

# Performance Management System and Its Impact on Performance of the Employees

Reena Singh<sup>1</sup>, Dr. Trilochan Sharma<sup>2</sup>

<sup>1</sup> Research Scholar, Ch. Charan Singh University, Meerut

\*e-mail:- reena.mgmt@gmail.com

<sup>2</sup>Associate Professor, Ch. Charan Singh University, Meerut

**Abstract:** Based on this current study and conducted studies in past, it is observed that performance management process sets the platform for profitable supremacy by regulating individual employee accomplishments with the organization's mission and objectives and making the employee and the organization understand the importance of a specific job in attaining fallout. By establishing clear performance expectations which includes results, actions and behaviors, it helps the employees in understanding what exactly is expected out of their jobs and setting of standards help in eliminating those jobs which are of no use any longer. Through regular feedback and coaching, it provides an advantage of diagnosing the problems at an early stage and taking corrective actions.

**Key words:** HRM, Performance Management, Organization, Performance Appraisal.

## 1. Introduction

HRM works to facilitate and improve the performance of the employees by building a favorable work environment and to provide complete opportunities to the employees for participating in planning and decision making for the growth. In current era, 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.

The process of performance management starts with communicating the performance or set targets to employees and find out the gap and it ends to overcome the lacuna.

Performance management can be regarded as a systematic process by which the overall performance of the individuals by using different methods within a team framework. It is a process for promoting superior performance by communicating estimated targets and defining roles within a required framework and establishing achievable benchmarks.

- Developing absolute job descriptions and job specification plans to find out the Key Result Areas (KRA's) and performance indicators.
- It makes the Selection process easier by identifying the right set of performance.
- To set performance standards for measuring the result and overall productivity against the benchmarks.
- By setting quarterly performance and evaluating employee performance on the basis of performance plans.
- Providing coaching and feedback during the period of delivery of performance.
- Identifying the training and development needs by measuring the outcomes achieved against the set

standards and implementing effective development programs for improvement.

- Providing promotion and career development support and guidance to the employees.
- Performing exit interviews for understanding the cause of employee dissatisfaction with current job.

### **Purpose of Performance Management**

A performance management is a set of processes used to identify, encourage, measure, evaluate, improve, and reward employee performance at work. However, satisfactory performance does not happen automatically; therefore, it is more likely with a good performance management system.

A performance management serves a twofold purpose:

- It is helpful to improve employees work performance by helping them realize and use their full potential in carrying out their firm goals.
- It is helpful to provide information to employees and managers about work related decisions.

More specifically, performance management serves the following purposes:

### • **To Create Feedback Mechanism:**

Performance Appraisals provides feedback of employees and serves as vehicles for personal and career development. Performance appraisals help employees to know how well they have performed on estimated goals. It's also desirable to have these goals and performance measures mutually set between the employees and the supervisor.

### • **Career Development Concern**

If the need is identified of employees development the appraisals helps to establish objectives for training programs. And the individual's performance may be satisfactory, or her improved for succession planning which is the part of career development. In this case, then, development may include exposure to different teaching

methods, such as classroom teaching, experimental exercises, case studies, basket applications, case analysis, and so forth. It also refers in those special areas, in which an employee has a deficiency or weakness, and to overcome the found deficiency through the use of performance appraisal and to enhance performance.

- **Documentation Concern**

A performance appraisal system helps to make the written documents about the performance of employees and with the help of documentation it would be easy to reward and promote the employees. For instance a supervisor has decided to terminate employee so it would be easy to him on basis of past records of employee's performance. Although the supervisor cites performance matters as the reason for the discharge, a review of this employee's recent performance appraisals indicates that performance was evaluated as satisfactory for the past two review periods.

- **Diagnoses of Organizational Problems**

It is identified that performance appraisal analysis provides the proper feedback towards training and development programs to recognize the lacuna in organization. It is also identified the training requirements and the abilities, knowledge, skills and etc to consider in staffing. The outcomes provide a basis for differentiating effective and ineffective employees.

