

A STUDY ON EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM

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ABSTRACT

In this dynamic and ever exponentially changing global market, nothing can be measured with accuracy because business world made market attributes volatile. In the complex business world, human beings are the most valuable assets. Human resources attitude is also volatile as subjected to many experiences and situations. In such scenario, one needs to measure how Human Resources perform for the purpose of reward, assessment and knowledge. The tools & techniques innovated for measuring human productivity and performance with respect to the required capability, intellect and experience is under an umbrella named Performance Appraisal System. No single Performance Appraisal system can assure the reliability of its results. PAS can only be performed as impartial as possible by choosing the best fit method out of trending ones. Performance appraisal process is a continuous process to monitor the actual performance of the employee i.e the work done by the employees throughout the year. In this stage careful selection of the appropriate techniques of measurement such as personal observation, statistical reports, and written reports for measuring the performance is needed. This paper attempts to explain PAS followed in Indian IT companies.

Keywords: *Appraise, Appraiser, bell curve, feedback, iCount, Performance Appraisal.*

INTRODUCTION

Performance can be defined as the actual output delivered to the organization when provided with certain roles and responsibilities within a given period of time. Performance appraisal is evaluation of the performance of an employee for a defined period of time. Any organizations' development is primarily based on its employees' efficiency and attitude towards the organizational goal [Neeraj Kumari](#). These appraisals can be used in deciding the pay, career prospects, training. Performance appraisal is normally given to the employee to the next superior designated person who would observe the employees' efforts, performance and efficiency. Performance Appraisal creates a negative effect on the employees as well as towards the organizational objectives. performance management systems as concerned with directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization [Coelho](#). Broadly, performance management, which is continuous process must contain performance appraisal to assess the employees stand in pursuing individual as well as organizational goals. Performance appraisal simply serves as an aid for managers in the process of performance management. Performance Planning: According to T V Rao, "It is defined as systematic outlining of the manager's activities which are expected to undertake during specified period contributing for organizational outcome." The performance of each mentee was given by ratings from their superiors. Significant relations were found between interaction opportunities and both motivation and commitment, and between relationship closeness and both these attitudes [Orper.c ,\(1997\)](#). It is just a beforehand blueprint of future plans to be implemented and accomplished. Appraiser: A person who undertakes/ is given the responsibility to evaluate in terms of performance, skills and ability of his team (individually) or subordinates or employees at the immediate next & down level of superiority is called appraiser. Appraisee: A person who is being evaluated (knowingly or unknowingly) by the Appraiser is called Appraisee Performance Review Discussion: It is the brainstorming and thought sharing activity performed by appraiser and appraisee. It is also called performance counseling. Here, even the negative feedback must be given in a positive and constructive way by the appraiser. Self-Appraisal: A notes developed by an employee about the tasks and accomplishments performed by to know variations for the last year and now in his performance even if organization does not mandate its requirement. Performance indicators (PIs) and performance measurement are popular

topics in management literature nowadays. However, hardly ever is attention paid to the consequences of the relationships that often exist between the different PIs for designing effective, consistent performance management systems for organizations as whole. [Flapper.S.](#) Dyadic performance: The role played by the boss in accomplishment of goals of his/her subordinate is often neglected. The role played and actions performed are called dyadic performance. Boss and subordinate are called Dyads.

Review of literature :

- Performance management system sets expectations for employee performance and motivates employees to work hard. It involves identifying strengths and weaknesses of employees in their performance as it sets work standards, measure actual performance and gives feedback to employee regarding performance. [David Moy, \(2003\)](#)
- Managing performance is different from performance management. It can ultimately enable services users to initiate and direct some of the improvements they want to see and to take part in the processes of change. [Carol A. Rea, David M. Rea, \(2002\)](#)
- Performance management involves the use of both quantitative and qualitative techniques and paying due attention to the human (behavioral) side of the enterprise. [Arie Halachmi, \(2005\)](#)
- These requirements challenge performance management to effectively support the decision making process. Business analytics is an emerging field that can potentially extend the domain of performance management to provide an improved understanding of business dynamics and lead to a better decision making. [Marten Schläfke, Riccardo Silvi, Klaus Möller, \(2012\)](#)
- Behavioral factors play in the successful implementation and use of performance management systems that are based on critical success factors, key performance indicators and the balanced scorecard [André A. de Waal, \(2003\)](#)

- Performance Management is the process through which managers ensure those employee's activities outputs contributes to the organization's goal.[D.B.Bagul](#)

OBJECTIVE:

- To study of performance management system
- To examine why an appraisal system is important

HYPOTHESIS:

Null hypothesis : There is no impact of appraisal system in the performance

Alternate hypothesis: There was an impact of appraisal system in the performance

MATERIALS AND METHOD:

The data for this research paper is been collected from secondary data. Secondary data is the information that already exists. For collecting secondary data ; internet, magazines, journals and books were used.

