

Scoping Review study on Performance Management System: A Strategic Tool for Human Resource Management

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Abstract: Human Resource remains neglected in the traditional scheme of management system, but it has gain its due share in Performance Management System, because of its infinite potential for managing and improving performance. It was realized that all other resources are equally available to all such competitors. HR is the only resource which, if made committed, can make the difference and help an organization to gain a competitive edge over others. This paper will make efforts to describe the theoretical aspects of effectiveness of PMS in an organization, review the common problems encountered and challenges while implementing PMS, and provide recommendations for implementing PMS effectively within an organization. The result shows that if implemented effectively performance management system acts as a strategic tool and a powerful foundation for the employees to achieve their aspirations and organizations to achieve their financial goals.

Keywords: Performance Management System, Performance Appraisal, Employee Performance, Performance Measurement

Introduction

Performance management system is the systematic approach to measure the performance of employees. It is a process through which the organization aligns their mission, goals and objectives with available resources (e.g. Manpower, material etc.), systems and set the priorities. The execution administration framework is a constant procedure of characterizing and conveying the activity parts and duties, execution desires, goals and set their needs between boss (administrator) and subordinates (workers). It incorporates association, office and representative shared objective and targets which are lined up with frameworks and assets. It is the channel of providing clarity about goals and also to improve the business processes through various methods and mechanism. The competency, skills and knowledge gaps are also identified through this process which can be improved by providing guidance, trainings, coaching and mentoring to employees or teams at different levels and designations. It optimizes the results through a roper channel and process which reduces the conflicts and grievances among teams or employees. Because each individual is clear about the expectations from his/ her role and put their efforts to meet performance standards. This process can be applied to single department / function or to whole organization. It aims to continuously monitor and measure the performance standards against the desired goals and objectives. In recent decades, however, managing people has become more challenging so the process adopted to manage people needs to be specialized. Performance Management developments in recent years are talent management, coaching and counseling, reward management, career planning, management by objectives and continuous monitoring and review etc.

"A performance appraisal is the evaluation or appraisal of relative worth to the company of man's services on his job"
- Alford and Beatty

Performance Management is the process through which managers ensure those employee's activities outputs contributes to the organization's goal. This process requires knowing what activities are desired, observing whether they occur, and providing feedback, managers and employees meet expectations. In the course of providing feedback, managers and employees may identify performance and establish ways to resolve those problems. Performance Appraisal is an important part of performance management. In itself it is not Performance Management, but it is one of the ranges of tools that can be used to manage performance. Because it is most usually carried out by line Managers rather than HR Professionals, it is important that they understand their role in Performance Management and how performance appraisal contributes to the overall aims of Performance Management. But on the contrary with a systematic feedback system, the Manager can identify good and bad performers.

Objectives of the Research

- To Study of Implementing Performance Management System.
- To Study of Benefits of Performance Management.
- To Study of Performance management process and Goal Setting for Performance Management Process.
- To Study of Reasons of Performance Appraisal Failure in Organization.

Scope of the study:

- To be instrumental in helping employees to better understand their strengths and weaknesses with respect to their role and functions in the organization.
- To help in identifying the developmental needs of employees, given their role and function.
- To increase mutuality between employees and their supervisors so that every employee feels happy to work with their supervisor and thereby contributes the maximum to the organization.

Research Methodology

The study focuses on wide study of secondary data collected from various books, National & international Journals, published government reports, publications from various websites.

Literature Review

Forslund (2007) a state-of-the-art description of the activities in logistics performance management is provided, addressing the following questions in dyadic relationships: how often are expectations updated? Who is the customer's contact person? What is the contract situation? Which actor (customer or supplier) formulates performance targets, and who measures logistics performance? Some of these issues' relationships to customers' expected logistics performance were verified.

Lo & Chin (2009) The seven user-satisfaction-based core values, eight critical success factors and five-phase knowledge management process are identified as the basis of the assessment criteria. These assessment criteria provide academics and practitioners with a new insight into the research landscape for knowledge management performance measurement.

