A Study on Performance Management and its Impact on Employee Motivation

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Abstract

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. In present scenario, it is impossible for the organisation to manage challenges without the help of potential human resource. Hence, the employees in the organisation are become are the biggest assets to be taken care of, employees ability and inability, strength and weaknesses etc have to be evaluated and appraised periodically. This paper deals with determining the extent of impact of performance management system on employee motivation in a large public sector undertaking. The results of the study revealed that there exists a significant positive correlation between career development opportunities and performance management system with employee motivation.

Key words: Performance Appraisal, Employee Motivation, Career Development, Performance Management System.

INTRODUCTION

Performance appraisal refers to a process, which studies and evaluated the job performance of personnel formally. Appraisal is an effective instrument in the human resources management, which if performance correctly and logically, the organizations will reach their personnel will achieve their interest. The act of motivation the employees are in the heart of the organizations. Success in every organization depends upon the personnel motivation conducted by their directors. According to Herzberg there are many factors (job) identification, the essence of job, responsibility, advancement and improvement. In addition, there are other factors, such as: the administration quality and its policy in an organization or company, the supervision quality, the relations between personnel, terms of reference, pays and status, security and performance appraisal. Identifying the proficient employees and presenting them rewards (bonus) as a sign of motivation, in order to improve their performance are among the essential factors in performance appraisal. The appraisal system is a good instrument to improve the quality and quantity of the manpower's performance.

Nowadays, performance appraisal is considered as an important aspect in human resources management and a part of the control process in administration. Planning the appraisal process is an important subject in the government's official system which is annually conducted in the governmental organizations, spending a large amount of time and expenditures to reach the objectives like: manpower development, including improvements, promotions and assignments in managerial positions, persuasion and punishment, salary increase, personnel's performance feedback and determining their educational needs. In order to reach the objectives of an organization, every person must have sufficient awareness of her/ his position with such as awareness, the employees will detect the strong and weak points of their performance and behaviour, so that they will probably resolve the problems and deficiencies and will turn them into more efficiency and effectiveness. Therefore, appraisal can be considered as an important factor in identifying the people's talents and capacities and its results can make them aware of advancements, plans and goals. An organization, itself, needs to detect the employees' efficiency to improve the manpower's status, for the purpose of increasing the volume of the production and services and making positive changes

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in its trend. In spite of the permanent efforts in planning more effective system for performance appraisal, there is convincing evidence of the authorities' dissatisfaction of the appraisal methods. The main reason for such dissatisfaction is the complexity of the process, leading to an incapability of planning an exhaustive appraisal system. The appraisal systems are usually involved with the following problems: the lack of adequate support by managers, impracticability, the appraiser's failure in conducting a right and fair appraisal, and the lack of accordance with realities. The present appraisal system is a window-dressing and may not lead to expected results. It wastes the manager's time as a mere formality. He believes that despite of the reasonability and scientific importance appraisal, it has usually failed in various organizations as a result of complete indifference and has been criticized by personnel and even by manager. Many managers filling out the appraisal forms emphasize the employees' seniority. In this way, they put an end to the spirit of the creativity, perseverance and sincerity of the junior employees.

PERFORMANCE MANAGEMENT AN OVERVIEW

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. The term performance management gained its popularity in early 1980's when total quality management programs received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an ongoing communication process which is carried between the supervisors and the employees throughout the year. The process is very much cyclical and continuous in nature. A performance management system includes the following actions.

- Developing clear job descriptions and employee performance plans which includes the key result areas (KRA) and performance indicators.
- Selection of right set of people by implementing an appropriate selection process.
- Negotiating requirements and performance standards for measuring the outcome and overall productivity against the predefined benchmarks.
- Providing continuous 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.
- Holding quarterly performance development discussions and evaluating employee performance on the basis of performance plans.
- Designing effective compensation and reward systems for recognizing those employees who excel in their jobs by achieving the set standards in accordance with the performance plans or rather exceed the performance benchmarks.
- Providing promotional/career development support and guidance to the employees.
- Performing exit interviews for understanding the cause of employee discontentment and thereafter exit from an organization.

