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Performance management system framework as a step towards organizational development: A conceptual study

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Abstract

Employee performance management is very simple in some ways and in other ways very complex. It consists of lots of parts and it requires some skills. But if it is approached with proper mindset it can work and pay great benefits. Performance management is a vital part of the process of managing human resources with the aim of achieving employee and organizational goals. The job description that occasionally accompanies the review bears little resemblance with the work being performed. The fast changing demands of the marketplace. Companies must adapt quickly if they wish to remain in business. The managers who do not adjust the performance expectations of their subordinates accordingly run a very high risk of reducing the value of an evaluation as well as the value added contributions of the employees. The present study is a conceptual paper on the Performance Management System.

Keywords: Performance, Evaluation, Measures

1. Introduction

Organizations are run and steered by people. It is through people that goals are set and objectives are realized. The performance of an organization is thus dependent upon the sum total of performance of its members. The success of an organization will therefore depend on its ability to measure accurately the performance of its members and use it objectively to optimize them as a vital resource. In the present highly competitive environment, organizations have to ensure peak performance of their employees continuously in order to compete and survive at the market place effectively.

Performance of an individual can be defined as the record of outcomes produced as specified job functions or activities during a specified time period. The term performance refers to a set of outcome produced during a certain period of their job time and does not refer to the traits, personal characteristics, or competencies of the performer. The evaluation of employee's performance reveals the contribution of an individual in the organization's objectives. People do not learn unless they are given feedback on the results of their actions. For corrective actions to take place feedback must be provided regularly and it should register both successes and failures (Biswajeet 2009).¹

2. Objectives²

The main objectives of performance appraisal point out the following:

1. Provide inputs to
 - (a) System of rewards comprising salary increment, appreciations, additional responsibilities, promotions, etc., and
 - (b) Salary administration.
2. Generate adequate feedback and guidance from the reporting officers to the employee.

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² IOSR Journal of Business and Management (IOSRJBM) ISSN: 2278-487X Volume 3, Issue 5 (Sep,-Oct. 2012), PP 01-06 www.iosrjournals.org

3. Enhancing employee's effectiveness: helps the employee to overcome his weaknesses and improve his performance by providing appropriate training and development program.
4. Help identifying employee for the purpose of motivating, training and developing them.
5. Generate significant, relevant, free and valid information about employees.

3. Employee Performance ³

Every organization has been established with certain objectives to achieve. These objectives can be achieved by utilizing the resources like men, machines, materials and money. All these resources are important but out of these the manpower is the most important. It plays an important role in performing tasks for accomplishing the goals. The question arises that how these resources are utilized by manpower. Further, the business environment is changing drastically.

The environmental factors are uncontrollable. These are beyond control of management of the firms. One has to adjust with the external factors to do the business in the market. Every environmental factor like social, cultural, legal, political, economic, technology and competition gets changed very fast. For effective working the knowledge of these factors is must otherwise the plan will misfire. In present situation it is difficult to predict about anything. It is uncertain to say that what will happen tomorrow.

Again the need for highly skilled and dedicated manpower is felt who can give the best output. Nowadays the markets are also very competitive and there is cut throat competition. For every organization it is difficult to start, survive, stabilize and excel in the business.

The firm that gets the advantage over other competitors through their talented and dedicated manpower can take the lead in the market. The contribution of employees on job is the most important factor for development and excellence in business. The performance of employees on different jobs in close coordination is needed for success of the unit.

4. Benefits of Performance Management ⁴

Performance management is a very important part of human resource management. The focus of it is on development aspects of individual and organisation performance. The approach of performance management is positive. In present highly competitive environment, a high degree of skill and commitment is needed to understand the environment and perform accordingly. Everybody is benefited by actions of performance management. It is bit difficult to summarise the benefits of it in detail.

It is possible to get all employees to reconcile personal goals with organizational goals. One can increase productivity and profitability for any organization and that leads to progress of the organization. It can be applied by organisations or a single department or section inside an organisation as well as an individual person.

The process is a natural, self-inspired performance process and appropriately named the self-propelled performance process (SPPP). It is claimed that the self-propelled performance management system is:

- (a) The fastest known method for career promotion;
- (b) The quickest way for career advancement;

- (c) The surest way for career progress;
- (d) The best ingredient in career path planning;
- (e) The only true and lasting virtue for career success;
- (f) The most neglected part in teachings about management and leadership principles;
- (g) The most complete and sophisticated application of performance management;
- (h) The best integration of human behaviour research findings, with the latest management, leadership and organisational development principles;
- (i) The best automated method for organisational change, development, growth, performance and profit;
- (j) The quickest way for career building, career development and moving up on the stepping stones of the corporate career ladder;
- (k) The surest and fastest way for increased motivation, productivity, growth, performance and profitability for both the individual and the organisation;
- (l) The best career builder and career booster for any career; and inspirational, as it gets people moving, makes them self-starters in utilising own talents and initiative, automatically like magic.