Adobor (2004) focuses on management processes in shared-managed joint ventures. It suggests that the evolution and effectiveness of the management team in joint ventures may be facilitated by certain key contextual and individual level factors. Looking at venture management as an inter-organizational group of people composed of members representing parent organizations whose behavior is regulated by a common set of expectations can give clues to the special nature of joint venture management tasks. The individuals nominated to the team as well as some key performance-facilitating contextual factors may affect team effectiveness.

Employee performance appraisal is an effective tool or vehicle for assessment of employee performance and implementation of strategic initiatives for the improvement of employee performance (Lawler and McDermott, 2003). However, a considerable literature stream also suggests that there exist dissatisfaction in employees regarding performance appraisal system (Mercer, 2002; Roberson and Stewart, 2006; Moulaklis, 2005). For instance, Morgan (2006) noticed that performance appraisal in many organizations has not met expectations of employees. In the same vein, prior findings by Smither and London (2009) have elucidated that 80-90% managers reflect that performance appraisal has not been effective in improving employee and organization's performance.

Performance appraisal has been regarded as the most critical human resource function within organizations by which assessors or supervisors analyse and assess performance of their subordinates (Keeping and Levy, 2000). The outcomes of performance appraisal assists managers to select specific pay rates, promotional decisions, development and training needs and motivational factors for employees (Zapata-Phelan et al., 2009). In this regard, performance appraisal system has been widely researched within organizational psychology to assess employee performance. However, despite of resources applied and attention made to this particular topic, prior researchers have found continuing dissatisfaction among employers and employees about outcomes of performance appraisal systems in terms of unfair, inaccurate and political outcomes (Rao, 2004; DeNisi and Pritchard, 2006). Therefore, it is important to study the factors affecting outcomes of performance appraisal system.

2001). In this regard, distributive fairness represents the extent to which outcomes of appraisal are distributed fairly (Smither and London, 2009). In the appraisal context, the distributive context relates with the ratings of performance appraisal gained by employees. On the other hand, procedural fairness aims at the extent to which procedures deployed by organization for appraisal are fair in deriving outcomes of appraisal (Zapata-Phelan et al., 2009). Contrary to this, the concept of interactional fairness represents the extent to which employees receive treatment of peers and supervisors during the process of appraising performance (Roberson and Stewart, 2006). Prior studies about meta-analysis of performance appraisal and perceptions of justice suggest that it enhances performance and satisfaction of employees (Roberson and Stewart, 2006). On the contrary, appraisal satisfaction represents the contentment of employees with the results of appraisal system. Levy and Williams (2004) suggest that analyzing employee satisfaction is important as it determines reactions of employees towards appraisal. Contrary to this, motivation represents the degree to which employees are willing to make improvements in their performance (Roberson and Stewart, 2006). Some authors suggest that perceptions about fairness hold a critical importance within organizations because it avoids negative outcomes such as disruptive behaviors and employee turnover and also enhance positive outcomes of organizations such as positive citizenship, commitment and satisfaction with the job (Selvarajan and Cloninger, 2009).

Thurston (2001) has addressed the specific aspects related with performance appraisal and also reveal that effectiveness and success of appraisal system depends on reactions and feedback of employees. This suggests that employee feedback is critical factor in assessing effectiveness of appraisal system. This feedback can be positive or negative regarding outcomes of appraisal system. Prior studies have revealed that positive feedback is more likely to be accepted whereas employees often hesitate to accept negative outcomes of appraisal system (Rao, 2004). On the other hand, Roberson and Stewart (2006) suggest that if negative feedback is delivered in an effective and persuasive manner, employees will take it seriously and will focus on eliminating the negative aspects in their performance.

