



## IMPACT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE PERFORMANCE- A CONCEPTUAL FRAME WORK FOR IT ORGANIZATIONS

<sup>1st</sup> Shraddha Bhole, <sup>2nd</sup> Nandni Bhavsar, <sup>3rd</sup> Dr Bijal Shah

<sup>1</sup>Student, <sup>2</sup>Student, <sup>3</sup>Assistant Professor  
<sup>1</sup>Parul University, Vadodara, India

**Abstract:** One important factor that has a significant impact on both employee and organizational performance is the performance management system. This study's goal was to investigate what type of an effect a system for performance management will have on employee performance. In order to create a research model that can be duplicated and used for future research, this study included all three of the Performance Management System's phases—developing and planning performance, managing and reviewing performance, and rewarding performance—as independent variables. To discover numerous problems that occur typically in the Performance Management System, this study also provides helpful insight regarding all three stages of it and how they affect Employee Performance.

**Index Terms - Performance Management System, Performance Measurement.**

### I. INTRODUCTION

Performance management is the methodical procedure used by the Department of Commerce to include its employees in enhancing organizational effectiveness in the execution of the agency's mission and goals, both as individuals and as members of a group.



It is the process through which an organization fits its mission, goals, and objectives with the processes, set priorities, and readily available resources (such as labor, material, etc.).

A continual process of defining and delegating specific actions and responsibilities, performance desires and goals, and assessing their needs between the boss (administrator) and subordinates is known as an executive administrative framework (workers). Along with the framework and assets, it also covers the common goals and objectives of the association, office, and representatives. It is a channel that offers specific goals while also enhancing business operations using a number of techniques and mechanisms.

This approach also identifies competence, ability, and knowledge gaps that may affect the boss' (administrator) activities and duties, performance desires, goals, and assessment of subordinates' needs (workers). Along with the framework and assets, it also covers the common goals and objectives of the association, office, and representatives. It is a channel that offers specific goals while also enhancing business operations using a number of techniques and mechanisms.

A single department or an entire organization can use this approach. It emphasizes ongoing evaluation of performance standards in comparison to established goals and objectives.

## Evolution of Performance Management System

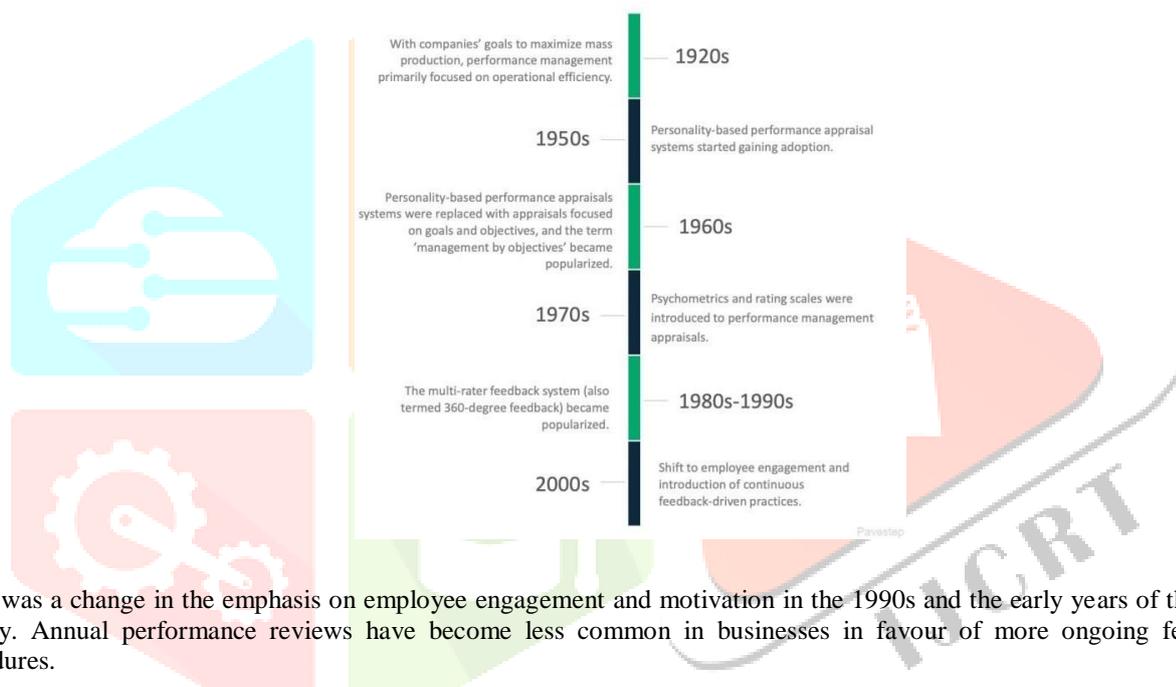
The idea of managing employee performance is nothing new. Many aspects of performance management have changed throughout the course of the 20th and 21st century, but some businesses continue to evaluate employee performance using obsolete techniques. In order to comprehend the primary forces that have influenced change throughout history and some of the primary elements that have influenced contemporary businesses to establish their present performance management systems, we will briefly review the history of performance management in this article.