It helps in creating good working environment of openness, mutual trust, cooperation and team spirit. People work with their high degree of motivation and without work stress. In healthy working environment people work in team and that leads to multidimensional benefits to individuals, teams, departments, sections, divisions and organisation as a whole.. The benefits of it are numerous and these are financial and non-financial both. Managing employee or system performance facilitates the effective delivery of strategic and operational goals.

Following are the gains from performance management:

(a) Financial Gains

Financial gains from performance management are following:

- (i) Improve productivity and production of the company.
- (ii) Reduce costs due to sincere and skilled manpower.
- (iii) Complete the projects well in time because everyone is giving his best performance at work.
- (iv) Aligns the organizational and individuals goals and that avoids all delays in performance.
- (v) Through proper and timely communication the objectives are clarified and desired action can be achieved from employees as management wants.

(b) Non-Financial Gains

Following are non-financial gains from performance management:

- (i) Healthy working environment avoids work stress of the employees,
- (ii) Optimizes incentive plans to specific goals for over achievement, not just business as usual
- (iii) Employees feel satisfied when the working environment is friendly.
- (iv) Employees get chance for further career development, training and promotion etc.
- (v) A sense of belongingness, attachment and commitment develops among employees.
- (vi) It leads to a high degree of motivation in employees and further creates a sense of loyalty towards the organisation.

³ Literature Review: Performance/Employees Productivity Management

⁴ Literature Review: Performance/Employees Productivity Management

- (vii) Persons understand the importance of their roles and get engaged in contributing to the organisational goals.
- (viii) Create transparency in approach and dealing among employees.
- (ix) High confidence in organisation and its different processes like salary, bonus, promotion etc.

(c) Effective Management Control

- (i) Approach of person is flexible, responsive to management needs and performing the tasks.
- (ii) Displays better data relationships
- (iii) Helps to comply in inspection, audit and other legal
- (iv) Simplifies communication of strategic goals and gets involvement of lower level employees too.

5. Characteristics of Performance Measures for Different Purposes ⁵

Purpose	Purpose
Evaluate	Outcomes, combined with inputs and with the effects of exogenous factors
Control	Inputs that can be regulated
Budget	Efficiency measures (specifically outcomes or outputs divided by inputs)
Motivate	Almost-real -time outputs compared with production targets
Promote	Easily understood aspects of performance about which citizens really care
Celebrate	Periodic and significant performance targets that, when achieved, provide people with a real sense of personal and collective accomplishment
Learn	Disaggregated data that can reveal deviancies from the expected
Improve	Inside-the-black-box relationships that connect changes in operations to changes in outputs and outcomes

Source: Bhen, 2003

6. Principles of Performance Management Plan ⁶

For effective working of performance management, management must keep certain guidelines in mind. These guidelines may help in proper working and avoid much confusion during work. Experts have suggested the following principles:

(a) Continuous Coaching, Feedback and Communication

Performance management is considered a continuous process, not an event. For its proper and effective working the principles of continuous coaching and feedback are integral to success. These will definitely coordinate the related activities properly.

(b) Effective Communication

The Performance Management Plan gets involved line managers, supervisors, experts and consultants. To coordinate between them a proper timely and effective communication is needed. If is not there the objective of the plan will be defeated. It will ensure mutual understanding of work responsibilities, priorities, and performance standards and measurements.

(c) Discussion and Evaluation

Discussion and evaluation of specific job should be there. The discussion and evaluation should be regarding nature of jobs, tasks, competencies needed to perform these jobs, major duties and responsibilities and the performance standards. These must be specifically defined and communicated as the first step in the process.

(d) Performance Standards

Performance standards for each major duty / responsibility must be defined and communicated to all concerned. These standards are to be decided in mutual discussion with line managers, manager in charge of the job, persons performing the jobs, in house experts and consultants. Through detailed discussion the lowest, highest and average performance of the performers are to be taken in to account before finalizing the performance standard. These must be feasible to achieve by an average performer.

(e) Employee Involvement and Development

The performance management revolves around the manpower. The management must kept in mind that they must be involved the it and efforts must be there for their development and improvement of performance at work They must be motivated to develop their competencies, involve in the jobs and give best output to contribute in achievement of the organizational goals. Without proper involvement and development of employees it is not at all effective.

