



## Performance management system: A conceptual study

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### Abstract

Management of human resources nowadays has become crucial and challenging as they comprise extremely vital resources. In the Organisation, human resources are most important. Proper utilisation of human resource and their duties such as identifying, developing, assessing, recognizing and utilising are part of human resource department. The important factor for an organisation's success, rest on how well they take care of their workforce and constant support for systematic performance improvement, which help in the interest of individual and professionally towards the achievement of organisational goals. The organisations at the same time will be focusing on improving the individual performance by providing precise training programs that will in turn help organisational performance. Hence, Performance Management System (PMS) is the mantra for constant improvement or better performance. With this thoughtful perspective of individual perception about performance management systems in IT sector and after going through literature review the gaps that exist will be helpful for researchers to do future research is of supreme importance. IT sector is the second largest sector for high manpower in India. Hence, the main emphasis is on IT sector.

**Keywords:** performance management system, information technology, it sector, organisational performance, human resource management, gross domestic product

### 1. Introduction

Performance management is a powerful human resource management process which gives support for improving and developing performance and it is an integral part for the reward system in its most general sense. Performance management is a systematic process of enhancing organisational performance by helping to develop the performance of individual employee and the team. It is a channel to obtaining better results by understanding and managing performance inside an agreed framework of well planned organisational goals, standards and competency requirements.

Weiss and Hartle (1997) <sup>[1]</sup> commented performance management is a process for establishing a shared perception about what is to be attained and how it is to be achieved, and an approach to managing people that will enhance the probability of achieving success.

Armstrong and Baron (2004) <sup>[2]</sup> expressed, Performance management is both a strategic and an integrated approach to delivering successful results in organisation by improving the performance and developing the capabilities of individuals and the team.

The performance management is concerned with collaboration of individual objectives and organisational objectives and motivating individual to strengthen corporate core values; giving opportunities for individuals to identify their own goals and develop competencies and skills required; enabling expectations to be explained and agreed in terms of accountabilities i.e., expected to do, role and responsibilities, i.e., skills, expected to have and behaviours i.e., expected to

be. Most of the times it is assumed that performance appraisal is same as performance management. But it is significantly different from one another. Performance appraisal is defined as rating of individuals and formal assessment by their managers or line managers at or after review meeting. It has been discredited because too often it is believed to be a top-down, and largely bureaucratic approach practiced by human resource department rather than by line managers. Armstrong and Murlis (1998) <sup>[3]</sup> opined, performance appraisal too frequently decline into '*a dishonest annual ritual*'.

Whereas, Performance Management is a continuous and much wider, more broader and natural process of management that clarifies mutual expectations, emphasizes the support role of manages who are expected to act as coaches rather than judges and focuses on the future.

The universal objective of performance management is to develop the capacity of individual to meet and exceed expectations and to reach/achieve their full potential to the benefit of themselves and the organisation. Performance management gives the basis for self-development but more importantly, it is about providing the support and guidance to individuals needs to improve and develop which is readily available. Following are the contributions of performance management in the overall development of an organisation.

- Individual and organisational objectives are aligned in performance management.
- Organisational performance will improve in performance management.
- Performance management will improve individual performance.

- Performance management give the basis for personal development.
- Performance management develops a performance culture.
- Performance management helps in better pay decisions.

To support organisation culture, change for creating a performance culture and reinforcing the core values of the organisation with the prominence on the importance of these in getting the balance between 'what' is delivered and 'how' it is delivered.

The performance management process will start when an employee joins the organisation and ends when employees quit the organisation. In an organisation, one can perform their task with the help of 5 resources namely men, method, machine, material and money. Manpower is generating resource and live where as other resources are non-living. Manpower is main resource as it utilizes all the other resources and provides output. If manpower is not available then all other resources are of no use and cannot contribute anything to the organisation. From all the elements of production, manpower is given highest priority and is the significant factor of production, and plays a key role in the quality and productivity area. Thus, the principle component of an organisation is its manpower.

## 2. Process of Performance Management

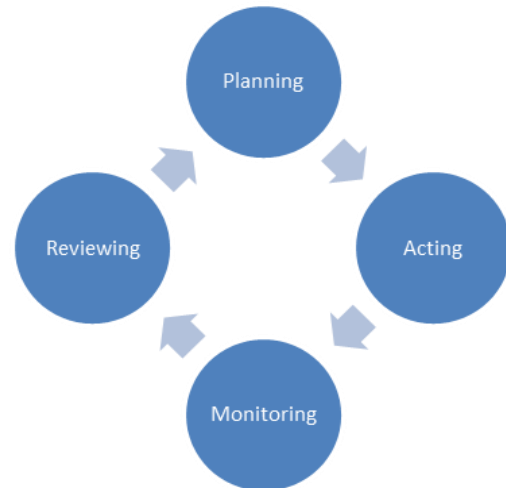
Performance management is regarded not as 'system' but a flexible process. The term 'system' suggests a firm, standardized and bossy approach. It is not consistent with the concept of performance management as a flexible and developmental process. Though, it is a consistent process, it is dependent on the managers working with their team in conformity with the situation in which they operate. The concerned managers and their team should develop a framework which helps them to work together. This structure has to condense the level to which performance management is a top-down issue and it should go well together with the way in which the organization functions. Performance management has to fit in process-based and flexible organizations.