Performance management gained importance as business and industry grew in the 1920s. Operational effectiveness became a priority as businesses sought to enhance mass output. Employee growth and engagement were given less weight at this phase, as one might anticipate.

Personality-based performance rating systems started to catch on in the 1950s. Employee performance was initially evaluated based on traits like honesty, loyalty, and job expertise, but it was soon realized that this had little to do with how productive an employee was at work. As a result, businesses started exploring for more effective methods of employee evaluation.

Annual formal evaluations started to put more of an emphasis on future potential in the 1960s. Goals and objectives were also given more attention, and the phrase "management by objectives" gained currency.

Numerous lawsuits alleging subjectivity and prejudice in performance reviews were filed in the 1970s, which prompted the incorporation of psychometrics and rating scales into performance management. Multi-rater feedback, also known as 360-degree feedback, gained popularity in the 1980s and 1990s. However, it is important to note that numerous businesses used it before the 1980s, notably Esso Research and Engineering Company, one of the first firms to do so in the 1950s.



There was a change in the emphasis on employee engagement and motivation in the 1990s and the early years of the twenty first century. Annual performance reviews have become less common in businesses in favour of more ongoing feedback-based procedures.

### Purpose of implementing Performance Management System:

Implementing a systematic performance management system in an organization's is done for the purpose of managing employee performance, which is a key goal. These process servers at the business fulfil six key purposes:

- 1. Strategic:** Prior to departmental goals and individual goals, a performance management system should be in line with the organization's overarching aims. In other words, every action taken by every department or individual should be connected to the company strategic goals.
- 2. Administrative:** The performance management system has also been established as a determining factor for promotion, demotion, pay raise, transfer, and termination of employment. It enables the firm to identify employees who are performing well, not performing well, or performing below averagely. This is a result of the staff members' proficiency and degree of skill. Additionally, it outlines the administrative position clearly and provides backing for management choices.
- 3. Communication:** It is a useful channel for informing staff members about their objectives, duties, major projects, and performance expectations. Additionally, it is an organized way to pinpoint the important areas where the employee needs to improve in order to enhance his performance. In other words, it offers a platform for acquiring knowledge and skills in order to improve performance and outcomes.
- 4. Developmental:** It is a methodical way of expressing good feedback, places for improvement, and development plans. A manager can employ a variety of tactics, such as coaching, mentoring, and training, to help their team members produce better results.

5. **Organizational upkeep:** Using a range of tools and methodologies, a performance management system is a baseline for assessing performance gaps and monitoring human, departmental, and organizational accomplishments. As a result, it keeps the organization in good shape and upholds its performance goals.
6. **Documentation:** Each organization should periodically maintain and document its reviews, feedback, and performance management forms. They would be able to plan for the future, set new objectives, identify areas in need of improvement, create training and education programmes, and create career progression for both the department's workers and itself. As a result, it aids in directing organizational demands toward desirable objectives.

## **The Role of Performance Management System in the Organization**

The success of an organization depends on the effectiveness of its performance management system in human resources. The research demonstrates a direct link between effective performance management and high-performing firms. In an organization, there are several performance management jobs, including:

### **1. Enhancing personnel performance**

Employee effort will gradually decrease in the absence of performance management. An efficient system plays the part of motivating staff to deliver superior work. Any group of people will always have one or two that stand out more than the others. Recognizing, identifying, and cultivating high caliber performers and employees is one of the functions of performance management in human resources. When this occurs, these workers may be given more intricate jobs that directly affect the expansion of the business.

