A STUDY ON THE CONCEPT OF PERFORMANCE MANAGEMENT SYSTEM IN IT INDUSTRY - LITERATURE REVIEW

Ravi Chandra G
Research Scholar, Koneru Lakshmaiah Education Foundation, Vaddeswaram, Guntur, Andhra Pradesh, India

Dr. A.B. Saraswathi
Assistant Professor, Koneru Lakshmaiah Education Foundation, Vaddeswaram, Guntur, Andhra Pradesh, India

ABSTRACT:
Managing human resources in today's dynamic environment is becoming more and more critical as they constitute very important resource. Among all the resources in the Organization, Human Resources / People are crucial. Identifying, Developing, Assessing, Recognizing and utilizing is all HRM and the duties of Human Resource Department. A success of an Organization depends on how well you take care of internal customer’s i.e workforce and focusing on their continuing performance improvement which fulfils all interests personally and professionally. At the same time, Organization aims at improving the performance of its people by rigorous development programs which in turn improve the Organization performance. In short Performance management is the buzz word and today saying is as you perform or perish. In this context understanding the concept of Employee Perception about Performance Management Systems in It Industry & its literature review and the gaps that shall be useful for researchers for future research are paramount importance. The article focuses on the IT industry as this is second biggest Industry in India with high manpower.

Keywords: Performance Management, Workforce, Employee Perception, Organizational Performance.

1. INTRODUCTION

The success of an Organization depends on how well you take care of internal customer’s i.e. workforce and focusing on their continuing performance improvement which fulfills all interests personally and professionally. At the same time, Organization aims at improving the performance of its people by rigorous development programs which in turn improve the Organization performance. In short Performance management is the buzz word and today saying is as you Perform or Perish. Performance management deals with the challenge organisations face in defining, measuring, and stimulating employee performance with the ultimate goal of improving organisational performance. It is the process through which managers ensure employee’s activities & resultant outputs contributes to the organization's goal. This process requires knowing what activities are desired, how they are planned, organized, implemented & evaluated whether they occur, and providing feedback to all managers and employees meet expectations. In the course of providing feedback, managers and employees may identify gaps 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. Performance appraisal can also be taken as one aspect of motivating applied in organization context. Performance appraisal is the process of obtaining, analysis and record in information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is measure what an employee does.

2. DEFINITION OF PERFORMANCE MANAGEMENT SYSTEM:

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, as it encompasses activities such as joint goal setting, continuous progress review and frequent communication, feedback and coaching for improved performance, implementation of employee development programmes and rewarding achievements.

The process of performance management starts with the joining of a new incumbent in a system and ends when an employee quits the organization.

Performance management can be regarded as a systematic process by which the overall performance of an organization can be improved by improving the performance of individuals within a team framework. It is a means for promoting superior performance by communicating expectations, defining roles within a required competence framework and establishing achievable benchmarks.

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.

An organization can perform its task with the help of resources as Men, Machine, Material, Method and Money. Among these, manpower is a live and generating resource and other resources are non-living. Manpower is important resource because it utilizes other resources and gives output and if manpower is not available then other resources are useless and cannot produce anything in the organizations. Out of all the factors of production, manpower has the highest priority and is the most significant factor of production and plays a
pivotal role in the area of productivity and quality. Hence, the principal component of an organization is its human resources.

Human resources have been defined from the national viewpoint as ‘the knowledge, skills, creative abilities, talent and aptitudes obtained in the population: whereas from the viewpoint of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employee’. Here, the question arises that how human resources are to be utilized. Further, the business environment is changing drastically and the environmental factors are uncontrollable. Every environmental factor like social, cultural, legal, political, economic, technology and competition gets changes very fast. Again the need for highly skilled and dedicated manpower is felt who can give the best output. Now-a-days, the markets are also very competitive and there is cut throat competition for every organization and it is very difficult to start, survive, stabilize and excel in the business. The organisations that gets an advantages over other competitor is through their and dedicated manpower can take 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 organisations.

The performance management system has certain variables impact such as aligning workforce, building competencies, driving better business results, continuous development, improving performance etc. The following diagram represents those variables.

![Figure 1](image.png)

**Figure 1** Represents the variables impact on Performance management system (Self)

Performance Management process in brief involves activities like setting up targets/goals, systematic performance reviews in qualitative terms and in quantitative terms, identifying performance gaps and working out development plans for the future.