In this context, it has to substitute the type of appraisal system that only fits a bureaucratic and hierarchical organization. The processes of performance management are:

- Planning: agreeing objectives and competence requirements and producing performance agreements and performance improvement and personal development plans.
- Acting: To achieve the objectives and plans, carrying out the activities required.
- Monitoring: To achieving the objectives, progress has to be checked.
- Reviewing: Action plans have to be prepared and agreed for assessing progress and achievements.

The sequence of activities can be presented as a continuous

cycle as shown in Figure 1.

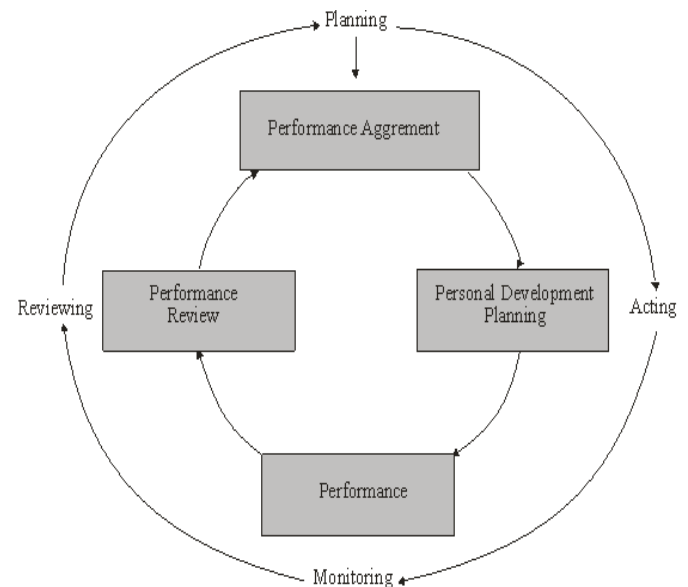


(Adopted: Michael Armstrong, *Performance Management: Key Strategies and Practical Guidelines*, p. 16)

**Fig 1: The Management Cycle**

## 2.1 Performance Management as a Process of Management

Performance management can be portrayed as a constant self-renewing cycle as shown in the Figure 2, which tracks the planning, acting, monitoring and reviewing sequence as a process of management.

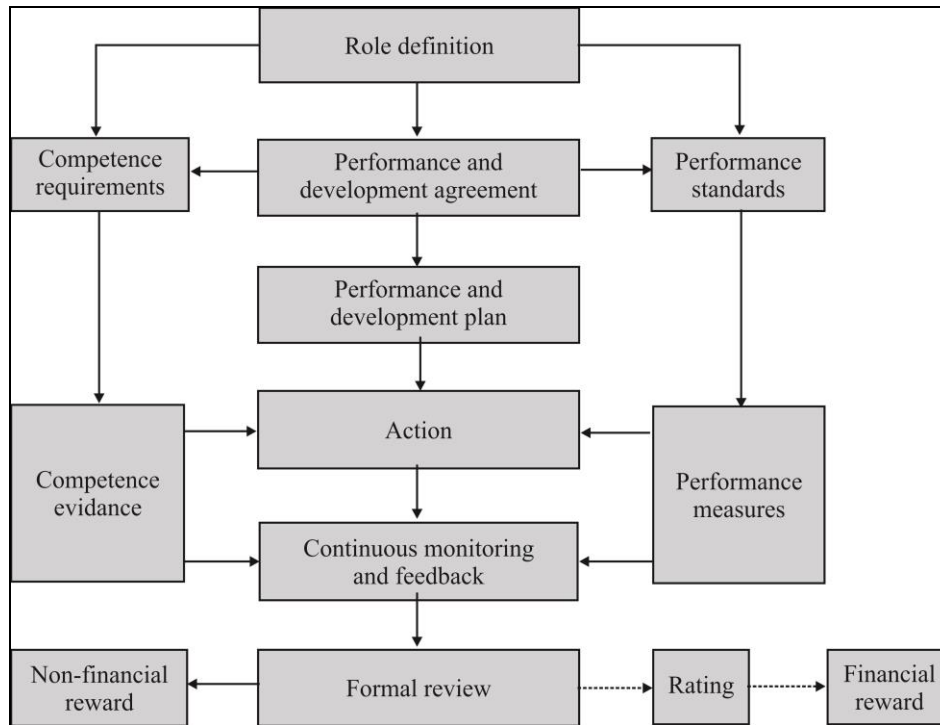


(Adopted: Michael Armstrong, *Performance Management: Key Strategies and Practical Guidelines*, p. 17)

**Fig 2: Performance Management Cycle**

## 2.2 Performance Management Cycle

The sequential steps of processes carried out in the cycle and the expected outcomes are shown in Figure 3.



