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An Empirical study on Employee Views and level of understating on Essentials of Performance Management System

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Abstract: Competition is very high in the modern world. Every organization strive to achieve higher productivity. This is possible only with human resources in the organization. Organization need to keep relatively high standards to achieve and the same should be clearly informed to all the employees. The performance management system (PMS) in the organization should be effective and educative to all. In this paper an attempt is made to evaluate the perceptions of Executives on how do they perceive PMS in NTPC, Simhadri, Visakhapatnam. This research article is a part of the author's thesis work.
Keywords: Perception, Performance Management system (PMS).

INTRODUCTION

The aim of performance management is to establish an environment of performance-oriented culture to suit the vision and mission of the organization. Effective leadership in an organization can be identified with the culture in which individuals and teams jointly take the responsibility for improvement of business process simultaneously improving their own skill set. Idea behind this philosophy is doing the right things by integrating individual goals to organizational goals. Performance management is a continuous and flexible process that involves all the employees irrespective of cadre to work as partners contributing their best for the organization to achieve the desired goals.

Performance management focuses on performance planning and development. The focus on development is aimed not only for individual growth but also for the overall growth of the organization. Further reward and feedback are associated for the individual as well as the organizational development.

Behavior factors play a critical role in performance management system. Hence, performance management focuses on creating internal processes and organizational capabilities for achieving desired goals of the organization. Effective performance management systems ensure firstly appraiser to identify shortfalls in set standards and actual performance of apprise and suggests corrective action by way of feedback mechanism and secondly to identify and provide suitable training and development needs for individuals to achieve organizational goals.

According to T.V. Rao [1], organizations exist to perform. If people do not perform, organizations don't survive and if they perform at their peak level, organizations create waves. Thus he defined that Performance Management System (PMS) is the heart of "people management" process in any organization. According to him Performance management system should include mainly.

- Identification of the parameters of performance.
- Setting performance standards.
- Participative Planning.
- Identifying competencies and competency gaps that contribute/hinder to performance.
- Planning performance development activities.
- Recognizing and promoting performance culture.

METHODOLOGY

The following statistical methods are used in the analysis. Tabular Analysis, Means, coefficient of Variation, correlations and Test for Equality of means and Student's t-test.

Objectives

- To know the perceptions of NTPC employees regarding their level of understanding PMS implemented in select organization.
- To study the depth of knowledge employees having towards PMS.

REVIEW OF LITERATURE

- Performance management involves an ongoing communication between supervisors and employees that links expectations, ongoing feedback, coaching, performance evaluation, developmental planning and follow-up [2].
- Elzinga, Taco *et al*., [3] in their study on behavioral factors influencing performance management systems pointed out that behavioral factors have to be ranked according to their relative importance so as identify which behavioral factors are the most important ones for the use of a performance management system. To enhance the performance of their company they suggested that managers have to focus their attention on what are the most important behavioral factors to improve the use of their performance management systems.
- The objectives of performance management often include motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers and helping implement business strategies [4].
- Sekwati [5] emphasize the role of planning, coordinating and reviewing strategies and implementation in Performance Management System. He opined that 35% of the success in organizations is mainly due to human factor which is a most important aspect of successful performance management and should not be ignored. For the remaining he attributed to organizational factors (65%). He suggested that public officials at senior levels be strategically placed to ensure that the performance management in the government eventually yields its ultimate goal [5].
- The key findings of 900 Human recourses professionals on performance management systems in UK it is observed that (People-Soft surveyed) [6] are summarized below.

1. More than a quarter of respondents (27 percent), have no performance management system practices (Performance Management System) at all.
2. 46 percent of organizations having less than 99 employees are not implementing Performance Management System
3. Forty per cent of organizations in the manufacturing and engineering sector are not implementing Performance Management System
4. 86 percent of organizations implementing Performance Management System opinioned that Performance Management System has had a positive impact while eight percent expressed that there is no impact.
5. 83 percent of organizations implementing Performance Management System and expressed that their Performance Management System links to organizational objectives while 57 percent reported that Performance Management System monitors organizational objectives.
6. Less than 24 percent of organizations expressed that Performance Management System is used to anticipate future skills gaps.