### **2. Creating powerful leaders**

Both natural and learned traits can contribute to leadership. Leadership traits like team management, goal setting, delivery, synchronization of work efforts, etc. will manifest in environments where the performance management process is well developed. As a result, the company can function as a self-sustaining system that encourages its staff to take up leadership roles and holds them responsible for a commitment to excellence.

### **3. Elimination of weak links**

He also seeks to eliminate the weak points in the organization, which is a difficult but essential performance management duty. A chain is only as strong as its weakest link, according to Billy Graham. This is true for groups like teams or businesses.

Finding the one person that is continually bringing the team down can be done with the aid of performance management. Following their identification, individuals can be offered with constructive criticism, training, and opportunities to develop the requisite abilities, among other remedial actions. The performance management system offers an impartial signal of this fact if these measures turn out to be ineffective. The legal termination of the agreement with such party is then the responsibility of the human resources management.

### **4. Ensuring employee happiness and engagement**

Systems for measuring performance are equally focused on the employee and the company. The term "employee engagement" has become popular in HRM due to its numerous benefits. Engaging your team actively increases productivity. As much as possible, employees should be satisfied. Better working conditions and job satisfaction are included in this.

### **5. Offering staff, a clear career path**

The majority of high-performing workers won't feel at ease in the same job level for years. Progressing in your career is more crucial than ever. Performance management encompasses the definition of career plans and their implementation, which cannot be disregarded. A high-performing employee will be enticed by better prospects if they are not given opportunities for career progression, keep in mind.

### **6. Encouraging and guiding staff**

Employee motivation and training are important components of performance management in human resource management. Department managers and team leaders have this responsibility. Reviews and ratings are the only way to determine whether a department head significantly influences the motivation of his employees. A performance management system is meant to play a part in this. An effective performance management system demonstrates how to motivate various types of employees and how to give feedback, encouragement, and criticism.

### **7. Increasing the organization's financial performance**

Finally, by promoting and ensuring improved performance, performance management helps companies' balance sheets. The total system begins to function better as the flow of ideas and productivity grows, as underperformers are coached or fired, and as non-performers are removed from the organization, which directly affects income.

## Different types of Performance Management System:

For optimal outcomes, performance management can be done weekly, monthly, or quarterly. You can choose the performance management strategy that works best for your employees and managers based on the available techniques.

### Typical performance management system types include the following:

1. **Key performance indicators (KPIs) measurement KPIs, or key performance indicators**, assist managers in assessing staff performance. For instance, an employee's success will depend on whether they were able to accomplish the target if their KPI was to attain specific sales figures for the quarter. Project management KPIs include lowering turnaround times or the time needed to finish a task. Upskilling or taking online courses are examples of skill development that can serve as a KPI.
2. **360-degree evaluation:** In a 360-degree review, every person an employee works with, from their manager to their juniors, provides anonymous input on their performance. It is an excellent tool for figuring out an employee's strengths and limitations.
3. **Manager Performance Review:** To ensure that their teams are working together, managers need to conduct performance evaluations. Their staff members might give suggestions for how they can enhance the company. This will assist managers in developing into stronger team leaders who listen, encourage, and mentor them.
4. **Employee Self-Appraisal:** Because employees must assess their own performance, self-appraisals may not appear adequate, but they are effective. Employees evaluate their tasks, the things they found difficult, and their strengths.
5. **General Performance Review:** The majority of firms use general performance reviews to implement performance management. Based on set standard measurements, such as achieving goals, cooperating with others, and upholding a code of behavior, it gauges employee performance.

The advantages of various performance management techniques vary. Assess those that will be simple to administer if you want to teach new managers how to conduct performance evaluations.

## I. RESEARCH METHODOLOGY

The nature of the current research is Quantitative, and the data used for the current study was primary. The current study used a case study research approach, could be used to define, describe, or explain the phenomena of every day or explore the contexts of daily routine in which they occur. The current study in the time horizon was one-sectional. A survey strategy was used for the collection of data through questionnaires from the respondents.

The tool for collecting the data for the present research study is a questionnaire. The research questionnaire was used to get the data from the population sample. The questionnaire is well structured and self-administered.

