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Effectiveness of Performance Management System in IT Industries – An Empirical Approach

Abstract

Performance management is an integral part of a comprehensive human resource management strategy. Performance Management is building on that process, adding the relevant communication and action on the progress achieved against these predetermined goals. A good PMS is designed from the "bottom up" that is the organizational context provides the basis for the framework development. Performance Management System (PMS) increase in productivity and quality of service are quite important for achieving the targets. PMS is a combination of various function of HR that focuses on the performance of the employee through increased knowledge, skill and commitment towards the organization. HR department has a major role to play ensuring the effectiveness of the PMS. Striking a fine balance between the interests of the employees and those of the organization. No performance can either be evaluated or managed unless it is measurable. Simply put, performance management helps organizations achieve their strategic goals. The main purpose of Performance Management is to link individual objectives and organizational objectives and bring about the individuals obey important worth for enterprise. This study reveals that brief note on performance management system, content of performance management system, outcomes of performance management system and effectiveness of performance management system.

Introduction

A performance management system is a powerful tool for businesses looking to ensure that they are providing their entire team with the support and training they need while also ensuring they are getting the maximum effort in return. A performance management system monitors the performance of a team, as well as their training and development activities. Employees can be given training programs specifically designed to help them grow in the areas they need growth in which in turn will lead to higher productivity and loyalty. A performance management system is a defined set of tools, processes and actions that enable you to maximize the performance of your employees.

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Performance Management

"Performance management involves thinking through various facets of performance, identifying critical dimensions of performance, planning, reviewing, and developing and enhancing performance and related competencies" – Dr. T. V. Rao. Performance management is the process of creating a work environment is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization. Many writers and consultants are using the term "performance management" as a substitution for the traditional appraisal system. I encourage you to think of the term in this broader work system context. A performance management system includes the following actions.

● Develop clear job descriptions.
● Select appropriate people with an appropriate selection process.
● Negotiate requirements and accomplishment-based performance standards, outcomes, and measures.
● Provide effective orientation, education, and training.
● Provide on-going coaching and feedback.
● Conduct quarterly performance development discussions.
● Design effective compensation and recognition systems that reward people for their contributions.
● Provide promotional / career development opportunities for staff.
● Assist with exit interviews to understand WHY valued employees leave the organization.

Performance Management System includes several components :

● an agency-specific policy,
● individual employee work plans,
● development plans,

● an education / training program,
● a dispute resolution process, and
● a performance management and pay advisory committee.

The Performance Management System ensures that employees :

● are aware of their principal job functions,

● Understand the level of performance expected,

● Receive timely feedback about their performance,

● Have opportunities for education, training and development, and

● Receive performance ratings and rewards in a fair and consistent manner.

Objectives of a Performance Management System

Performance management is an integral part of a comprehensive human resource management strategy. Its objective is to maximize individuals' performance and potential with a view to attain organizational goals and enhance overall effectiveness and productivity. A staff performance management system aims:

● To help achieve departmental objectives through staff
● To evaluate performance and improve communication between managers and staff on managing performance
● To provide opportunities for development

Performance Management Cycle

The Performance Management Cycle includes the following elements

● Work Plan
● Development Plan
● Work Planning Conference
● Interim Performance Review
● Annual Performance Review

The Key Components of a Performance Management System

There are several key components that need to work together to make a system work.

- Job Plan and Performance Expectations

- Performance Review

- Development Plan

- Communication

Why have we had performance management system ?

Many managers have had bad experience with formal performance management systems. This is understandable. Many systems are poorly designed and do more to demotivate than motivate employees. When these managers ask me why they should try another one, I explain that a well-designed system will give them the power to:

- Retain their best employees,

- Give these employees a reason to maintain their good performance,

- Deal with poor performers appropriately, and,

- Attract the type of employee that they need.

A Process for Introducing a Performance Management System

1. Set up a consultative process that will facilitate the involvement of managers, employee and union representatives as necessary in the design of your system.

2. Identify what you will measure and how you will measure it.

3. Commit your company to decisions to train, discipline, make redundant or reward according to the level of competency achieved.

4. Document and design a system for writing performance plans, giving feedback and appraising performance

5. Negotiate this system into your Enterprise Agreement and / or Individual Performance Contracts and train employees and managers in its use.

Performance Management @iti

IT company's philosophy is, "what gets measured, gets reviewed and what gets reviewed, gets improved". We have a Performance Tracking System, a daily to weekly to monthly to quarterly review system. This is done through tracking enablers and results. This leads to customer satisfaction (both internal and external), people satisfaction and business growth.

IT company's belief for holistic quality improvement is realized through the adoption of 360 Degree Feedback for our leaders. It shares a reciprocal relationship with various processes facilitating continuous improvements in areas such as selection, career planning, goal setting, reward schemes and culture. Assessments in IT companies are not just for improvement and development, but are also well recognized and rewarded.

The Present Study:

The foregoing discussion amply supports the view that the Performance management in IT industries. How effectively and efficiently these industries have been performing in Performance management system.