- Aberdeen [10] In a study on how global organizations are adopting employee performance management strategies in order to increase retention, maximize talent and gain insight into their organizational strengths and weaknesses and he pointed out that.

1. The Top 20% of organizations (best in class) are achieving dramatic performance gains that are otherwise unachievable without specific focus on key employee performance management practices.
2. A well-defined process that holds managers accountable for their employee's performance management is that process which ensures employees understand how their individual performance affects organizational goals and performance ratings.
3. A Standardized procedure across the organizations where managers involve employees in the goals definition process and reviews employee performance in Informal meetings ensures consistency.
4. Regarding organizations implementing EPM, less than one half of best in class organizations (less than 10%) are achieving greater average performance gains across all key performance indicators that end-user organizations assigned to employee performance management especially in achieving improvement in employee time-to-productivity (600%) and greater increase in employee retention (700%).

- In the study of Behavioral factors influencing performance management systems by Elzinga, Taco. Albronda, Bé and Kluijtmans, Frits [3], it is noted that behavioral factors can be ranked according to their relative importance and it is possible to identify which behavioral factors are the most important ones for the use of a performance management system. This study suggests the managers to focus their attention on what is most important to improve the use of their performance management systems to enhance the performance of their company.
- Shared understanding improves performance and individuals need to have a common understanding about what constitutes performance and success in their jobs. It can be a list of tasks, objectives or results. The goals need to be defined clearly with the consent of job holder so that employees can know what they are working towards and what is expected of them [7].
- Mr. Robert-Leigh Compton [8], studied the design, implementation and effectiveness of Australian performance management systems across industry and government organizations of all sizes and types

in Australia, summarized that the evidence confirms with the substantial changes made in performance management systems resulted in promote the spirit of employee and work culture to attain organizational goal by integrating individual goals. He also suggested that balance scorecard acts as a bridge between organization and individual goals.

- Performance management as a concept is vital, and organizations survival depends on it for its consistency in performance through continuous implementation of its policies and strategies [9].

Analysis

Evaluation of perceptions of respondents relating to the level of Understanding the concepts ofIntroduction to Performance Management (IPM)

An attempt is made to study the perceptions of the respondents towards the effectiveness of Performance Management system present in the organization NTPC, Simhadri, Visakhapatnam. This analysis helps to identify the effectiveness or ineffectiveness of the system and the perceptions of the respondents towards the organization and possible action towards realignment of the system.

To understand the level of perceptions of respondents about the basic concepts of Performance Management, two sets of propositions are considered.

- Level of Understanding the Fundamental Concepts of Performance Management and (LUFC-PM)
- Level of Comprehensive knowledge of Performance Management (CLK-PM).

For the propositions scaling is as follows.

Propositions	Positive Scale	Negative Scale
Strongly Agree	4	0
Agree	3	1
Agree to some extent	2	2
Disagree	1	3
Strongly Disagree	0	4

Most of the propositions are positive in nature and a few are negative in nature. There is one negative proposition used in this analysis (7th in set-1).

Propositions Relating to Understanding the Fundamental concepts of Performance Management

Seven propositions are considered in the first set (Level of Understanding the Fundamental concepts) Among them, first six are positively structured.

To begin with, two propositions are made regarding implementing and integration.

- Line managers own the performance management system.
- Continuous and integral part of the employee – line manager relationship.

The line managers and their subordinates have an impact on the implementation and effectiveness of Performance Management System, as it is an integrated and a continuous approach.

Two more propositions have been made to consider motivation and organizational culture.

- To motivate individuals.
- Acts as a tool in the management of organizational culture.