REVIEW OF LITERATURE

There are various research papers which were taken for the present study were as follows:-

Amrutham Christopher D (2011) revealed that the importance of motivation and challenge of motivate the employees. Though times have changed, the latest technology in force was still not able to mitigate the problem of motivate the employees. Hence, it can be termed as an ever last challenge for the managers. Especially, in the changed global scenario, the problem became much more acute and the employers are on the edge in terms of motivating the employees. Hence, organisations were forced to aligned their total rewards strategy to met the change needs of the employees and fulfil the organisational objectives. This was a continuous process that organisation need to follow in order to motivate the employees make employee an ever last challenge for the managers at all times.

Raina Dullo Anupama and Shahnawaz M G (2011) exposed that employee satisfaction and attitudes represent one of the key areas of measuring organisational effectiveness. The study considered the role of workplace attitudes in influencing an important organizational outcome. The purpose of the study was to investigate the relationship between perception of organisational climate and company satisfaction of managers. It was found that scope for advancement, and wages & benefits are the most important factors as predictors of company satisfaction. The study also proved from time to time that job attributes like redesign of work, job enrichment, job enlargement,

autonomy, restructuring work around teams and feedback enhance satisfaction at the workplace, which in turn results in higher performance.

Mohanty Itishree (2010) stated that performance appraisal was an ongoing exercise not a one shot function which was concerned with developed the potential of the employees in order to provide employees with training and developmental opportunity to perform better, helped them to keep up with the change at the workplace. With effective feedback, employees can saw their progress which motivates them to reach their performance goals successfully. So, performance appraisal was the strength which affected organisational performance an helped organisational performance and helped employees to overcome the problems faced while performed the tasks.

De Abhishek and De Shanbhag Vishaka (2010) observed that performance management was a necessary evil. A lot of firms tried and aligned their performance management system to the ideal performance management process. However, the attempt more often than not was restricted to the appraisal process, rather than the supported infrastructure like discussions, feedback sessions and competency enhancement. The development aspect of performance management was completely lost. Arrived at an ideal performance management system was utopia. Without complete top management buy-in and support, such a process overhaul was impossible.

Taslim, M, Malhotra K and Luthra K A (2010) stated that the paper has been successful in exposed the positive aspects as well as various loopholes in both the systems. From the study, it can be inferred that overall the employees under the executives Cadre have a positive attitude towards the Performance Management System (PMS) but there were certain factors with which the employees were not content. From the study it was cleared that nearly 60% of the employees felt that performance management system was a talent development strategy and a system truly for employees. But on the other hand, it also efficiently pointed out the weaknesses to suggest improvements to enhance the relationship between superior and subordinates which can thereby avoid the conflicts.

Joshi Deepak J (2010) affirmed that performance of any organisation depend on the performance of people worked in that organisation. Employee's performance can be improved by developed performance culture. To developed and maintained performance culture, mentoring & socialization played a vital role.

Neeraja and Aman (2009) revealed that performance appraisal and designed reward system has became a core area of attention for managed human resource to stimulated them to performed efficiently and effectively. The study also aimed at analysed the employer's perspective towards the availability of the performance appraisal and reward philosophy prevailed in the organisation. It also emphasized the variations in the opinions of the employers when categorized in different parameters. The parameters taken are broadly classified into equilibrium, proficiency, strategy formulations and performance. Based on these parameters, the questionnaires was prepared, views taken and results set are analysed using different statistical tests i.e. factor analysis, chi-square tests, reliability test to checked the reliability of data. At the last, the study mainly aimed at enlightened the employer's views regarding the nature of the performance and appraisal parameters prevailed in different organisation worked for the same sector. A Sample of 100 respondents was selected randomly by using convenient sampling method.