Method

Sample: This study was carried out by us in three IT industries located at Chennai in Tamilnadu. These industries are belongs to large scale IT industries in Tamilnadu. This present study was undertaken in production and sales (service) units. Totally 90 employees constitutes the sample study, more specifically 3 large scale industries.

Measures: The PMS questionnaire developed by us and used for collecting primary data in this study. The questionnaire consist of 7 items of personal information's, 26 items of SCM factors with different

options for responds. This is on closed questionnaire for making easy interpretations. The secondary data was collected in the company through company journals, company website, and previous records.

Procedure: To select the sample we adopted convenient sampling method to conveniently get the feedback from the employees of the IT industries. A good impression was established with the respondents (employees) before giving the questionnaire we gave self introduction and purpose of meeting them. They asked us that these data would be used for research paper purpose or any confidential report purpose. We assured that this is for our research purpose, and then only they agreed to fill up the questionnaire.

After collecting the data we prepared the master chart for interpreting the responses. Then we have from hypothesis and simple percentage and Chi-squared method for statistical analysis.

Scope the Study

●   This study would help us to know the performance level of the employees in IT industry.

●   This study helps in knowing the effectiveness of the employees in IT industry.

●   This study helps to know the actual and expected level of the employees.

●   This study helps to understand employees view towards performance management system effectiveness.

Objectives of the Study

●   To find out the effectiveness of performance management system.

●   To find out whether the employees are recognized and rewarded adequately for their performance at regular intervals.

●   To know the satisfaction level of the employees through the PMS.

●   To assess and improve the individual and organizational performance.

●   To improve work efficiency of employees.

'CHI' – square analysis

To test the relationship between the level of Measures to guide improvement activities and Measures to reward

Null-hypothesis (H_0): There is no association between the level of Measures to guide improvement activities and Measures to reward

Alternative hypothesis (H_1): There is an association between the level of Measures to guide improvement activities and Measures to reward

Calculated value of $x^2 = \sum \dfrac{(O-E)^2}{E}$

$$x^2 = 2.45$$

Degrees of freedom   V = (C − 1) (R - 1)

               V = (2 − 1) (2 − 1) = 1

Table value   = 3.841

Table value = 3.841

Since x^2 calculated value is less than the x^2 table value. So we accept the Ho.

∴ There is no relationship between level of measures to guide improvement activities and reward.

'CHI' – square test

To test the relationship between induction programme about performance Management and increase productivity

Null-hypothesis (H_0): There is no association between induction programme and increased productivity.

Alternative hypothesis (H_1): There is an association between induction programme and increased productivity.

Calculated Value of $x^2 = \sum \dfrac{(O-E)^2}{E}$

X2 (Calculated) = 17.63

Degrees of freedom $V = (C - 1)\ (R - 1)$

$V = (2 - 1)(2 - 1) = 1$

Table value $= 3.841$

Induction programme	Productivity		Total
	Yes	No	
Yes	60	10	70
No	8	12	20
Total	68	22	90

Since x^2 calculated value is greater than the x^2 table value. So we reject the Ho. Accept H₁.

∴ There is an association between induction programme and increased productivity.

Results and Discussion

· Most of the employees in the IT Industries are aware of performance appraisal in the organization.

· Majority of the employees have attended program related to performance management.

· In IT Industries are following individual type of performance measurement for their employees.

· The employees getting the performance measures half-yearly once for their improvement.

· The employees of IT Industry frequently participating in setting targets for measures.

· The feed back for these performance measures will be assessed through intranet web link.

· The performance management system in IT Industry increases productivity in the organization.

· The management uses this performance measures result and provides rewards to the employees frequently.

· The employees getting promotion and incentives for their good performance.

· The performance of the employees will be measure on the merit basis.

· The performance management is highly useful for the organization.

· Performance management in IT Industry satisfies the employee's expectations.

The management should give more awareness programme to the employees to actively in the organization. The management should come with more attractive programs for the employees to actively take part in the performance management system. The executives should provide the performance measures quarterly and annually for the employees to improve the performance. The appraisers should give the feedback with their strength and weakness of the employees. The supervisor should measure the performance of the employees on both merit and seniority basis. The management should provide proper feed back to the employees for their improved performance in the organization. This system in the organization creates

the employees self commitment in their work. And provide effective orientation, education and training. This will motivate the employees in the organization and leads to achieve the organizational goals and objectives.

Conclusion

This paper found that performance Management System can under the right conditions to be introduced during change. It is conditional on due consideration being given to both the role it is to play in the over all change Industries programme and the peculiarities of the industry it serves. This will not necessarily be easy. However, Performance Management System is an important tool in developing the IT industry. Most of the IT organization conducts this programme for the development of the personnel in the organization. The employees in IT industries are satisfied with the performance measurement programme in the organization. The company implements more new policies for their achievements. By conducting this programme the employee's fullest efficiency will be known and they will be rewarded. The employees are enabled to perform to the best of their abilities and talents. The organization which follows this system can easily achieve the targets and organizational goals.

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