

Performance Management System: A Review

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Abstract – Organizations always strive for superior performances for which they create numerous plans and strategies. Performance management is one such important process with the help of it the organizations can create a work system environment which will be able to generate optimal utilization of resources and desired performance. Performance of employees has always been a factor of critical interest and worry. Superseding the performance appraisal system performance management concept has come in vogue.

This research article is a review of various facets of performance management and discusses the benefits of having a performance management system in one's organization.

Key Words: Performance Management, Individual, Organization, Desired Performance

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INTRODUCTION

An organizations performance is usually measured by the revenue it earns. However with the changing dynamics of the corporate environment the non-financial performance could not be ignored. Non-financial performance has now gained an equal importance along with the financial performance of the organization (Ichniowski et al. 1997; Arthur, 1994; Chanda & Shen, 2009).

Individual performance is defined as 'the extent to which an organizational member contributes to achieving the goals of the organization' (Johns 1988: 153; Chanda & Shen, 2009). It is thus necessary for the organization to evaluate the performances of each employee. Generally organizations have adopted the system of performance appraisal, (Chanda & Shen, 2009). However, the critics of performance appraisal system have concluded that the appraisal system was based on subjective conclusions (chanda et al., 2009), with large scope of emotional bias on the part of the assessor. The only major purpose of performance appraisal is that it assesses the past performance of the employees and presents the gaps for future improvements (Kohli & Deb, 2008). Thus the appraisal system failed to analyse the human aspect of the employee work behavior and is totally judgmental (Kohli & Deb, 2008).

Eventually performance rating system was introduced to monitor the productivity of the workers which had its own short comings. McGregor (1957) criticized it saying the merit rating system is

"backward looking instead of forward looking", (Kohli & Deb, 2008).

Next to this Peter F. Drucker introduced MBO but it also faced criticism on account of subjectivity and inconsistency (Kohli & Deb, 2008). Nickols (2000), endorsed the removal of the appraisal system as he believed that no appraisal system is that efficient to provide an efficient, honest, valid evaluation objectively (Kohli & Deb, 2008).

"Organizations have spent years investing in systems to measure and report financial performances", (Kohli & Deb, 2008). It was in 1976, Beer and Ruh used the term performance management for the first time. The emphasis of performance management made a paradigm shift from "command and control system" to 'commitment based system', (Kohli & Deb, 2008).

Performance management system is also called the "Achilles Heel" that has a complex process of implementation of human resource management (Pulakos, 2009), but it gets the work done in the organization. It is considered as the "important strategy" of human resource management and affects the entire major sub-system of human resource management system.

The appraisal systems and other systems did not provide the desired results appropriately. Hence this paper is a qualitative paper understanding what performance management system is all about and

how it can support organization to generate desired results.

DISCUSSION:

Performance management as defined by Armstrong(2000), “means of getting better results from the whole organisation or teams or individuals within it, by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements” (Kagaari, Munene & Ntayi, 2010).

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

A performance management system requires the manager/ supervisor to be in varied roles, be it leadership, or a motivator or a transparent communicator (MTD Training, 2010), and must give a role clarity to each employee. Performance is always accounted for or measure in varied manner. All endeavors of any organization is towards generating desired output and for this they channelize their employees with different strategies and practices. Borman and Motowidlo (1993) “identified two types of employee behavior that are necessary for organizational effectiveness: task performance and contextual performance. Task performance refers to behaviors that are directly involved in producing goods or service, or activities that provide indirect support for the organization's core technical processes (Borman and Motowidlo, 1997; Werner, 2000). These behaviors directly relate to the formal organization reward system. On the other hand, contextual performance is defined as individual efforts that are not directly related to their main task functions” (Jankingthong & Rurkkhum, 2012).

However now Performances have usually been linked with the rewards or incentive plans to encourage higher productivity. Barth, Bratsberg, Haegland & Raaum (2008), observed in their work that that linking pay with performance is for motivation, and incentives generates higher endeavors. A recent study of performance pay by Foss and Laursen (2005), using Danish establishment data, “finds evidence of a positive relationship between delegation and environmental uncertainty” (Barth, Bratsberg, Haegland & Raaum, 2008).

Kagaari et.al (2010) in their research observed that to have a performance management system,

organizations must focus on employee factors such as job satisfaction, employee attitude, commitment and the 'perceived psychological contract'.

Halachmi (2005), in his paper observed that an excellent performance by an employee or the organization itself is surely dependent on many factors and he quotes Anderson (1988,p. 8), “management is the process aimed at achieving high performance” implying that when performance”. “Performance management is thus a simple return to the basic notion of management with some significant elaborations on and amplifications of the need to address the human side of the enterprise while being cognizant of what is going on”, (Halachmi 2005).

“Performance management is the overarching process that deals with performance”(Brudan, 2010). Moreover, Brudan (2010) in his research paper observes that performance management cannot be studied in isolation. It peripherals other disciplines, such as psychology, strategy management, Human Resource Management, Accounting, etc.. He further highlights that the traditional view puts the organizational context forth which splits performance management into three levels, namely, Strategic, Operational and Individual Performance.

Benefits of Performance Management System: (MTD Training, 2010):

- Performance management is the overarching process that deals with performance
- Clear expectations encourage employees to take up more responsibility and keep accountability of their work.
- Clear Goals enhances team effectiveness
- With right Performance management system one can encourage member employees to go an extra mile to complete their jobs.
- An appropriate Performance Management system will also make an overall development of not only the organization but also of the individual employees.
- Right Performance management system serves as a powerful tool and support in eliminating poor performances or any performance issues.

CONCLUSION:

The role of HR in the present scenario has undergone a sea change and its focus is on evolving such functional strategies which enable successful

implementation of the major corporate strategies. In a way, HR and corporate strategies function in alignment. Today, HR works towards facilitating and improving the performance of the employees by building a conducive work environment and providing maximum opportunities to the employees for participating in organizational planning and decision making process. Today, all the major activities of HR are driven towards development of high performance leaders and fostering employee motivation. So, it can be interpreted that the role of HR has evolved from merely an appraiser to a facilitator and an enabler. Thus Performance management is the current buzzword and is the need in the current times of cut throat competition and the organizational battle for leadership. Performance management is a much broader and a complicated function of HR.

Performance Management is a system process that needs to be laid down in the organization as per the type of available skills and desired performance. This system is all about motivation and partnership (MTD Training, 2020). From the above analysis we can conclude that performance management system shall act as a system process that shall lay down the pathway of right performance and mark an overall development of the organization as well as the individual employees.

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