

IMPACT OF EMPLOYEES' PERFORMANCE MANAGEMENT SYSTEM; TO ACHIEVE THE OBJECTIVES OF THE ORGANIZATIONS

Faisal Tehscene Shah

Department of computer sciences
COMSATS Institute of Information Technology
Lahore, Pakistan
tehscene@yahoo.com

Muhammad Mahmood Aslam

Department of management sciences
COMSATS Institute of Information Technology
Lahore, Pakistan
anonymous_mahmood@yahoo.com

ABSTRACT

Performance management system is worth doing for the organization focusing on the total quality management. It works effectively when all the elements (financial, customer, Employees etc) are considered with a balanced approach. Our paper in this context is just dealing with the human capital that what topics must be covered under umbrella of performance management system.

KEY TERMS

Effectiveness of Organization, Employees, Organization Objectives, Performance Management System

1 INTRODUCTION

According to Carter McNamara, (1997) Performance management is a complete process which throws light on the overall organization performance to the departments and at the employees' level. It also tends to focus on the process to provide a products or services in the organization. Before that Alfred D. Chandler, (1970) proposed the shift of Performance Management from organization structure to the employees for achieving better performance. Gary Cokins, (2008) defined the multi dimensional organization structure in order to performance management. Our purpose of writing this article is to describe the linkage between employee's performance management systems to achieve its strategic objectives.

Employees Performance Management system is a complete process, which is based on the workforce performance and the fulfillment of organizational objectives at all levels. The basic philosophy behind the performance management system is to developing the alignment between the organizational objectives, with the employees' skills and capabilities, moreover it emphasize on the Development and improvement of the overall system. People mostly misperceive the performance management to the performance appraisal; In actual performance appraisal is judging the past performance while performance management system is an ongoing process to measuring the fulfillment of objectives. Alan Nankervis, (2004) while doing his research in an Australian institute finds that there are very few organizations which shared their organizational objectives with their employees. Most of the organization use the

performance appraisal as compared to the performance management in which the focus is made on the comparison between the performance standards being made by the organization and the actual performance of the employees while no one actually compares the performance against the organizational objectives. Performance management is the real theme while we work in the organization for quality control, in Quality based organization the objective of the performance is made on the achievement or fulfillment of the goals rather than established standards.

No doubt in performance management system which is actually the sub part of quality control having some performance standards but these performance standards are very much aligned with the organizational objectives.

2 SHIFT FROM PERFORMANCE APPRAISAL TO PERFORMANCE MANAGEMENT

There is a lot of research has been made in the performance appraisal but unfortunately it did not give any satisfactory results as Thomas B. Wilson, (1994) tends to describe the performance appraisal as it did no work for the employees as well as on for the organization except developing the dissatisfaction or expiation. Same Wendy K. Soo Hoo, (2004) concluded two of his researches that 90% of the employees found the performance appraisal as an ineffective. The reasons he deduced from his research are like the Managers avoid giving honest critiques because they don't want any conflict. Often time's managers dread the appraisal process as much as employees do, so they procrastinate and don't prepare adequately. Employees can be demoralized by ratings and statistics from the research said that 80% of people see themselves in the top 25% of all performers. So 55% will be really demoralized by honest feedback about where they stand.

We come to know from all above discussion that performance appraisal is not doing something extra for the organization and the organization awarded employees based on the appraisal unable to get the required result. Reward does not change the performance of individuals who work exclusively for reward. Better remuneration system can never be a good option for the organization for achieving its objectives. On the counter part it can demotivate the employees due to unequal distribution of rewards on the basis of performance appraisal.

On the whole consequences of performance appraisal may lead to the decline of overall performance of the organization. On the other side, Performance management of the employees is the system which enable the organizations to achieve their goals by utilizing the fully skill level of their employees. It begins when an employee joins the organization and ends when he leaves your organization.

Glendinning, (2002) suggest that performance management is the system which is supposed to be the need of the hour for organizations and a replacement of old performance appraisal system. He further argued that an organization with out a performance management system has no vision for its future. Linda Gravette, (2006) with her research concluded that employees must be familiar with the performance management system, working in the organization and there should be a discussion with the employees about the scale and the measures you are using for the performance evaluation.

3 NECESSARY ELEMENTS OF PERFORMANCE MANAGEMENT SYSTEM

André A. de Waal; Vincent Coevert (2007), conducted a research for knowing the effect on the productivity of the newly implemented performance management system in two public and private banks. Results of the research was that in private sector it made a significant improvement while in public sector it did not play any significant role.

The reason behind this duality of result was implementation of the system in both of the bank and the management philosophy. In public bank management did not bother enough for the implementation of the newly developed system while in private bank the management tried to implement it with its real soul. So it is the management commitment towards the implementation that how committed the managers are in order to performance management.