Performance Management system takes into consideration all possible errors in evaluation and adopting rectification measures so as to reduce the scope for bias. Such system creates a healthy culture in the organization and thereby motivates the individuals to enhance their Level of performance.

Two propositions on training and development are also considered

- Focus on development
- Everyone must be trained in performance management techniques.

Effective implementation of Performance Management system is possible only when all the respondents are well trained for the development of individuals as well as organization.

One more proposition on Performance Management System is also included to consider the inner feel of respondents about Performance management.

- It distracts people from more important core activities.

If Performance management is not effectively implemented it creates an impression in the minds of the respondents that it is merely a formal activity.

Knowledge of the above seven propositions is considered as an essential pre-requisite to understand the fundamental concepts of IPM.

Level of Understanding the Fundamental concepts of Performance Management (UFC-PM)

The Perceptions of respondents on Level of Understanding the Fundamental concepts of Performance Management are analyzed by considering Average Level of perception (Mean), Standard deviation and coefficient of variation.

To test the difference in Average Level (Mean) of perceptions among the selected propositions, t-test is used as stated earlier in methodology chapter.

Data relating to calculated Means, Standard deviations and Coefficient of Variations of Perceptions relating to understanding the Fundamental concepts of performance management are presented in Table 1and t-values are presented in Table-2.

Table-1: Mean, Standard deviation and Coefficient of Variations of select of propositions of UFC-PM

Proposition	Number of respondents according to scale					Mean	SD	CV	Mean Rank
	0	1	2	3	4				
1	3 (1.48)	34 (16.75)	47 (23.15)	85 (41.87)	34 (16.75)	2.56	1.01	39.32	6
2	-	8 (3.94)	39 (19.22)	106 (52.21)	50 (24.63)	2.98	0.77	26.00	4
3	-	15 (7.39)	36 (17.73)	89 (43.84)	36 (31.04)	2.99	0.89	29.72	3
4	1 (0.49)	6 (2.96)	37 (18.23)	110 (54.18)	49 (24.14)	2.99	0.77	25.71	2
5	3 (1.48)	11 (5.42)	43 (21.18)	88 (43.35)	58 (28.57)	2.92	0.92	31.47	5
6	-	6 (2.96)	30 (14.78)	101 (49.75)	66 (32.51)	3.12	0.76	24.42	1
7	8 (3.94)	71 (35.98)	48 (23.64)	52 (25.62)	24 (11.82)	2.06	1.11	53.92	7

(Note: Figures in the brackets are percentages to the total respondents i.e. 203)

Table–2: T values and Significant levels for the Means Presented in Table–1

	1	2	3	4	5	6	7
1	-	4.70*	4.55*	4.83*	3.81*	6.34*	4.68*
2		-	0.12	0.13	0.64	1.87	9.58*
3			-	0.00	0.71	1.62	9.22*
4				-	0.76	1.75	9.71*
5					-	2.35**	8.46*
6						-	11.14*
7							-

*Denotes that the t-value is significant at 1% level.
**Denotes that the t-value is significant at 5% level.

From Table-1 and Table –2 the following inferences can be drawn.

- As expected highest Average level of perception (3.12) is found in the case of "Everyone must be trained in performance management techniques" (proposition–6) with lowest coefficient of variation (24.42%). It can be noted from the distribution that only less than 3 percent of respondents disagreed while more than 80 percent either agreed or strongly agreed.
- Lowest Average score (2.06) is found for the proposition "It distracts people from more important core activities" (proposition 7) as expected. However, coefficient of variation is found to be the highest (53.92%). For this proposition maximum expected score is less than 2.00 and the obtained one i.e.2.06, which is slightly away from 2.00. It can be seen from the distribution that about 40% of the respondents have not at all agreed for this proposition and another 24% mentioned that they slightly agree.
- The average score level for the following three propositions (2,3, and 4) are more or less equal (about 2.99). For these three propositions, CV is also within a narrow margin of 25.71 present to 29.72 percent.