The purpose of the current study is based on quantitative analysis, and a primary data source that includes survey analysis is used in the current study. The population of the study includes all employees whose working in IT Sector. The sample population includes 80 employees.

### Rationale of the Research

The study aims to examine the impact of a Performance Management System on employee performance in an organization. It also helps to identify various employee practices and challenges faced by the employees at the workplace. The purpose of this study is to evaluate and identify ways Performance Management Systems affect performance, and how to improve performance in organizations.

### Scope and Coverage of the Research

This research will study the impact and evaluate the performance of employee in the workplace. This study will also try to evaluate the increase in the chances for an even better working environment and also understand how much employee is learning and developing. This also includes understanding the role of human resource management in Performance Management System along with how to manage employee's better performance in an organization.

### Objectives of the Research Study

- To find out the factors that attract employees to be more productive.
- To find out factors that discourage employees from working under particular conditions.
- To understand the outline of how Performance Management System can contribute to business goals.
- To study the role of Human Resource Management in building strong employee evaluation.
- To evaluate the level of the growth and also their opinion regarding the outcome generated.
- To suggest measures to promote a decent work environment with the help of good appraisal on better performance.

## Constraints of the research

Like other studies, this one has some restrictions. In order to fully assess all of the performance management system attributes while preventing survey fatigue, many qualities were measured with a single item. The validity of these qualities is decreased when variables are measured with a single item due to decreased dependability. The diversity of participant organizations made it difficult to account for several variables that might have impacted the association between system characteristics and perceived system effectiveness or engagement.

For instance, a performance rating may affect how well-liked a performance management system is by staff members. Because performance ratings vary throughout organizations, it would be impossible to account for performance evaluations using a sample from several organizations. Although this study chose to sample participants from different organizations and industries to increase the generalizability of its findings, future researchers may benefit from choosing participants from a single organization to control for factors that may affect the relationship between performance management system characteristics and perceived effectiveness of the system or engagement.

#### IV. RESULTS AND DISCUSSION

##### 1. Fixation of Key Performance Areas

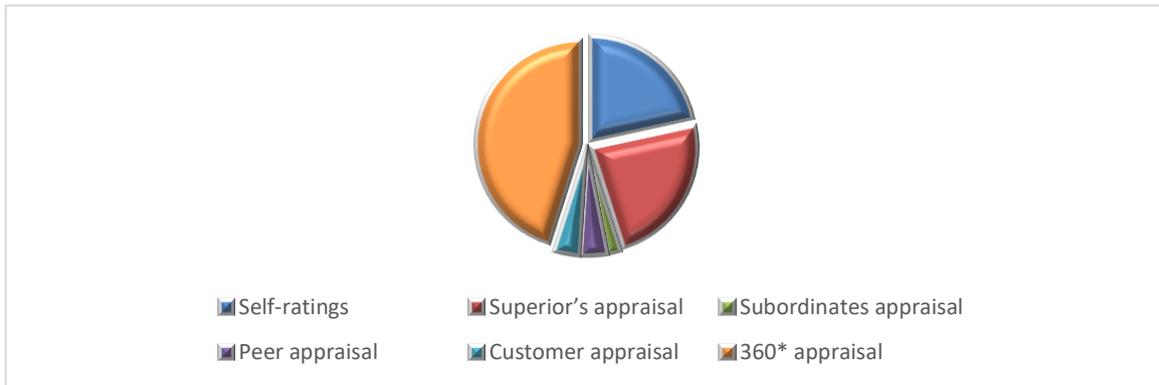
Based on Organizational objective	3	6%
Based on department goals	5	10%
Based on individual goals	4	8%
Based on team requirement	6	12%
Based on organizational objective, departmental goals individual capability and team requirement	32	63%
Based on organizational objectives and individual capability	1	2%



The above chart shows, on what basis Fixation of Key Performance Areas are done on the organization respondent works with, 6% of respondents organization Fixation of Key Performance Areas are done on the basis of Organizational Objectives, 10% of respondents organization Fixation of Key Performance Areas are done on the basis of departmental goals, 8% of respondents organization Fixation of Key Performance Areas are done on the basis of individual goals 12% of respondents organization Fixation of Key Performance Areas are done on the basis of Team Requirement, 2% of respondents organization Fixation of Key Performance Areas are done on the basis of Organizational Objective and Individual Capability, and 63% of respondents organization Fixation of Key Performance Areas are done on the basis of Team Requirement, Organizational Objective, Departmental Goals and Individual Capability.