Performance management and getting the required behavior is one of the core issues which most of the organization fails to analyze in order to achieve the required goals, (Nicholas L. Weatherly; Richard W. Malott 2008). Organization behavior should be developed among the individual in such a way which is performance oriented and behavior should be analyze and then modified to develop the required behavior,(Hal J. Whiting; Theresa J.B. Kline; Lorne M. Sulsky 2008). The success of the system is correlated with employees' expectations if the employees expectations fulfill with the appraisal system, then there exists positive relationship and vice versa. The other thing which must be kept in mind while developing the goals, that it should be in accord with the employees and organization capability, (Gary P. Latham; Laura Borgogni; Laura Petitta 2008). Individual should be accountable in promoting of a performance management system which actually promote the quality culture. Describing the same things by Nonna Turusbekova; Manda Broekhuis; Ben Emans; Eric Molleman (2007), describes the need of the quality management system in the organization to get the desire behaviors of workers because workers some time violate the rules and detract the quality processes.

The basic purpose of performance management system is to creating the alignment in between the organization objectives and its sub systems to achieve the organization objectives, Carter McNamara, (2008). In modern organization there should be a balanced performance management system to achieve the organization objectives. By strategically using the performance management system organizations can develop its performance standards, can develop the measures and then reports the finding for further improvement and in this a continuous process keep running (South Carolina, 2002). In TQM techniques Performance management system play an important role for developing as well as measuring and achieving the objectives. The approaches like balance score card, metrics, indexes should be match with the system in the quality process to the organizations, (Stivers, Bonnie P. Stivers, Bonnie P; Joyce, Teresa Joyce; Teresa, 2000). A balance performance management system initiative was taken by Kaplan; Norton, (1992) to achieve the organization's vision strategically. Balance score card focusing on the four business prospective i.e. financial, customer satisfaction, business process and the organization learning and innovative culture. A recent survey determined that the companies use an average of 13 management tools at the corporate level. These tools are intended to help measure or monitor the performance of an organization, and within this the most popular performance related tool was the Balanced Scorecard (Rigby and Bilbo bead 2005). In the absence of a basic strategic context, managers found it hard to agree on an appropriate set of measures of organizational performance (Ahn, 2001). Balance scorecard is the platform for measuring the organization performance having coordinating with financial and non financial aspects of business (Irwin D, 2002).

4 MEASURES IN PERFORMANCE MANAGEMENT

Strategically goal setting, developing performance management system, individual accountability, rewards and recognition are some of the key elements for a quality performance management system. Beside this, total quality process also focuses of the participation of all the stake holders of the organization including the Management, Employees, suppliers and customers, (Hsin Hsin Chang, 2006). Employees' performance depends on the effective performance management system, (Thomas W. Buchner, 2007). Employee must have knowledge about their job what they must have to perform in order to fulfill its job target. In organization the developed performance elements tell what the employees really have to perform and the performance standards tells the employees that how

effectively they must have to perform. The performance elements are the indicators which can vary from the organization to organization it can be productivity, effectiveness, and objectivity. While the standards include certain objectives for which to employees must have to achieve. Performance standards and elements should be such that which must be calculated, attainable, fair and challenging. Federal Regulations, (2001) describes the basic three different types of elements which can be used for the effective performance management system that are critical elements, non critical elements and performance elements. Critical elements or activities are those for which an individual is assigned for, non critical are those which have no direct impact on the employees performance measurement but it pay an important role while performers perform in some group or team activity. Additional performance measurement can be based only on the group performance rather than the individual accountability.

Element Characteristics

	Required in Employee Performance Plans	Credited in the Summary Level	Can Describe a Group's Performance
Critical Elements	yes	yes	no*
Non-critical Elements	no	yes	yes
Additional Performance Elements	no	no	yes

**except when written for a supervisor or manager who has individual management control over a group's production and resources.*

Fig 1- Elements of performance management system

Critical and non critical elements are both interdependent, critical elements are supposed to be the basic function of an individual while non critical and additional performance elements are the supporting units for getting the outcomes. Goals can only be achieved if both critical and non critical elements are being properly communicated, (Federal Regulations 2001). At all the levels of the organization, there must be a system of measurement for measuring all the critical activities. Performance management is a continuous process in which the follow up is being given after each and every activity is to perform and measure, (Dona Price 2006).