(Adopted: Michael Armstrong, *Performance Management: Key Strategies and Practical Guidelines*, p. 17)

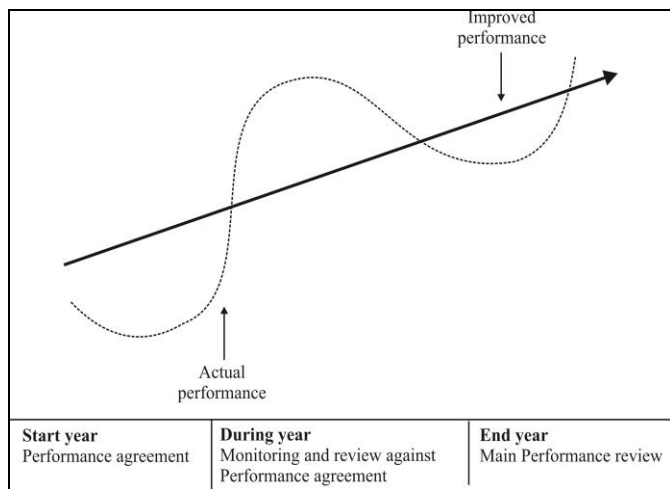
**Fig 3:** The Performance Management Sequence

**2.3 How Performance Management Works**

Performance management works as a continuous process is shown in Figure 4.

**High performance**

Strengthen through recognition (financial and non-financial, praise, additional responsibility)’



(Adopted: Michael Armstrong, *Performance Management: Key Strategies and Practical Guidelines*, p. 18)

**Fig 4:** Stages of Performance Management Sequence

**3. Literature Review**

Performance management system is an important and very essential development for the Indian IT sector. Employee performance measurement will basically help in organisation productivity and effectiveness. Performance management

system came into existence around world war period. The major thrust was to measure income satisfaction. As time passed, PMS is considered as essential for every single organisation. There is lot of research going on in the areas of performance management system in India and other countries. Short reviews of some of the previous studies are presented in the following paragraphs.

K. Chandhana and David T Easow (2015) [4] have analysed that both 360-degree feedback and balanced score card have their own shortcomings, although these methods are used by most of the IT companies. The employee satisfaction towards these appraisal techniques is pretty low, and this requires a new appraisal method that addresses the shortcomings of the existing methods.

Veena, (2015) [5] has presented that performance appraisal is carried out on an annual basis for all the present employees. For new recruitment and trainees it is done on quarterly basis in most of the organisations. The study conducted relating to the various types of jobs, in which the managers will be rating different jobs in the process. So, employees who have fairly a smaller amount of competition or soft appraisers have superior appraisal than to equally competent employees.

Rinku Sanjeev, *et al.*, (2014) [6] have indicated the major difference in employees’ awareness towards performance appraisal program between different age group, male and female and different tenure of experience. This analysis also proves that strategic role of the performance appraisal and gives a strong reason to companies to focus on effective implementation and execution of performance appraisals. The final outcome is encouraging from the point of view of employees because most of the appraised employee’s feel that successful implementation of performance appraisal system will benefit them in many ways.

Nitu Yadav, (2016) <sup>[7]</sup> suggested that the possibilities of using the modern balanced scorecard method in human capital. The primary objective of managers is to improve employee adequacy. It is a continuous process where employees and manager have to cooperate to achieve the organisation objectives. Key factor of performance management system is that the employees will be allowed to be in the process of decision making there by developing their professional skills. Performance management system of an organisation will help employees and encourage them to get good results from their particular departments.

Anbarasu Thangavelu and Clement Sudhahar (2014) <sup>[8]</sup> expressed that performance management system should be developed to measure the past performance and to improve potential performance of its employees and should align with the goals of the organisation of large IT organisation.

Jawad Abdas, et al., (2014) <sup>[9]</sup> opined that new assets creation by using new technology that will have superior effect on the employees' performance. This will also improve their effectiveness and productivity. Due to this, services organisation will have competitive edge as they are more customers centric and service oriented.

Rohan Singh, et al., (2013) <sup>[10]</sup> analysed that conducting regular review of individual performance by organizations has become a basic necessity that will facilitate to reduce the gap between employee performance and successful accomplishment of organisational objectives.