##### 2. Method of Performance review

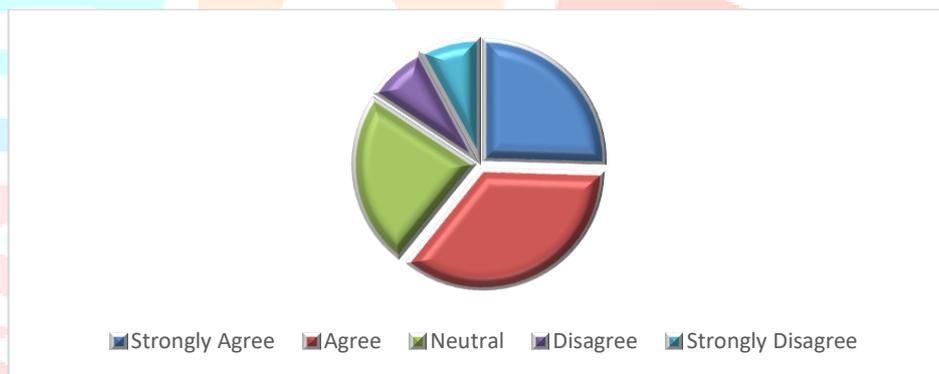
Self-ratings	11	22%
Superior's appraisal	12	24%
Subordinates' appraisal	1	2%
Peer appraisal	2	4%
Customer appraisal	2	4%
360* appraisal	23	45%



The above chart shows, which methods are used for Performance Review by the organization respondent works with, 22% of respondents organization use Self-Rating method for Performance Review, 24% of respondents organization use Superior's appraisal method for Performance Review, 2% of respondents organization use Subordinate's appraisal method for Performance Review 4% of respondents organization use peer appraisal method for Performance Review, 4% of respondents organization use Customer appraisal method for Performance Review, and 45% of respondents organization use 360\* appraisal method for Performance Review.

**3. Participation in Appraisal helps in Better working relationships**

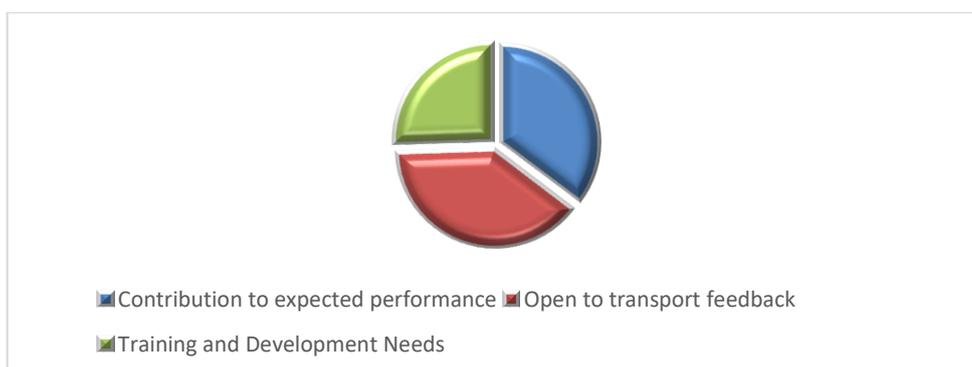
Strongly Agree	13	25%
Agree	18	35%
Neutral	12	24%
Disagree	4	8%
Strongly Disagree	4	8%



The above chart shows, the respondent's opinion about Participation in Appraisal helps in Better working relationships, 25% of respondents strongly agree, 35% of respondents agree, 24% of respondents are neutral, and 8% of respondents Disagree, and 8% of respondents Strongly Disagree.

**4. After the Performance Review**

Contribution to expected performance	18	35%
Open to transport feedback	20	39%
Training and Development Needs	13	25%



The above chart shows, what after the Performance Review in the organization respondent works with, 35% of respondent's organization does check contribution to expected performance, 39% of respondents' organization does open to transport feedback, and 25% of respondents' organization does check the training and development needs.

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