

## PERFORMANCE MANAGEMENT PRACTICES AND EMPLOYEES SATISFACTION: A STUDY OF SELECTED LARGE INDUSTRIES OF SOUTH RAJASTHAN

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**ABSTRACT:** *The world has become well integrated due to liberalization and globalization policies adopted by the countries and the competition has been stiffening in all most Business Organizations and Industries. Now days, Organizations around the world have been discussing about the connection between capable employees and superior organizational performance for decades. The people force is increasingly recognized as the key driver of success of great companies, and nation's. There is also growing recognition within Organization and Institution that better People Management means better business performance. Employees are a basic and vital part of maintaining the business effortlessly and efficiently. The supremacy of the human element cannot be over-emphasized. The success or failure of an organization depends on people - on human beings, on their talent, on their initiative, on their enterprise, on their ability to lead and coordinate with others, to work as a team. It also depends in the ability of the organization to motivate them to greater heights.*

### INTRODUCTION

Performance management is the current buzzword now days and is the need in the current times of cut throat competition among them from their competitor and the organizational battle for leadership. Performance management is a systematic process by which the overall performance of an organization can be enhanced by enhancing the efficiency, performance of people inside a group structure. Performance management is a joint responsibility between managers who carry out the assessments and the staff whose performance they are assessing. It is essential that this process is carried out objectively, openly and honestly. It is a method for advancing predominant performance from the individual and group by conveying expectations, by defining roles by the organization within a required competence framework and building up achievable benchmarks. . No doubt, Performance management is a much broader, critical and a complicated function of Human Resource, 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 program, pay & compensation and rewards & recognition of achievements. Today, HR is working towards encouraging and enhancing the performance of the employees by building a favorable workplace and giving most extreme chances/ opportunities to the employees for taking part in organizational planning and decision making process. The term performance management gained its popularity in early 1980's when total quality management program received highest importance for achievement of superior standards and quality product and performance by the organization and employees. Tools such as job design and description, leadership development, talent management, training & development and reward system received an equal momentum along with the traditional performance appraisal process in the new comprehensive and a much wider framework.

### EVOLUTION OF PERFORMANCE MANAGEMENT

The term performance management process picked up its significance and importance from the times when the cut throat competitive pressures in the market place started rising and the organizations felt the

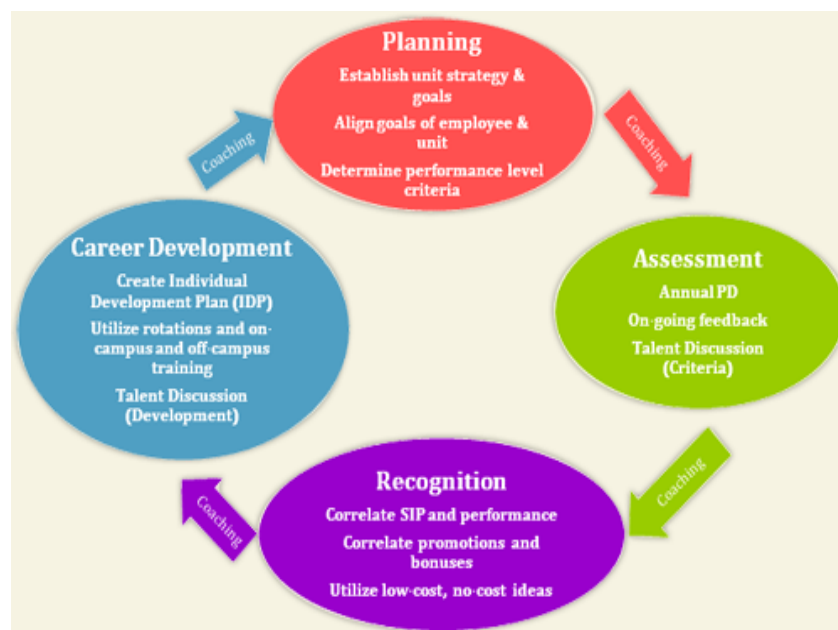
need of introducing a comprehensive performance management process into their system for enhancing the performance effectiveness, viability and overall productivity. The performance management process evolved in a number of phases as per details given as under:-