Prior literature has suggested that performance appraisal is an effective system for attaining different objectives. In this regard, Selvarajan and Cloninger (2009) have revealed that effective performance appraisal system results in improving performance of

employees and motivating them. In this regard, it can be identified who are the weak performers and who strong performers within organizations are. In the same line of thought, prior studies have identified five major outcomes of effective performance appraisal (Rao, 2004). These are: 1) using results of performance appraisal to improve employee performance, 2) enhancing motivation, 3) reducing employee turnover, 4) associating rewards and employee performance and 5) establishing equity among employees (Rao, 2004; Selvarajan and Cloninger, 2009).

Purpose of Implementing Performance Management System

Managing employee's performance is the key objective of establishing systematic Performance Management system in an organization. These process servers' six main purposes in the company:

- **Strategic: Performance** managed system is a tool which should be align with overall organization goal followed through department goal and individual goals. In other words, the organizational strategic goals should be linked with each activity performed by every department or employee.
- **Administrative:** Performance management system is also set the deciding factor of employee's promotion, demotion, salary increment, transfer and terminations. It enables to identify the performers, non-performers or under performer employees in an organization. It merits the competency and skill level of employees. Hence, it clearly defines the administrative role as well and supports the management decisions.
- **Communication:** It is the effective communication channel to inform employees about their goals, job responsibilities, key deliverables and performance standards. Further, it is also a structure method to indicate the key areas of improvement required by the employee in order to improvise his performance. In other words, it provides the platform to learn and train on skills, and knowledge for better performance and results.
- **Developmental:** It is the structure method of communicating the positive feedbacks, improvement areas, and development plans. The manager can use various methods like training, mentoring, coaching etc. and them their team members to perform better.
- **Organizational Maintenance:** Performance management system is the yardstick of measuring employee, department and organization achievements and evaluating the performance gaps through various tools and techniques. Hence, it maintains the health of the organization and its performance standards.
- **Documentation:** The performance management reviews, feedback and forms should be documented and maintained periodically by every organization. It would enable them to look forward, set new targets, design developmental needs, design training and learning programmes, and career progression of employee and for department. Hence, it helps in driving the organizational needs to desirable objectives.

Benefits of Performance Management

In today's global environment where the market is evolving at a very fast pace, it is important for an organization to understand the benefits of performance management. Therefore, managing employee's performance is the ultimate need of an organization. The employees are considered as an asset by the organization. The performance management system serves various benefits to the organization, which are as follows:

- It supports to provide data to find the skills and knowledge gaps of employees in order to improvise them through trainings, coaching and mentoring systems.
- It motivates employees to take new challenges and innovate through structure process.
- It provides new opportunities to employees for their growth and development in their professional careers
- It defuses the grievances and conflicts among team members through proper performance evaluation system.
- It assesses the employee's performance fairly and accurately against the performance targets and standards.
- Employees would enable to provide better results because of clarity on their performance targets.
- Performance management system provides the platform to discuss, develop and design the individual and department goals thorough discussion among manager and their subordinates.
- The under performer can be identified through performance reviews and can raise their skills levels objectively. It quantifies the learning needs through individual development plans or performance improvement plans as well.

Performance management process

Performance management process is a systematic process of managing and monitoring the employee's performance against their key performance parameters or goals. It is regarded as a process for driving the individual and organizational performance management. Preliminary, the process involved six steps which followed one after the. In short, it is termed as continuous process in organization.

- **Stage 1: Pre- Requisites:** It is necessitate defining the purpose clearly for existing and new employees/ staff, departments in order to make integrate all teams to meet company's target. There are three primary stages where the company defines their long term and short term goals. The first stage is at the organization level, where the management describes the holistic view and defines overall objective of formulation of the company, what are their long term vision, what are the values on which they stands for, and what is the mission the company is chasing. The second stage perquisites at department level, where the management assign targets to each department to achieve overall organization objective. At this stage, the management strategizes the processes and allocates targets to each department. The last stage is individual level, where the department further gives targets to employees. The above three stages are the foundation of performance management system of any organization. Basis on these three levels, the management design, strategize and develop the performance management system.

It describes job descriptions, job specification, and job design at each level and delegate targets to perform in order to achieve organization objective.