5 CONCLUSION AND RECOMMENDATIONS

On the basis of all above discussion, I conceive that the effective implementation of performance management system is the key to success for organizations looking for achieving the organization goals. The traditional approaches like performance appraisal create many hindrances and instead of playing an effective role in the organization develop a cold war between the employer and employees. Developing and managing a performance

management system is not an easy task. There should be consensus among employees when goals are developed. Goals are such that which should be easily sub divided into different organization level. By using the balance card approach developed by Kaplan and Norton (1992) all the four prospective (Financial, Customers, Process and Organization culture) must be kept in mind. Management should be committed to develop the system and proper communication with the employees should be made. Clear Measures should be adopted and employees at all level must be aware with the adopted measures. Performance management is a continuous process; follow up should be given to the employees so that employees can come to know regarding their performance in the organization.

As the performance management is a costly process and a lot of time and money involved in it so great care should be taken; only critical activities should measure which are necessary for achieving the organizational goals. However this does not mean that completely ignorance of non critical and additional performance elements. These are the supporting elements which provide the strategic support and act as a catalyst for achieving organization objectives.

REFERENCES

- [1] Alan Nankervis, The power of metrics, key performance indicators: the Multiple dimensions, , DM review Magazine, October 2004
- [2] Ahn, H., Applying the balanced scorecard concept: an Experienced report. Long range planning, volume 34, Issue 4, pp 441-461, 2002
- [3] Alfred, Chandler D., People, Performance, and Pay, The Free Press, New York,1970
- [4] Bank,André A. de Waal, Vincent Coevert, The effect of performance management on the organizational results, International Journal of Productivity and Performance Management, Volume 56 ,Issue: ,5/6 ,pp 397 - 416,2007
- [5] Carolina, South., Silos to Systems: Using Performance Management to Improve the Public's Health, Performance Management National Excellence Collaborative, 2002
- [6] Cokins, Gary, From managing to improving, what is the best organizational chart for performance management?, , DM Review Online,1997-2008
- [7] Federal regulations, Aligning employees' performance with the organizational goals, workforce compensation and management services, united official of personnel management, pp 6-8,2001
- [8] Glendinning Peter, Performance Management: Pariah or Messiah?, Public Personnel Management, volume 31, no. 2, Summer 2002, p. 161
- [9] Gary P. Latham; Laura Borgogni; Laura Petitta, Goal Setting and Performance Management in the Public Sector, International Public Management Journal, Volume 11, Issue 4 ,pp 385 – 403, 2008
- [10]Hal J. Whiting, Theresa J.B. Kline, Lorne M. Sulsky, The performance appraisal congruency scale: an assessment of person-environment fit, International Journal of Productivity and Performance Management, Volume: 57 ,Issue: 3 ,pp 223-236,2008
- [11]Hsin Hsin Chang, Development of performance measurement systems in quality management organisations,, the service industrial journal, volume 26, issue 7, pp 765-786, 2006
- [12]Irwin, D., Strategy Mapping in the Public sector, International Journal of strategic Management, Volume 35,Issue 6, pp 563-672, 2002
- [13]Kaplan, Robert ; Norton, David., putting the balanced scorecard to work; HBR, pp 71-79,1993
- [14]Linda Gravett, The Performance Management and Appraisal; Communicating with Numbers: Measuring employee performance, SPHR Robert Bacal publisher, HR Reference Library, 200
- [15]McNamara, Carter, Field Guide to Consulting and Organizational Development, Performance Management -- Basic Concepts (regarding performance of organizations, subsystems, processes or employees), DM Review Online,1997-2008

- [16] Nicholas L. Weatherly^a; Richard W. Malott, An Analysis of Organizational Behavior Management Research in Terms of the Three-Contingency Model of Performance Management, *Journal of Organizational Behavior Management*, Volume 28, Issue 4, pp 260 – 285, 2008
- [17] Nonna Turusbekova; Manda Broekhuis; Ben Emans; Eric Molleman, The Role of Individual Accountability in Promoting Quality Management Systems, *Total Quality Management & Business Excellence*, Volume 18, Issue 5, pp 471 – 48, 2007
- [18] Price, Dona, using performance appraisal to enhance employees' performance, *Employee performance management*, 2006
- [19] Rigby, D. K.; Bilbo, Bead, *Management tools and trends*, Bain and company, 2005
- [20] Stivers, Bonnie P.; Joyce, Teresa Joyce, Teresa Building a Balanced Performance Management System, *SAM Advanced Management Journal*, 2000
- [21] Thomas W. Buchner, Performance management theory: A look from the performer's perspective with implications for HRD, *Human Resource Development International*, Volume 10, Issue 1, pp 59 – 73, 2007
- [22] United state office of personnel management, A hand book for measuring employees performance: aligning employees performance plans with organization goals, p. 8, January 2001
- [23] Wilson, Thomas B. *Innovative Reward Systems for the Changing Workplace*, McGraw-Hill, New York 1994.
- [24] Wendy K. Soo Hoo, Assistant City Auditor, City of Seattle, *Appraising Performance: Strategies and Lessons Learned*, 2004