1. **FIRST PHASE:** The origin of performance management was traced in the early 1960's when the performance appraisal systems were in practice. Amid this time, Annual Confidential Reports (ACR's)/ Employee service Records were maintained for controlling the behaviors of an employees and these reports gave huge data in regards to the performance of an employees within the organization. Any negative remarks or comments were entered in the ESR or ACR used to adversely affect the prospects of career growth of an employee. The assessments were observed on the ten attributes on a five point rating scale. These traits were generally related with the job knowledge, sincerity, dynamism, punctuality, leadership, loyalty, behavior, misconduct, achievement etc. The remarks were never communicated to the employees and strict confidentiality was maintained in the entire process. The employees used to remain in complete obscurity due to the absence of a crystal clear mechanism of feedback and communication.
2. **SECOND PHASE:** This stage proceeded from late 1960's till mid 1970's, and the key stage was that whatever unfavorable remarks were incorporated in the performance reports were imparted to the employees so they could take remedial activities for overcoming such inadequacies. In this process of evaluating the performance, the reviewing officer used to appreciate an optional power of mediate the ratings given by the reporting officer. The employees were given a formal written communication on their known areas of improvements.
3. **THIRD PHASE:** In this stage the term ACR was replaced by performance appraisal. In this stage the employees were allowed to depict their activities in the confidential performance reports. The employees were permitted to depict their activities in the self appraisal forms in the end of a year. Besides inclusion of the traits in the rating scale, several new segments were merged by many organizations which could quantify the productivity and performances of an employee in quantifiable terms such as targets accomplished, and so on. Certain organizations also focused on the training needs in the evaluation structure. Be that as it may, the confidentiality component was still being maintained. The whole procedure was on control premise rather than improvement reason.
4. **FOURTH PHASE:** This stage began in mid 1970's and its cause was in India as extraordinary business bunch like Larsen and Toubro, trailed by State Bank of India and numerous others organizations likewise presented calculable changes in the evaluation. In this stage, the evaluation procedure was more improvement driven, target based performance, participative and open as opposed to being dealt with as a secret procedure. The system was centered on performance planning, review and improvement of employees. In this whole process, the assesses (employee) and the reporting officer mutually settled on the key result areas in the start of a year and checked on it after every six months. In the review period various issues affecting the performance, barriers, training needs of an employee, newer targets and also the ratings were discussed with the appraise in a collaborative environment. This phase was a very grate change in the area of performance management and many organizations introduced HR department for taking care of the training requirement and developmental issues of the organization.
5. **FIFTH PHASE:** This phase was characterized by maturity in approach of handling employee's issues. It was more performance driven and accentuation was on development, planning and improvement. Most extreme significance was given to culture building; team/ group evaluations and quality circles were established for assessing the improvement in the overall employee productivity. In the organizations, H R role has become vital and organization well understood the importance of the talented work force that is able to attract, recruit, develop and retain talent would emerge as global leaders. Performance management is a much broader and a complicated function of HR, as it encompasses activities such as joint goal setting (KRA), continuous progress review & frequent communication, feedback and coaching for improved performance, implementation of employee development programs and rewarding achievements. Performance management is both a strategic and an integrated approach to delivering

successful results in organization by improving the performance and developing the capabilities of teams and individual (Armstrong and Baron, 1988). The organization are focusing and concentrating on the development of their employees and building up their skills required for the job.

## PERFORMANCE MANAGEMENT MODEL

Employees are a basic and vital part of maintaining the business effortlessly and efficiently. That is the motive, remembering the essential role of the employees, a current development known as performance management has come into practice. Under performance management method, employees convince their responsibility, as well as do as such to the best of their abilities and expectations of management. Performance management is basically an arrangement of various processes that combine to make efficient employees within the company that can effectively reach to the business goals. This is a process of continuous dialogue in-between supervisor and employees towards fulfillment objective of the organization goals by the employees. The literature has provided performance management model frameworks as presented and described in Figure 1:-



(Source: Cornell University, 2010)

This model is a cycle that comprises of four major components; namely planning, assessment, recognition and career development. It is argued that the model recognizes the importance of coaching as it connects each stage of the Model. Flanagan and Finger (1998:153) stated that “coaching is a key step in building an effective team, but it cannot be done offhandedly or haphazardly. Schedule periodic coaching sessions, if you do not, you risk letting your fire fighting activity crowd the obligation out”. Another important feature of this Model is that it calls for the alignment of employee’ goals to those of the unit/organization during the planning phase. The advantage of this model is that it has increased the researcher’s understanding of the importance of performance management processes in that they contribute to employee’s career development

## BENEFITS OF A PERFORMANCE MANAGEMENT SYSTEM:

An effective performance management system can assume an extremely significant part in dealing with the performance in an organization by:

1. Facilitating a cordial and a Congruous relationship between an individual employee and the line manager in view of trust and empowerment,