- Stage 2: Performance Planning:** There are three important attributes of performance planning: i. Results, ii. Behaviors & iii. Development Plan

Results: the yardstick of performance management is used to measure employees and department performance. It provides the information about the performance gaps and achievements. Hence, it evaluates how well the individual employee has performance against his assign targets

Behavior: measuring the employees behaviors are one of the most challenging and difficult task basis on performance standards. The human behavior can only be measured through observation and close monitoring by his supervisors or human resources department. It is difficult to qualify the behavior against his performance standards. There is lot of subjectivity involved in this category. However, there are lot of psychometric tools which supports to define and indicate individual behaviour and attitude, but research has proven that they are only indicators and not provide absolute answer and authenticate results. Hence, we can define the expected behavior in employee's performance standards during the performance planning and its measurement but cannot quantify it with data.

Development plan: development plan is the third stage of performance planning. At this stage, we develop the plans to improve employees knowledge, skill and attitude (K, S, A). It allows employee to take his professional standards to next level which the support of development tools and plans.
- Stage 3: Performance Execution:** Performance execution is considered as most important stage because the whole exercise of creating performance management systems and building up standards would rely on it. The primary responsibility and ownership of performance execution is with employee, which is followed by department and then organization. Hence, it is considered as a chain or process, in which the performance of individual employees would result department performance. Therefore, the role and responsibility of supervisor or manager also increases which comprises with following focus areas: Provide resources, tools and equipment's to employees to make out better results Provide regular feedback to subordinate about their performances and improvement areas Motivate team members through different channels and tools Integrate individual development plans with department's goal Remain focus on development activities to enhance individual knowledge and skills.
- Stage 4: Performance Assessment:** Performance assessment is the next stage followed by performance execution. In this phase, the employee and manager both are responsible to measure and assess the performance of employee against his targets. The process should comprise to the extent of individual targets, behaviors or attitude and special achievements during the performance appraisal cycle.
- Stage 5: Performance Review:** The performance review stage is a platform where the subordinate and superior exchange performance feedbacks and review performances against given targets or goals to individual. To make the performance review successful, the involvement and exchange of dialogue are equally essential between employee and his manager. Apart from performance review, they also discuss about the development plans, trainings to improve skills and knowledge, next year goals and targets and expectations of employee and manager both. Hence, this stage is considered the base of next year performance appraisal cycle as well.
- Stage 6: Performance Renewal and Reconstructing:** The performance management process is an ongoing continuous process. Once the performance has been reviewed and end, then the cycle starts for the next performance appraisal. It should be again align with next year organization mission, goals and objective and integrated with departments goals In facts, it is a process which starts all over again which needs to be discuss, design, develop , executed and review again. This is necessitate because the external environment of company like market, customers , competitors , suppliers etc. also revolved and all subsequent changes has to prerequisites for performance planning and setting with strategic objectives of organization.

Goal Setting for Performance Management Process

Goal setting is a powerful tool that can be used to motivate and challenge employees or organization. It is one of the important keys in performance management because it's an instrument to measure performance on predefined objectives / goals. Fully set goals are objectively determine have approximation idea whether or not the goals have been reached at time. Poorly set goals are not clear the result is frustration. Hence goal setting can be used in every type of work place and with every level of employee. Goals can be framed in several different types of ways that affect how well people learn and perform. When goals are challenging, it is important to help people to frame them as a challenge from which they may learn, rather than a threat in which failure is foreseeable. The goal framings are standing on four important Pillars