Employee will be evaluated on the following.
- Customer Excellence
- Operational excellence
- Financial adherence
- People management and
- Self-development.
3. LITERATURE REVIEW

The performance management system is one of the most significant phenomena of the Indian IT sector. Basically, organization productivity and effectiveness mainly depends on the employee performance measurement. This system began from the time of world war as simple method of income satisfaction but now-a-days it is considered as indispensable for every organization. In this connection the researcher selected this topic, once a topic has been selected, it is essential to review all relevant materials which have a bearing on the topic. There have been many research studies conducted on performance management system in India and other countries. A brief review of previous studies has been presented below.

K. Chandhana and Dr. David T Easow (2015) in their article titled ‘Performance Appraisal Method Used in Top 10 IT Companies – 360 Degree Feedback & Balanced Score Card: A Review’ has found that the both 360degree feedback and balanced score card has its own loopholes, through these methods are being used by top IT companies. The satisfaction levels of employees towards these appraisal methods are very low and there is a need of a new appraisal method which prevents these errors and has the advantages of these methods.

Rajput, et al, (2015) in their article titled ‘Performance Appraisal System’ explain that performance appraisal is conducted on an annual basis for existing employees whereas for trainee and new recruits it is done on quarterly basis in many organizations. Here author studies about the multidimensional nature of job where the nurse manager gives rating to different job of nursing process. Thus, Employees who have relatively less competition or lenient appraisers have higher appraisal than to equally competent employee.

Rinku Sanjeev and Sanjeev Kumar Singh (2014) in their article titled ‘Employee Perception towards Performance Appraisal Program in Packaging Industry’ suggest that the employees have both positive and negative perceptions towards the Performance Appraisal Programme in packaging industry. The employees also believe that it is not helpful in reducing grievances among the people. Employees’ perceptions also vary according to their demographic differences. The Performance Appraisal Programs need transparency and well explained parameters for the acceptance and satisfaction of employees as these impact the overall organisational performance.
Anbarasu Thangavelu and Dr. J Clement Sudhahar (2014) ‘Performance Management Challenges in IT Industry – An Overview’ conclude that the performance management system for a large IT organisation should be designed to measure the past and potential performance of its employees and its own performance in alignment with the states vision of the organization.

Jawad et al., (2014) ‘Impact of Technology on Performance of Employees (A Case Study on Allied Bank Ltd, Pakistan)’ found that the investment of organizations in new technology has good impact on the performance of employees; it increases their efficiency and productivity. It also makes the organizations more competitive regarding customer services like in the case of Allied Bank, it become more customers focused and services oriented.

Bethuel Sibongiseni Ngcamu (2013) ‘The Empirical Analysis of Performance Management System: A Case Study of a University in South Africa’ concluded that the Performance Management System (PMS) to be effectively implemented flexible PMS needs to be designed in order to accommodate all employees at all levels. It further recommends that in order for the PMS to improve effectiveness amongst employees; well-crafted job descriptions in line with departmental strategic plans that are aligned with the comprehensive organisational strategy; need to be brought to light.


Muhammad Shaukat Malik and Surayya Aslam (2013) ‘Performance Appraisal and Employee’s Motivation: A Comparative Analysis of Telecom Industry of Pakistan’ this empirical research found the significant influence of employee’s reactions towards performance appraisal on employee motivation. Employee perceived reactions including perceived satisfaction, perceived acceptability, perceived utility, perceived fairness and perceived accuracy of performance appraisal are significantly important to determine the employee work motivation.

Hamunokola (2013) ‘The Contributions of Performance Management Systems To performance in The Namibian Context’ found that the goal setting theory which predicts that performance benefits can be realized by implementing specific challenging goals because they have a motivational effect on employees compared to vague and easy goals. He suggested that employee participation in goal setting and providing feedback led to higher performance compared to when goals assigned and no feedback is given.

Rajesh K. Yadav and Nishant Dabhade (2013) ‘Performance Management system in Maharashtra Companies (a leading public Sector undertaking) of India – A Case study of BHEL, Bhopal (M.P.)’ suggested that the effective performance management requires equal standards against which employees are assessed. In the absence of equal standards, employees are assessed with subjectivity, which may destroy the process of appraisal and leave it as a body without soul. Therefore, the problem of unequal standards can be minimized by ensuring that the appraisal criterion is job-oriented.

Sunil Kumar Pradhan and Dr. Suman Kalyan Chaudhury (2012) ‘A survey on employee performance management and its implication to their relation in OCL India Ltd’ conducted the study with three main objectives namely to know the performance management system and how it helps in organizational development, to assess the efficacy of performance management as a tool for HR interventions and to know how performance management leads employee satisfaction, this ultimately increases employee retention. The study found that the main purpose of performance management is to link individual objectives and organizational
objectives in such a form as to give best possible platform to the employees to perform at the highest level.