Banu C Vijaya and Umamaheswari P (2009) avowed that 360 degree has the ability to provide structured and in depth information about current performance and the required performance of an individual in future. In the study, the 360 degree performance appraisal system help to identify training needs, performance of employees, determination of rewards/incentives and steps to promote communication from the perspective of the employees themselves, superiors and from the customers. As per 360 degree performance appraisal, questionnaires were used to obtain feedback from the employees themselves, their superiors, peers and customers. Out of 318 employees, 50 were chosen at random to give their opinion about the performance of these employees.

Singh Anubha, Dash Mihir and Vivekanand (2008) revealed that employee motivation was a key strategic asset dealt with competition and achieved corporate performance. The study also tried to applied the Two-factor theory for further understood motivation among ITES employees i.e. “Motivators” and “Satisfiers” in an ITES and also indicates that these factors i.e. intrinsic factors(work itself) and extrinsic factors (environmental factors) were the major driven forces in the ITES work culture. Also, it would be interested to study the influence of demographic variables on the perceptions of motivating and hygiene factors in ITES companies, particularly because of relatively different nature of the workforce composition i.e. in terms of gender, age, education, and experiences. At the last, the study was

conducted in a medium sized ITES company and the data were collected with the help of self-administered questionnaire consists of 17 statements. A Sample of 60 respondents from one ITES company was taken to analyzed.

Bhargavi V R (2007) revealed that motivation is the stimulation of any emotion or desire operating upon one's will and promoting or driving it to action. In this study, a survey was conducted among 100 women executives working in Bangalore-based companies. The study also investigates the slow advancement and low motivation level of women executives in the respondent companies and measures the relationship among personal factors, work & life aspects, empowerment, organisational culture, and the motivational level of women executives. The survey indicates that women do face many problems due to the conflict between their domestic commitments and workplace demands. At the last, the study suggests that women should take a fresh look at their personal and professional goals and devise ways to balance them.

RESEARCH METHODOLOGY

Rationale of the Study

The reason of the study is to analyze the gap between the expected performances and performed performance in any organisational settings. Identifying this gap and framing policies to overcome the same enhances the motivation among employees' leads to competitive advantage by integrating individual and organisational goal. The main purpose is to motivate the employees to achieve the target set by the organisation. Companies can't sustain or even survive in such a rent less environment without attempting to accurately assess and enhance employee performance, productivity and development.

Objectives of the study

- To study the performance appraisal system in the selected organisation under study.
- To understand the extend of employee satisfaction towards the various determinants of performance appraisal system
- To examine the extent of employee motivation towards performance management system.

Research hypothesis

- 1) H_{01} : There is no significant relationship between career development opportunities and the extent of employee motivation.
- 2) H_{02} : There is no significant relationship between performance appraisal system and employee motivation as an integral & inherent part to employee's growth.
- 3) H_{03} : There is no significant difference in perception of employees towards performance appraisal system

Research Design

The study is descriptive in nature to study the performance management and its impact on employee motivation in a large public sector undertaking. The study identifies views of employees of different levels and disciplines which got categorized based on age (25-55), experience (less than one year more than 10 years), discipline (Finance, HR, Production, Marketing, Technical and Engineering) and management level (junior level and middle level). Stratified random sampling was adopted for the present study and this sampling technique comes under probability sampling. Sample size is 150, out of which 100 respondents are from 450 middle level employees and 50 respondents are from 150 lower level employees. (25% of 600 employees). Only 90 responses were used for analysis of data. So, conversion the response rate is 60%.

Primary data will be collected through questionnaire which is based on 5 point likert scale to elicit respondent's favourable and unfavourable response which consists of 22 items. The first section consisted of demographic profile of the respondents. Second section dealt with three major parameters such as career development opportunities (statements 12, 14 and 15), performance appraisal system (1,2,3,4,5,7,9,11,14,16,17,18 and 19) and employee motivation (6,8,10,12,13,20,21 and 22). The data were analysed with the help of statistical tools like percentage method, interval method and Z-test and Karl Pearson correlation.