OBSERVATIONS:**Different dimensions of Performance Management are:**

- Output or result dimension
- Input dimension
- Time dimension
- Focus dimension
- Quality dimension
- Cost dimension

Each of these dimensions must be focused in order to secure the best performance (of employee) as well as to evaluate the performance of the employee (by employer). Reward system in any organization play three different but related roles that are: motivating employee, retaining employee and attracting employee. motivation to share knowledge through an intra- organizational social media platform is the desire to help the organization reach its goals and helping colleagues, while financial rewards and advancing one's career were seen as least motivating [Vuori.v &](#)

[okkaren\(2012\)](#). Ability of organization keeps and hires desirable employee in competitive labor market affected by reward system that is choosing by manage [Sufyan mehmoood](#). Appraisals are linked to rewards such as hike in compensation, promotion which demotivates the employees who don't secure them through their performance appraisal sheets. In these terms, 1632). Managers often fail to acknowledge their role in performance management and the fact that their own performance is dependent on the performance of their subordinates [Han-jiang Z](#). Perceived effectiveness of a performance.. (The main important aspects of Performance Management are Performance Improvement and competency building. The building blocks of an appraisal sheet are KPAs and KRAs. KPA means Key Performance Area. (Dr. Lakshmi T and Rajeshkumar S 2018) the stakeholder systems approach represents a holistic approach to performance management through its incorporation of stakeholder perspectives at system design, operation and evaluation stages. [Simmons, J. \(2008\)](#). At the outset, KPAs are broad categories of functions to be performed in job by the employee specifically. Generally, they are given in job description in an elaborate manner. KRAs means Key Resulting Areas. Several functions of KPAs have a KRA, (Trishala A , Lakshmi T and Rajeshkumar S,“ 2018) a much broader term in appraisals. Identifying KPAs and setting quantifiable targets wherever possible is the better way of planning one's performance.

Importance of Performance Appraisal or Performance Management:

- Every employee gets the feedback from superior about the work done or tasks completed.
- Deficiencies of employees are known individually.
- It is the only prominent tool based upon which promotion, compensation, transfer or layoff decisions are taken.
- It helps in framing the content required for Human Resource Planning.
- Generally, employees are counseled after receiving appraisal which benefits them to perform better.
- Employees are motivated by constructive appraisal formats.
- Flow of communication improves through the process of Performance counseling
- It gives a good estimate of employee's potential and has scope to set future goals

based on one's capability.

- A critical appraisal gives chance for employees to rectify their mistakes.
- It assesses the need of training or whether employee is eligible to get trained.

Methods of Performance Appraisal :

In traditional methods

- Essay appraisal method considers examples and evidences which are factual-based. Straight ranking does comparative evaluation whereas paired comparison makes each employee to be compared with all other employees. Critical incidents method judges by observing the performance during critical incidents given. In field review method, superior employee trains the supervisor about how to evaluate their workers. Checklist contains statements with yes or no answer for judging job performance.
- Graphic rating scale suggests for quality and quantity of work to be marked on a rating scale. In bell curve or forced distribution, all employees are distributed in fixed categories while comparing with each other.

In modern methods,

- Assessment centre method assess an employee by assigning a role in job if he/she is given promoted. Usually this method is used for assessing the need of training and development of employees. Behaviorally Anchor Rating scale is a combination method of critical incident method as well as graphic rating method. HR accounting method defines performance as the difference of contribution to the company and cost incurred for the employee. 360 degree feedback method takes the appraisals from himself/ herself, superior, sub-ordinate and peer group.
- In Management By Objectives, employees set their own goals with their superior which in parallel to set the standard performance which can be reference to the actual performance.

FUTURE TRENDS IN PERFORMANCE APPRAISAL PRACTICES

The world of performance management is drastically changing from what it was just a decade ago. Of age, data-based methods of evaluation have confirmed

themselves unproductive. It is hard to believe that 90 percent of HR professionals don't believe performance ratings are effective. The different trends already adapted by leading companies and to be adapted by other companies are as follows:

- Regular check-ins, supported by frequent feedback (both positive and constructive) replacing the annual performance appraisal is adapted by Adobe.
- A weekly check-in of every team leader with every team member discussing the near-term work and priorities along with comment on recent work and provide coaching as well as quarterly reviews instead of once-a-year performance reviews, 360 degree feedback and objective cascading is followed in Deloitte.
- A frequent feedback and regular conversations called 'touch points' to review progress against agreed near-term goals supported by online and mobile app enabling employees to capture progress against their goals, give feedback to peers and request is now implemented by General Electric by eliminating the rank and yank system (in which least performed employees 10% were fired).
- Accenture have decided to put frequent feedback and conversations at the heart of their new process, and focus on performance development, rather than performance rating and disbanded their ranking and once-a-year evaluation process.
- Cargill, the US food producer and distributor, removed performance ratings and annual review forms and instead focused on managers having frequent, on-the-job conversations and giving regular, constructive feedback with a different terminology 'Everyday Performance Management' including sharing success tips, rewarding managers of best practices and building skills with feedback and coaching.
- In line with the abandonment of performance ratings, companies are setting more regular objectives with shorter time frames.
- Paul Hamerman, Vice President and a principal analyst at Forrester Research, has predicted that a shift to the cloud and increased use of software will be a big part of the future of performance management.
- A focus on gender bias to reduce the discrepancies in feedback because of gender.