Hamumokola (2013), <sup>[11]</sup> established that the goal setting which anticipate that performance will payback can be realized by implementing challenging goals so that they have a motivational result on employees performance related to unclear and easy goals of organisation. Participation of employees in goal setting and providing feedback leads to superior performance to achieve organisational goals, when compared to no feedback system.

Rajesh K. Yadav and Nishant Dabhade (2013) <sup>[12]</sup> have suggested that the effective performance management system needs equally good standards by which employees are assessed. Without proper standards to assess employees may lead to bias, that may tear down the whole process of performance appraisal. Thus, appraisals without setting proper standards should be reduced by safeguarding the performance appraisal principles.

Sunil Kumar Pradhan and Suman Kalyan Chaudhury (2012) <sup>[13]</sup> have expressed three major objectives in the study that is to identify performance management system and show how it helps in organisational development, to gauge the effectiveness of performance management as HR intervention tool and acquire how performance management is helping in employee satisfaction. Further, this will help in retention of employees. They also expressed that the core intention of performance management system is to link individual and organisational objectives. This may help employees to perform to their best of their abilities.

Matlala (2011) <sup>[14]</sup> has expressed that individuals at the organisation, may have a negative insight about the fairness of organisational performance management system. The impression about performance management system should be reflected in procedural, distributive and interactional justice.

S. Haanappel (2011) <sup>[15]</sup> has provided that the performance

measurement frameworks will have metrics and budgeting. The performance metrics is used to monitor measures and provide feedback to achieve organisational goals. The PMS, when not planned properly and implemented, will lose its control and it may block. The aim of budgeting system is expansion and safeguarding of the process for planning and management activities. These actions are found from the strategic planning and tactical planning with related benefits and costs are translated into major financial plans.

Senthil Genesh and Jerme Joseph (2005) <sup>[16]</sup> have analysed the performance management systems in major and large organisation with difficult performance management system. The study also made an attempt to understand the subjective difficulty to executive appraisals. They examined the executive appraisals of organisation by providing solution and pragmatic views of performance review system. They also pointed difficulties in predictors of performance appraisals with executive alienation in performance review systems.

### 3.1 Statement of the Research Problem

Information technology (IT) means use of computers, networking, storage, and other physical devices, infrastructure and processing to create, process, store, secure and exchange all kinds of electronic data. IT means designing, developing, implementation and managing of computer related information systems i.e., applications of software and hardware technology. IT sector is covering all the areas of computing and technology with every sector improving in accessibility, awareness and utilisation of technology. Information technology is the key for country's growth which helps in global competitiveness, strong defence capabilities and a very good Gross Domestic Product (GDP) growth. Due to increasing demand for hardware and software skills in India, it has helped in high growth rate of economy. Domestic market catering to the new generation of consumers, a flourishing public is having higher incomes for disposable and very low cost work force with very high technical skills.

The information technology has placed India on the global economy. Indian economy high growth is due to the huge contributions from IT sector. Now, India has been projected as a key global player in providing world class technological solutions and business services. Due to these factors, employment opportunities are very high in IT sector. This has given rise to high employee's performance standard and employee retention is a big challenge. So, to measure and evaluate the performance of the employee companies are using performance management system. This is due to lot of drawback and increased grievance towards the existing methods of appraisal adopted by the companies. Many a time performance appraisal is biased in nature of the employee perspective and these are a very common problem which has given rise to a better performance management system. The special treatment and favours given to a co-worker may send wrong signal to other talented co-workers in organisation which gives an impression that management may be biased. From the literatures reviewed, it is revealed that most of the major issues of performance management system is not achieved the expected requirements or the reason for which it was meant. By taking annual review feedback and not effective metrics to measure the feedbacks taken also create

threats to performance management system in the organisation.

Performance management system will be playing a major role in influencing the individual performance and overall organisations performance. The researcher feels that proper validation of right variables needs to be considered to implement the system, so that, drawback existing in the system can be eliminated, and individual and organisational performance will improve. Thus, the necessity for a very strong performance management system is increased and hence the researcher is taking up this topic for further research.

#### 4. Research Methodology

The current research is to make an effort to conceptualize the Performance management system with all important independent variables like individuals, aligning workforce, building competencies, development, getting good business results, performance improvements, and the like. A vigilant and extensive literature review has been initiated to provide conceptual framework, which can be used to construct a theoretical model and measure the impact of all the variables on performance management system in IT industry.

#### 5. Conclusion

Various literatures consulted by the researcher revealed the importance of a better performance management system in every organisation. The studies revealed the significance of performance management system in the service organisations like IT. It is observed that many organisations have miserably failed in appraisal system because of the bias of the appraisers. Therefore, it is the need of the hour to design, develop, and implement an appropriate appraisal system to improve employee performance. It is also desirable to provide periodical feedback to the employees to improve their capabilities.

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