DATA ANALYSIS AND RESULTS

Hypothesis 1

H_{01} : - There is no significant relationship between career development opportunities and the extent of employee motivation among MLE & LLE.

(INSERT TABLE 1 HERE)

The result of correlation analysis shows that middle level executives are highly motivated towards career development opportunities and the extent of employee motivation than the lower level executives in the organisation as the correlation value of MLE is 0.703 is more than the value of LLE is 0.646.

Here, the null hypothesis is rejected & hence alternate hypothesis is accepted. (n = 90, dof = 88, level of significance (p) = 0.05, critical value = 0.217 and observed values are 0.703 and 0.646). Hence, it can be concluded that is a significant relationship between career development opportunities and extent of employee motivation among MLE & LLE. At the last, the value lies between -1 to +1 which indicates that there is a highly positive correlation.

Hypothesis 2

H02:- There is no significant relationship between performance appraisal system and employee motivation as an integral & inherent part to employee's growth among MLE & LLE.

(INSERT TABLE 2 HERE)

The result shows that lower level executives are highly motivated towards performance appraisal system and employee motivation as an integral & inherent part to employee's growth than the middle level executives in the organisation as the correlation value of LLE is 0.999 is more than the value of MLE is 0.707.

Here, null hypothesis is rejected & hence alternate hypothesis is accepted. (n = 90, dof = 88, level of significance (p) = 0.05, critical value = 0.217 and observed values are 0.707 and 0.999). Hence, it can be concluded that is a significant relationship between performance appraisal system and employee as an integral & inherent part to employee's growth among MLE & LLE. At the last, the value lies between -1 to +1 which indicates that there is a highly positive correlation.

Hypothesis 3

H03:- There is no significant difference in perception of employees towards performance appraisal system

Test of Hypothesis	Two-Tailed Test
Z Test	$Z = (\bar{X} - \mu) / \sigma_{\bar{x}}$
Rejection	Reject Ho if $Z > Z_{s/2}$
n	90
xm	55.21
s.d.	4.881
Assumed Mean	64

The calculated Z value -17.088 is > than critical Z value 1.96. So, null hypothesis will be rejected and alternate hypothesis will be accepted. So, it can be concluded that there is a significant difference in perception of employees towards performance appraisal system.

MAJOR FINDINGS

- Most of the employees agree that the performance activities are to get motivated, so the company should try to improve Performance Appraisal System, so that they can improve their performance.
- The employees are satisfied with the present incentives plan of the organisation.
- The study reveals that there is a good relationship exists among employees.
- Majority of the employees agreed that there job security to their present job.
- From the study, it was clear that most of employees agree to the fact that performance appraisal activities and support from the co-workers is helpful to get motivated.
- The study reveals that increase in the salary will motivates the employees more.
- The incentives and other benefits will influence the performance of the employees.

CONCLUSION

A performance management process sets the platform for rewarding excellence by aligning 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 realizing outcomes. By establishing clear performance expectations which includes results, actions and behaviours, 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. The most important thing is to provide employees with a sense of security, one in which they do not fear that their jobs will be in jeopardy if their performance is

not perfect and one in which layoffs are considered an extreme last resort, not just another option for dealing with hard times.

To conclude, performance management can be regarded as a proactive system of managing employee performance for driving the individuals and the organizations towards desired performance and results. It's about striking a harmonious alignment between individual and organizational objectives for accomplishment of excellence in performance.

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Table 1.

MIDDLE LEVEL EXECUTIVES Career Development	Employee Motivation 0.703
LOWER LEVEL EXECUTIVES Career Development	Employee Motivation 0.646

Table 2.

MIDDLE LEVEL EXECUTIVES Performance Appraisal System	Employee Motivation 0.707
LOWER LEVEL EXECUTIVES Performance Appraisal System	Employee Motivation 0.999