- **Employment Decisions**

According to the performance of employees, Appraisals provide to promote outstanding performers. For ineffective performers; provide training, transfer, or discipline and etc. In other words, appraisals provide a vital input for administering a legal organizational recognition and punishment policy.

### **Performance Appraisal Process**

The six steps involved in process of performance appraisal are as follows:

- To set Performance Standards
- Communicate Performance Expectations to Employees
- Collect data of actual performance
- Measure and analyze Actual Performance
- Compare Actual Performance with expected
- Find out the deviation between actual and expected
- Discuss the outcomes with the Employee
- Take Corrective Action

The process is conducted periodically quarterly and usually twice a year, i.e. semi-annually and annually called as mid-term review and annual review respectively.

### **Methods of Performance Appraisal**

There are a number of methods introduced to estimate the quantity and quality of work performed by an individual. These methods are mainly classified into two categories:

- **Past-oriented Methods (Traditional Methods of Performance Appraisal)**
  - Rating Scales

- Checklists
- Forced Choice
- Forced Distribution
- Critical Incident
- Performance test and observation
- Field review
- Confidential Record
- Essay method
- Comparative Evaluation Approaches
- Cost Accounting Method
- Behaviorally Anchored Rating Scales
- **Future Oriented Methods (Modern Methods of Performance Appraisal)**
  - Management by objectives
  - Psychological Appraisal
  - Assessment Centres
  - 360-Degree Feedback
  - 720-Degree Feedback

## **2. Literature Review:**

From the beginning of 1900 it is identified that the performance appraisal includes individual's personality, behavior, mental abilities and capabilities. . Therefore, this situation led to a change in the criteria for performance appraisal. However the relationship between the performance of individuals and professional objectives were developed in the 1960s.

Bingham (1926), defined and measured performance for the purpose of validating method. In considering the development of performance appraisal, results of the implementation were used for taking the administrative decisions such as employment contract renewal, termination, upgrading and determining fees (DeVries et al.,1981).

Fletcher and Williams (1985) has that Human Resource Management contains many insights into performance appraisal issues and linkages between performance appraisal and career development.

Murphy and Cleveland claim that the first formal performance appraisal process is known in America is performed by evaluating the soldiers recruited in 1813, although the first examples of organizations evaluate employee performance in a systematic and formal institutions providing public services in the United States is the beginning of the 1900s (Ataay,1990) Patterson developed a method which was called Graphic Rating Scale to the general psychological community in 1922. This scale provided a metric on which to rate a trait or factor rather than making purely qualitative judgments. However, the difficulty of defining performance criteria was proved and the problem has plagued performance management ever since (Austin and Villanova, 1992). Performance Appraisal satisfaction deals with such issues as employees evaluating timeliness, accuracy, goal setting procedures and feedback mechanisms. (Dobbins, Candy and Plat-Vieno, 1990).

Some other studies suggested that appraisal satisfaction is a key factor leading to job satisfaction. (Murphy and Cleveland, 1995).

The relationship between job satisfaction and job performance has been the concern of many studies. Job satisfaction refers to the employee's pleasurable or positive emotional state as a result of appraisal of one's job and job experience.

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.

Performance measurement is an essential part of the performance management. By measuring, people transform complex reality into simplified numerical concepts that can be easily communicated and acted upon (Lebas, 1995).

According to Bititci, Carrie & McDevitt, it is the objective of that process to provide an integrated control system, where the corporate and functional strategies are deployed to all business processes, activities, tasks and personnel, and feedback is obtained through the performance measurement system to enable appropriate management decisions. The ultimate purpose of that process is to improve company performance.

### 3. Objective Of The Study

- Understanding the goals to fulfill the objectives of organization.
- Knowledge of expectations for managers and employees according to organization.
- Efficient communication b/w individuals and teams
- Identifying employees training and performance strategy.

### 4. Conclusion

To conclude, performance management is considered as a proactive approach by analyzing and managing employee performance for controlling the individuals and the organizations towards desired performance and results. It's about making a harmonious relationship between individual and organizational objectives for accomplishment of excellence in performance. Thus the performance management plays a vital role for measuring the performance using different methods and making the excellence performance.

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