Sandeep Gudla and Valli Sri Krishna Veni (2012) ‘The Study of Performance Management System in IT Organizations’ conclude that the performance management system plays a key role in the organization effectiveness. This system helps to meet business expectations and helps to speed up to market expectations. It is also helps management in making promotion decisions and finally, the employees in the organization are satisfied with system which exists in IT Industry.

Boachie-Mensah, et al, (2012) conducted the survey was made on educational institution of Takoradi, Ghana, where author study was focused on employee/staff perceptions on performance appraisal method, biases or error related to the approach. Perception influence people’s judgment and attitudes towards particular thing, therefore the staff might hold different opinions about the performance appraisal system in the organization. The research on this concept was analysed, using different method such as descriptive statistics and the results of the study says that employees are affected by the Performance appraisal system and are affected by major error.

Matlala (2011) ‘Employee Fairness Perceptions of a Performance Management System’ concluded that employees at the organization have a negative perception of the fairness of their organizations performance management system. It is also clear that employees’ perceptions of fairness are influenced by distributive, procedural and interactional justice factors as outlined.

S. Haanappel (2011) ‘A framework for IT Performance Management ‘explain that the performance measurement frameworks include metrics and a budgeting approach. Performance metrics are used to govern measures and need to match the goals of the organization. When they are not well implemented the planning and control of these metrics is impeded. The goals of budgeting system development are the development and maintenance of a process for the planning and management of activities. These activities are deducted from the strategic and tactical plans and the corresponding benefits and costs are translated into a financially formulated plan.

Senthil Genesh&Jerme Joseph (2011) ‘Exploring perceived organizational formalization and performance review system complexity as predictors of executive attienation in performance review systems’ regarded performance review as one of the most complex and controversial human resource technique in organizations. The study explored the domain of cognitive complexity of executive appraises by examining perceived organization formalization and experiential perceptions of performance review system complexity as predictors of appraises executive alienation in performance review systems.

Abdul Hameed and Aamer Waheed (2011) ‘Employee development and its effect on employee performance- A conceptual framework’ here they analyzed the theoretical framework and models related to employee performance. The study found that the success or failure of the organization depends on employee performance. Therefore organizations are investing huge amount of money on employee development. The study also developed a model which explains the relationship between employee development variables (employee learning, skill growth self-directed and employee attitude) and employee performance variable.

Ahmed et al., (2011) ‘Relationship between Perceived Fairness in Performance Appraisal and OCB: Mediating role of organizational commitment’ identified a key factor for the development of the organisation in effective and efficient manner. Previous studies indicate that employee perception towards performance appraisal has a significant impact on employee satisfaction and their individual performances.
Sharmistha Bhattacharjee and Santoshi Sengupta (2011) ‘An Employees Performance Management in Manufacturing Sector in India’ stated that the employees are the most valuable and dynamic assets of an organization. Through the performance management system can leads to achieving the strategic objective of sustained & speedy growth, managing human resource has been featured as a vital requirement in all organizations.

Talya and Berim (2010) explained that the performance appraisal system is not only an important tool of human resource management to develop their employees, but is also used by different companies to reward their employees in form of bonuses, promotions, and pay raise etc. Usage of performance appraisal to reward employees is also used by different theories of motivation like reinforcement theory etc.

Ashok Khurana & Kanika Goyal (2010) ‘Performance appraisal: A key to HR assessment and Development’ explored the performance appraisal practices of selected Indian Industries. It provides an insight into the concept of performance appraisal, the method and approaches of performance appraisal, the appraisal process etc. The study observed that at L&T performance of human resources is appraised at three levels. That is self-appraisal by employee reviewing his past performance, critical attributes appraisal by immediate supervisor and performance and development planning for future period by the superior along with the employee. The study observed that performance appraisal is indispensable to be aware of each employee’s abilities, competencies and relative merit and worth for the organization.

Geeta Kumari, Neha Kaleramna and K.M. Pandey (2010) ‘Study on Performance Management System of Private Companies: A Case Study of Endurance Pvt. Ltd. Maharashtra, India’ suggested that the performance targets must be clear, specific, challenging, time bound and linked with value rewards and employees must be properly and adequately communicated regarding the assigning of values in terms of number of performance.

Sanwong (2008) ‘The Development of a 360-Degree Performance Appraisal System: A University Case Study’ examined the functioning of an innovative 360-degree performance appraisal system among a sample of 75 employees at a Thai university. The data for the system came from supervisors, colleagues, clients and junior staff as well as from the employees themselves. The validity of the system was examined on two occasions. While all employees were satisfied with the system, support and clerical staff in the university were more satisfied than academic staff. A number of suggestions were made for improving the ‘working’ of such a system in a university environment.