1. "A continuous and integral part of the employee – line manager relationship (2.98)". It can be seen from the distribution that about 4% of the respondents did not agreed for this proposition while 77% have either agreed or strongly agreed for this.
2. "To motivate individuals (2.99)".It can be seen from the distribution that about seven percent of the respondents did not agreed for this proposition while 75% have either agreed or strongly agreed for this.
3. "Acts as a tool in the management of organizational culture (2.99)". It can be seen from the distribution that about four percent of the respondents have not at all agreed for this proposition while 78% have either agreed or strongly agreed for this.

Average scores of the above three propositions are not significantly different form the proposition "Everyone must be trained in performance management techniques" (3.12) for proposition-6. Further the

average value of the proposition "Focus on development" (2.92) for proposition-5 is also not significantly different from the three mentioned above. This implies that the average score of 5 out of 6 propositions are in the range of right perspective (Close to 3 and above 3), besides the seventh one-marginally above 2 (since this is a negative proposition score 2 implies about agreement). The average score of the proposition "Line managers own the performance management system" (proposition-1) is also slightly above 2.50. This shows that in the majority of instances respondents are with right perspective and in alignment with organizational processes, Systems and expectations.

From the above inferences it may be concluded that the respondents are tuned well to the evaluation of performance management and have sufficient awareness of fundamental knowledge of Performance management.

Propositions of Level of Comprehensive knowledge

The second set (Level of Comprehensive knowledge) consists of nine propositions and all are positively structured.

To begin with, two propositions are made regarding rigidity or flexibility in implementation and setting of challenging goals.

- Setting of challenging and stretching goals.
- A bureaucratic chore.

Scope of flexibility is lower in the organizations having systemized and standardized practices of Performance Management while the scope of flexibility is higher in organizations wherein the employees and the organization continuously realign their goals keeping in view of the changing demands.

Two more propositions are made to consider the importance of integrating individual goals with that of organization.

- Part of an integrated approach to the management of people.
- Integrates the goals of individuals with those of the organization.

The approach to Performance Management should be holistic i.e., it should take into consideration the Performance of the organization as a whole.

Two propositions are made regarding reward system.

- Pay is an essential part of performance management.
- It Links with as far as possible to payment systems.

Reward system has a great potential to influence the performance of the respondents in any organization. Hence it becomes imperative for the management to link up performance management system with reward system.

- One more proposition is considered to know the significance of communication.
- Extensive and open communication ensures proper education of executives about the objectives and need for Performance management and thereby effective implementation of Performance Management systems.

Two more propositions are considered regarding adoption of quantifiable measures.

- Easier to measure in quantitative rather than qualitative terms.
- Quantifiable measures are essential to successful Performance management.

Though the performance management system considers both attributes and variables, if the practices adopted are not transparent the measurement problems are likely to make the system vulnerable.

Besides possessing the Fundamental level of knowledge of performance management, most of the respondents especially those are directly responsible for the effectiveness of Performance Management System are expected to have comprehensive knowledge of Performance management.

Level of Comprehensive Knowledge of Performance Management (CLK-PM)

The Perceptions of respondents on Comprehensive Level of knowledge of Performance Management is analyzed by considering average level of perception (Mean), Standard deviation and coefficient of variation. To test the differences in average (Mean) Level of perceptions among the selected propositions, t-test is used as stated earlier in methodology chapter.

Data relating to calculated Means, Standard deviations and coefficient of variations of perceptions relating to Comprehensive Level of knowledge are presented in Table-3 and t-values are presented in Table–4.