- **Clarity:** A clear goal is one that can be measured and leaves no room for misunderstanding. Goals should be very explicit regarding what behaviour is desired and will be rewarded. The clear goal reduces work order errors by 10-30% in general. It also create a system for ensuring that every team member is informed of changes in policy, changes in hours or other important informative i.e. it improves communication within team members.
- **Challenges:** A goal should be challenging but must be achievable. By positively rewarding the achievement of challenging goals, would encourage employees to achieve more and meeting new milestones. At the time of goal settings, it is most important to identify rewards and awards that are appropriate for the special achievement of challenging goals verses normal expectations.
- **Commitment:** In order for goals to be effective, they need to be agreed upon. The goal should be in line with the general established expectations as per role and level of an individual. The employee and employer of an organization must both be committed to using the resources needed to complete the goals and what should also agree on what the reward will be.
- **Feedback:** Goal setting will not be effective if there is not an opportunity for any feedback. Feedback is a chance to correct or clarify before the goal has been reached. Ideally, feedback is a type of progress reporting. That gives the managers the chances to clarify expectations and to adjust the level of difficulty to the achieving goals, if it seems it's too hard or too easy. For the employee of company, it provides a chance to make sure they are meeting their supervisor's expectation and to get reorganization for what they have achieved up to this point. When the goal is complete to achieve, the manager can also conduct a formal feedback and acknowledgement session so that employee can discuss his performance and improvement areas for future based performances.

Reasons of Performance Appraisal Failure in Organization

Performance management system is the most effective tool of any organization to measure the performance standards of employees. Performance appraisal process is the part of management system, which measures, evaluate the performance, productivity, profitability and economic employee. Therefore the organization objectives should be associated with employee's goals or Key performance areas through the structured approach of performance management systems. There are various methods and techniques of performance management system. In general, the organizations, adopts and follow the systems which are aligning with their internal process, systems and resources. Different organizations and industries follow different practices of performance appraisal system. But, in spite of many benefits, this process falls flat in many organizations. Through the research and case studies by various institutes organizations & firms, the followings are some of the key reasons for the failure of performance appraisal systems in company's

- **Manager's personal judgment or assessment based on preferences:** Many times, performance managers provide their personal views, judgments and more opinion other than the performance appraisal parameters. They keep their biased view upfront of measure and analyzing employee performance against the assigned goals and objectives. They show less interest in the performance appraisals system and belief on their own method of performance judgments.
- **Unstructured methods of performance appraisal systems:** There are many organizations which do not set the parameters of measuring performance levels of employees. Performance managers include "primary result areas" in performance appraisal system, but do not include "primary performance indicators" which result as the qualitative appraisal system instead of quantities appraisal. So this approach involves lots of manager's perception, views likes or dislikes and personal side favors. Such appraisal processes also lack of feedback system between employee and managers.
- **Lack of interest and ownership of manager:** Performance appraisal process is a long and time consuming process. This process involves lots of talk's discussion, feedback and designing techniques of managers. Most of the time managers do not show their much engagement and interest in designing and developing the performance standards and set goals for their team members objectively. In other words, instead of collaborative approach of human resources department, function/ department head and reporting manager, whereas it becomes coordinating approach for executing this activity in few organizations.
- **Lack of proper channel of communication:** In many organizations, managers avoid to give direct acknowledgement to employees on their performances. They resist and close the channel of exchanging feedbacks with their subordinates.
- **Lack of reward and recognition policy:** in many organizations, management avoids to give reward and recognition to the employee performer in view to avoid any business or unrest among other team members.

- **Lack of leadership:** Implementation performance appraisal system in organization is a responsibility of organization management and its supervisor/managers respectively. In the lack of proper leadership, supervision and communication channels network system, organization loses its objectivity for employees. Performance appraisal is a continuous process which approaches from top level to bottom in an organization.
- **Lack of designing, monitoring and measuring the performance appraisal standards:** it is a continuous process which should be developed, designed and monitored by managers for the successful implementation. In the absence of such practices, it is difficult to collect information, measuring, analysis and use it for decision making process. As result employees felt like demotivated and losses their confidence in this system.

Conclusions

PMS is an important tool in measuring and managing the performance of individuals as well as the teams. An organization which is aiming at improving its performance cannot ignore the performance of individuals and the teams. A PMS should be designed keeping in mind all the hurdles that may come in its way during the implementation. A strong bond and cooperation by all the stakeholders will definitely contribute to the success of the PMS and thus contribute to the success of the organization.

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