Challenges faced in implementing the performance management

Challenge 1 Lack of Alignment

The first challenge is the lack of alignment due to various organizational processes being created in isolation. The link between Strategy development, budgeting and operational planning is developed by different groups of people with different frameworks being used. The performance management system lacks alignment between individual performance, departmental performance and organizational delivery and so all systems default back to financial measurements.

Challenge 2 Lack of Measurements

The second challenge happens at various levels of the organization in that poor measures are developed, in many cases targets are set but no relevant measure is put in place. In other cases no data can be collected or is kept as evidence to track performance.

Challenge 3 Leadership and Management commitment

The Leadership and Management challenge has a huge impact on integrating and aligning a management system to deliver a comprehensive performance management system. The commitment and understanding of leadership and management of the requirements for achieving a workable performance system is critical to performance success.

Challenge 4 Managing of the performance system

Managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The management responsibility at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it consistently. Secondly management needs to appreciate that performance management is not an event but something that is managed daily but recorded and reported at certain times through reviews and appraisals.

Challenge 5 Managing poor performance

The management of poor performance is normally a reactive action, but in many cases it is delayed and therefore turns into a discussion that is difficult to make relevant. Another reason poor performance is not managed on time is the lack of valid measurements and the collection of required evidence and measurement data.

PERFORMANCE APPRAISAL PRACTICES IN INDIAN IT COMPANIES

Tata Consultancy Services

TCS is a subsidiary of Tata Sons Group. It was founded in 1868 by Jamshedji Tata. It generates 70% revenues of Tata Sons i.e. about US\$103.5 billion. In 2015, TCS is ranked 64th overall in the Forbes World's Most Innovative Companies. It employs 660,000 people. The performance appraisal for these employees is done as follows: Even TCS has been in the process of transforming from Forced Distribution model to continuous feedback. In forced distribution, every appraisee is provided with a goal sheet which contains 15 to 20 goals (based on his/her experience and profile) which are rated out of 5 by appraiser and attendance of project as well as technical trainings. Average score of these ratings is done for aggregate rating. According to the aggregate rating obtained, employee is put into A, B, C or D categories. For suppose, 20 members in a group for a project are to be evaluated, the project leader or project manager rates them and put 2 in A, 6 in B, 8 in C and 4 in D categories based on the rating scores. While rating appraisee, it is also observed for them meeting with Subject Matter Experts. The pay hike starts from 0% for D to 12-14% for A. The hike is based on Gross Pay. This forced ranking model is done twice in a year and pay is increased once in a year by rating and categorization basis. Appraiser for entry level employees is team leader or project manager. Continuous feedback has more transparency when compared to the above model implemented. Appraiser would be willing to share the feedback and appraisee can ask to know the lacking KPAs in the appraisal sheet. Here, the feedback is provided for each quarter of financial year. Feedback here is given by considering individual ability and not compared with any other which has a better scope for self improvement of skills and lacking areas of performance.

Infosys

Infosys is a multinational corporate providing Business consulting, Information Technology or outsourcing services. Its revenue is US\$10.208 billion and profit is US\$2.140 billion. The no. of employees are 200,364. These employees were assessed according to traditional. Bell curve method but now trying change to 'iCount' which is explained below: 'iCount' is the model developed for appraisals of Infosys' employees. Its CHRO stated that they are striving to inculcate the strength of dialogue and feedback through iCount. As per iCount, employees are rewarded on specific short term targets and are given feedbacks throughout the year. This iCount is brainchild of Vishal Sikka, CEO with concepts of 'new and renew' strategy linking 'design thinking'. Under iCount each employee is individually given feedback throughout the year and not relatively compared with other unlike Bell Curve. Saurabh Govil, CHRO of Wipro stated that the appraisal system has shifted now to develop an employee rather than criticizing the employee by describing what he/she have done.

Finding & suggestions

- **Be SMART about setting goals.**
- **Not every goal is appropriate for a performance management setting. Goals that aren't clearly defined can become bogs to get stuck in rather than opportunities for success. Following the guidelines to SMART goals can be incredibly helpful.**
- **Offering training for employees**

Performance management is an amazing tool to target employee weaknesses, but an organization needs to be willing to offer training for employees to improve and move forward. The same goes for managers – organizations should offer managers training in the skills that are critical to good leadership – communication skills, listening techniques, how to offer feedback, and how to avoid the pitfalls of reviewing an employee.

CONCLUSION

The challenges brought down by economic liberalization, even HR strategies must match the diverse socio-economic situations accordingly. In present Indian IT companies the HR practices revolve around hiring new talent and retain existing best talent. Performance appraisal is a crucial and critical tool to retain the existing employees TCS employees would always be craving to fall in A category to secure maximum increment. D category employees would be demotivated as they need to wait for one more financial year for increment. TCS focuses on input as well as output dimensions through evaluation of goal sheet.

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