Gurbuz and Dikmenli (2007) in their research titled ‘Performance appraisal in public organizations: An empirical study’ they suggest that younger as well as older employees’ perception of Performance Appraisal generally does not vary significantly according to their ages. This apparently suggests that younger and older employees alike are substantially similar in terms of their commitment and willingness to submit to Performance Appraisal.

Kuvaas (2006) ‘Performance Appraisal Satisfaction and Employee Outcomes: Mediating and Moderating Roles of Work Motivation’ explained that the performance appraisal is one of the most important theories of human resources management and is one of the subjects which have been studied and investigated in the psychology of work extremely. Those employees who believe that the organization is trying to supply their needs may have a sense of responsibility with regard to render to the organization through high work performance.
I.M. Jawahar (2006) ‘Correlates of Satisfaction with Performance Appraisal Feedback’ indicates that the performance appraisal feedback is the primary impetus for the organization effectiveness and it investigates potential predictors and consequences of satisfaction with appraisal feedback. An appraisal feedback was positively related to job satisfaction of the employees, organizational commitment and negative related to turnover intentions.

Bard Kuvaas (2006) ‘Performance Appraisal Satisfaction and Employee Outcomes: Mediating and Moderating Roles of Work Motivation’ explained that the alternative relationships between performance appraisal satisfaction and employee outcomes in the form of self-reported work performance, affective organizational commitment and turnover intention. The relationship between performance appraisal satisfaction and work performance, however, was both mediated and moderated by employees’ intrinsic work motivation. The form of the moderation revealed a negative relationship for employees with low intrinsic motivation and a positive relationship for those with high intrinsic motivation.

Statement of the Research Problem: The term Information Technology (IT) means the design, development, implementation and management of computer-based information systems, particularly software applications and computer hardware. Now–a–days, it has grown to cover most aspects of computing and technology in every sector due to the improving accessibility, awareness and utility of technology. It is a common fact that a country’s IT potential is paramount for its march towards global competitiveness, healthy GDP and defence capabilities. An increasing the demand for electronic hardware and software in India has been fuelled by a variety of drivers including the high growth rate of the economy, emergence of a vast domestic market catering to the new generation of consumers, a thriving middleclass populace with increasing disposable incomes and a relatively low-cost work force having advanced technical skills.

IT industry in India has played a key role in putting India on the global economy. IT industry in India has been one of the most significant growth contributors for the Indian economy. This has projected India’s image as a global player in providing world class technology solution and business services. Employment opportunities are very huge in IT sector which in turn reflects upon the employee retention and employee’s performance standard. The performance of an employee is measured and evaluated with the use performance management system of the company. But the pitfall is the day to day increasing grievance towards the appraisal methods used in company. The appraisal systems are sometimes very biased in nature; this is the most encountered of all the problems that plague performance management system. The favourable attitude shown by the supervisor or manager towards a co-worker will give a bad message to other talented individuals in the organization that the management is biased. It was understood by the literature review that, most serious problem is that performance management systems are not meeting the actual requirement or the purpose why it was meant for. Taking infrequent feedbacks and lack of efficient metrics to assess the feedbacks taken also pose a serious threat to performance Management system of the organization. Since Performance management system plays a vital role in determining the employee’s performance, as well as the organisations overall performance the researcher felt that, it is important to keep the right variables in to consideration and implement the system to eliminate the loopholes and improve the individual and organizational performance from time to time. Hence, the researcher has taken up this topic as research study.
4. RESEARCH METHODOLOGY
The present study is an attempt to conceptualize the linkage between Performance Management System and other important independent variables such as aligning workforce, building competencies, driving better business results, continuous development, improving performance. A careful and extensive review of literature is undertaken to identify a conceptual framework which can be used to build a theoretical model and to assess the impact of these variables on Performance Management System in IT industry. The logical linkage between the various dimensions of Performance Management System were identified and put in the form of a flow chart. A model built is subjected to verification based on empirical data that is beyond the scope of the present study.

5. CONCLUSION
The main objective of the present study is to explore and suggest a conceptual framework linking the Performance Management System and other independent variables. Meticulous review of literature was undertaken and based on the content analysis of literature review various dimensions were identified. A conceptual model was proposed and explained the linkage between Performance management System and other variables. This is completely conceptual study and needs validation by data at ground level.

REFERENCES