(f) Fair Performance Evaluation

The evaluation of the performance of people at work should be carried out timely. It should be fair without favour and fear. If it is done so then the exact poison of the performance given by the employees will be clear. Otherwise misguiding result will be there. The very objective of the performance measurement will not be served. The performance evaluation should not be frequent but at least annually it should be carried out because it is time and efforts consuming.

(g) Proper Documentation

The principle of proper documentation should be considered an important principle for effective working of the plan. The plan should be drawn and documents should be prepared. It should be communicated for all concerned who have been identified. The development, recognition, compensation and reward plan should be in black and white. Proper records are to be maintained. Further, proper documents of performance appraisal are needed for further remedial action. If these are not prepared then whenever confusion is there the documentary evidence cannot be given and management has nothing to refer in case of doubts arise regarding past decisions taken

(h) Performance Evaluation for Every One

The performance appraisal of all employees should be carried out. It is not only applicable to lower and middle levels. It should be applied to the top level also. The senior level performs must be evaluation on the basis of the successful administration of the plan and ongoing performance management responsibilities.

⁵ International Journal of Management Sciences and Business Research, 2014 ISSN (2226-8235) Vol-3, Issue 7

⁶ Literature Review: Performance/Employees Productivity Management

(i) Training for Managers, Supervisors and Employees

The training should be made available for everyone in the organization. It should be encouraged. It will keep the knowledge of the persons up to date. With changing technology, working procedures and new methods the present competencies becomes outdated. This has the effect on the performance. Special importance must be given for training of all levels people.

(j) Consistent Performance Management Plan

The plan should be consistent. It should not be changed frequently. Further, should be consistent with federal and state laws. If proper attention is not given to this principle then confusion can be created among people those who are involved in performance management directly or indirectly.

7. Generally the following errors are likely to take place in assessment:⁷

- **General bias errors** – It depends upon the attitude of the assessor. Some may be very strict and other may be very liberal during the assessment work. They may not consider the actual performance of the employees for assessment work. It affects everyone in general.
- **Halo effect** – During assessment when the assessor considers or gives importance to one criterion of the assessment and ignoring the other factor, the error is likely to take place. This is called halo effect. It gives wrong assessment of the employees.
- **Relation rating error** –When one task is related to another task then the assessor gives importance to that logical relationship more.. It creates the error in the assessment.
- **Contrast and similarity errors**- The assessors assess the other employees based on their own assessment. The assessment may be similar or contrast to assessment of the employees.
- **Central tendency errors**- When the evaluator does not take the extreme steps for evaluation. He avoids the extreme two ends. He follows the central path and gives and average rating for the performance. The range of assessment is very narrow. It dissatisfies the excellent performers but protect the poor performers also.
- **Proximity errors** - when raters assess one high side then he assesses others also high side this is called proximity error. He wants to justice with every one but in the beginning he has done the assessment on wrong side and that affects the whole assessment.
- **Rating inflation**- when supervisor’s rating goes very high without any reason is called inflated rating. The supervisor should make that the ratings are on fact basis and not based on emotions or feeling of individuals.

8. Conclusion

In an increasingly competitive world, performance improvement is not optional; it is essential for enhancing government’s effectiveness and competitiveness. In the era of globalization and the borderless economy, competency and performance of government employees need substantial improvement. In that regard, having performance management and performance appraisal including PRP programs seems to be a good idea. However, the well-articulated system design based on in-depth understanding

of complex human nature and effective management of such programs is a key to success. Having a good idea is not enough. So the good idea must be followed up by system improvements and sound practices.

Organizational strategies and performance management systems⁸

	Cost leader	Differentiator	Confrontation
Organizational culture	Conservative	Entrepreneurial	Collaborative
Organizational structure	Centralized	Decentralized	Lean, flat
Operating systems and procedures	1. Specialized and formalized work procedures 2. Simple coordinating mechanisms 3. Formal, financially-based strategic planning 4. Short-term, output-focused budgets 5. Formula-driven, individually-oriented, frequently timed incentive compensation	1. Lack of standardized work procedures 2. Complex coordinating mechanisms 3. Informal, qualitatively-based strategic planning 4. Long-term, outcome-focused budgets 5. Subjective, individually-oriented, infrequently-timed incentive compensation	1. Workgroup-inspired work procedures 2. Collective responsibility facilitates naturally occurring coordinating mechanisms 3. Interactive strategic planning 4. Hybrid customer-oriented and tight control budget systems 5. Group-based incentive compensation
Training and development	Promote specialization and task efficiency, with an emphasis on cost control	Promote profit consciousness and bottom-line thinking	Promote empowerment, multiskilling, and collective responsibility

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