2. Ensuring accurate aligning or connecting of targets and encouraging effective communication throughout the organization,
3. Ensuring each employee understands what is desired from them and similarly finding out whether the employees have the required skills and support for satisfying such desires,
4. Ensuring that the employees understand the significance of their commitments to the organizational goals and targets.
5. Performance management practices can have a positive influence on the job satisfaction and employee reliability by:
6. Establishing clear performance targets by encouraging an open communication and a joint discussion,
7. Regularly giving open, straightforward and transparent job feedbacks to the employees,
8. Providing plentiful learning and improvement opportunities by talking to the employees in leadership development programs, and so forth,
9. Establishing a clear linkage among performance and compensation,
10. Evaluating performance and distributing incentives and rewards on a fair, reasonable and compared premise,
11. Recognizing and rewarding good performed employees in an organization,
12. Providing maximum growth and opportunities for career growth

An efficiently implemented performance management system has advantage to the organization, managers and employees in several ways as depicted in the table given below:

Organization's Benefits	Enhanced organizational performance, employee retention and reliability, accessibility of talented manpower, enhanced productivity and employee's participation, overcoming the barriers to communication, clear accountabilities, and cost advantages.
Manager's Benefits	Saves time and reduces conflicts, develop respect and recognitions, develop understanding, ensures effectiveness and consistency in performance.
Employee's Benefits	Clarifies expectations of the employees, self assessment opportunities, clarifies the job accountabilities and contributes to improved performance, development opportunity, develop confidence, clearly defines career paths and promotes job satisfaction.

## RATIONALE OF THE STUDY

The people force is increasingly recognized as the key driver of success of great success of companies. There is also a growing recognition within Organization and Institution that better People Management means better business performance. The importance of human resource in sustainability of the companies has been well realized in the past three decades. Industries are discussing and deliberating on the various issues of Performance management system and strategies are being formulated and implemented for it. Performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organization. Performance appraisal is the most powerful instrument that organizations have to mobilize the energy of every employee towards the achievement of strategic goals. Performance appraisal can focus every person's attention on the company's mission, vision, and values. Performance management system also used as a tool to assess the competencies of the individual and develop, identification of talent, growth and career plan, for the employees to meet out the future challenges of the organization. Human capital is a major resource from the other resources. By focusing on growing 'New Talent' from the existing employees, a good talent management strategy sharpen an organization's

competitive position, reduces recruitment cost, drives higher performance, boosts retention rate and develop satisfaction level among the employees.

## OBJECTIVES OF THE STUDY

1. To analyze the satisfaction level of employees with the performance management system in their organization.
2. To analyze the satisfaction level of employees with various aspects of performance management system among different types of studied industries.

## RESEARCH METHODOLOGY

- The study is intended to analyse the executive and top management employee perception and satisfaction regarding the performance management practices in their organizations and will help to develop the human capital in the organization. The study will also analyse the top management perception towards the performance management system in the organization and their attitude towards it.
- For the present study involve a questionnaire survey of executives and top management of 5 selected industries of south Rajasthan, viz. Aditya Cement Works a unit of UltraTech Cement Ltd Shambhupura, J.K. Cement Works Nimbhera, Hindustan Zinc Ltd, Chandaria, J K Tyre & Industries Kankroli and Bhilwara Synthetic Ltd, Bhilwara.
- For the study, two questionnaires have been prepared, viz for executives and for top management. Both the questionnaires are divided in two parts. The first part of questionnaires contains the demographic details of the respondent including his age, experience, designation and organization. The second part of the questionnaire contains questions based on Likert scale relating to various aspects of performance management System. The questions are divided into five categories: Performance and Organization Goal, Competency Mapping, Career Planning & Development, Pay & Compensation, Benefits and Awards & Rewards, and Overall Effectiveness of Performance System for the Top Management and the executives. The sampling technique for the present study will be convenience sampling to select sample of employees and top management personnel from particular industries of South Rajasthan.
- A sample of 150 executives and 50 top management personnel, 30 executives and 10 top managers from each selected industry have been considered for the study. The sample size of 150 & 50 has been chosen considering the limitations of resources. As the submitted data was parametric in nature, Z test, and one way ANOVA tests were used for analyzing the data and testing of hypothesis.

## HYPOTHESES FOR STUDY

- $H_{01}$ : Performance Management System of industries taken for the study is not effective at and overall level.
- $H_{02}$ : There is non-significant difference in satisfaction regarding performance and organization goals factor among different type of industry taken under study.
- $H_{03}$ : There is non-significant difference in satisfaction regarding competency mapping factor among different type of industry taken under study.
- $H_{04}$ : There is non-significant difference in satisfaction regarding Career planning and development factor among different type of industry taken under study.
- $H_{05}$ : There is non-significant difference in satisfaction regarding pay compensation and benefits factor among different type of industry taken under study.
- $H_{06}$ : There is non-significant difference in satisfaction regarding awards and rewards factor among different type of industry taken under study.

