation may decide that performance management would be an effective tool for improving services, responding to community needs, addressing citizen preferences, or enhancing the government’s reputation. Performance management practices, coupled with better information for better decisions, can lead to improved performance.

Performance management is a constantly evolving process, not some that works perfectly on day one.

The businesses face myriad demands and expectations – from citizens, other governments, government workers and supervisors, labor unions, neighbourhood groups, and special-interest organizations. Once governments have identified stakeholders’ needs and expectations, they can use performance management practices to accomplish outcomes stakeholders will value.

Officials and managers need better information for allocating scarce resources and countering non-sustainable budget-balancing methods such as across- the-board cuts or use of reserves. A performance approach, based on performance information and data analysis, can help officials and managers make better decisions about setting priorities and using limited funds.

Concussion

In the present uncontrollable, risky and rapidly changing environment it is difficult for everyone to survive, stabilize, grow and excel in their performance. Those who are in position to give excellent performance they are leader in the market. They are only grabbing maximum opportunities. Performance management is mainly concerned for better result through processes, input and required competencies. It is possible through planning, developing, measuring and review of the performance of every one. Performance management plays an important role for effective working of HR management.

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