Table-3: Mean score, Standard deviation and Coefficient of Variations of select proposition of CLK-PM

Proposition	Number of respondents according to scale					Mean	SD	CV	Mean Rank
	0	1	2	3	4				
1	-	7 (3.45)	7 (3.45)	108 (53.20)	81 (39.90)	3.30	0.70	21.16	1
2	3 (1.48)	31 (15.27)	42 (20.69)	75 (36.95)	52 (25.61)	2.70	1.06	39.24	7
3	-	4 (1.97	17 (8.37)	111 (54.68)	71 (34.98)	3.23	0.68	21.09	2
4	-	23 (11.33)	14 (6.89)	83 (40.89)	83 (40.89)	3.11	0.96	30.85	3
5	3 (1.48)	26 (12.81)	42 (20.69)	86 (42.36)	46 (22.66)	2.72	1.00	36.87	6
6	5 (2.46)	35 (17.24)	38 (18.72)	99 (48.77)	26 (12.81)	2.52	1.00	39.71	8
7	-	4 (1.97)	42 (20.69)	113 (55.67)	44 (21.67)	2.97	0.71	23.90	4
8	5 (2.46)	35 (17.24)	45 (22.17)	87 (42.86)	31 (15.27)	2.51	1.03	40.85	9
9	3 (1.48)	12 (5.91)	27 (13.30)	112 (55.17)	49 (24.14)	2.95	0.86	29.29	5

(Note: Figures in the brackets are percentages to the total respondents i.e. 203)

Table–4: T values and Significant levels for the Means Presented in Table–3

	1	2	3	4	5	6	7	8	9
1	--	6.70*	1.01	2.19**	6.72*	9.03*	4.65*	8.99*	4.49*
2		--	5.96*	4.12*	0.19	1.73	3.03*	1.81	2.57**
3			-	1.37	5.97*	8.29*	3.71*	8.26*	3.64*
4				--	4.04*	6.07*	1.70	6.09*	1.85
5					--	1.98**	2.91*	2.05**	2.44**
6						--	5.20*	0.10	4.57*
7							--	5.23*	0.31
8								--	4.61*
9									--

(*Denotes that the t-value is significant at 1% level and
**Denotes that the t-value is significant at 5% level.)

From Table-3 and Table–4 the following inferences can be drawn.

- As expected, highest Average score (3.30) is found in the case of "Setting of challenging and stretching goals." (Proposition -1) with lower coefficient of variation (21.16%). It can be seen from the distribution that more than 90% of the respondents have either agreed or strongly agreed for this proposition.
- For two other propositions (3&4) namely "Part of an integrated approach to the management of people" (proposition-3) and "Integrates the goals of individuals with those of the organization" (proposition-4), the average score is 3.23 and 3.11 respectively. For the former proposition while 89% of the respondents have either agreed or strongly agreed, for the latter this percentage comes to 81.
- For two other propositions (6&8) Average score is 2.51 and 2.52.

1. Average score of 2.51 is found for "Easier to measure in quantitative rather than qualitative terms" (proposition-8) and the distribution shows that about 20% of the respondents have disagreed, and 22% have slightly agreed.
2. For the proposition "It Links with as far as possible to payment systems" (proposition-6) the average score is found to be 2.52 and the distribution shows that while nearly 20% of the respondents have disagreed, 18% have slightly agreed.

For two other propositions (7&9) namely

1. Extensive communication ensures its aims to understand fully (proposition-7)
2. Quantifiable are essential to successful performance Management (proposition-9)

The average score is 2.97 and 2.95 respectively. For the former while 77% of the respondents have either agreed or strongly agreed besides 21 percent agreed slightly, for the latter 79% of the respondents have either agreed or strongly agreed besides 13 percent agreed slightly.

For two other propositions (2&5) namely

1. A bureaucratic chore (proposition-2)
2. Pay is an essential part of performance management (proposition-5) The average score is 2.70 and 2.72 respectively. For the former proposition while 62% of the respondents have either agreed or strongly agreed, for the latter it comes to 65%.

CONCLUSION

All the employees of select organization has sound knowledge about PMS and they feel the process of PMS in between work is a little disturbance and to make PMS more effective most of them felt that creating awareness among all employees about the prime objective of PMS and people who involve in the conduction of PMS needs to be trained.

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