## DATA ANALYSIS AND INTERPRETATION

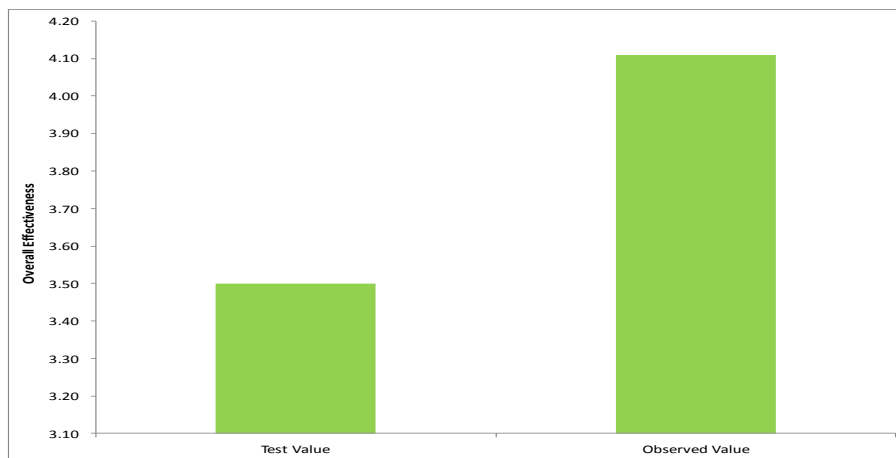
The Data was collected from 5 selected industries from 150, executives and 50, top management which have tabulated and analyzed. The data collected showed that most of the executives and top management are satisfied with the performance management system and practices adopted in their industries.

### Hypothesis I

H01: Performance Management System of industries taken for the study is not effective at and overall level. The first hypothesis tested the effectiveness of performance management System in the Industries. To measure the effectiveness of performance management system Z test was applied.

#### EFFECTIVENESS OF PERFORMANCE MANAGEMENT SYSTEM

N	Mean	SD	Z	Result
150	4.11	0.48	15.66	***



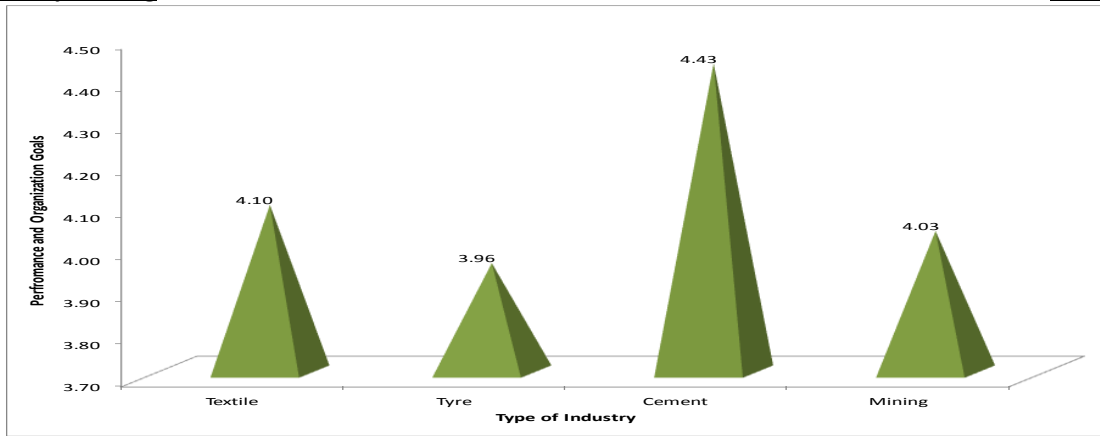
The overall PMS score was 4.11, which was tested against a test score of 3.5. The industry score is found to be significantly higher than test score ( $Z = 15.66, p < 0.001$ ), hence, **null hypothesis is rejected** which shows that performance management system is working efficiently in the selected industry. Result indicated that at an overall level performance management system of the industries is highly effective.

H<sub>02</sub>: There is non-significant difference in satisfaction regarding performance and organization goals factor among different type of industry taken under study.

The second hypothesis studied to compare difference in satisfaction regarding performance and organization goal among different type of industry. One way ANOVA test was applied.

#### Performance and Organization Goals

Type of Industry	N	Mean	SD	df	F	Result
Textile	30	4.10	0.20	3, 146	13.03	***
Tyre	30	3.96	0.62			
Cement	60	4.43	0.33			
Mining	30	4.03	0.37			



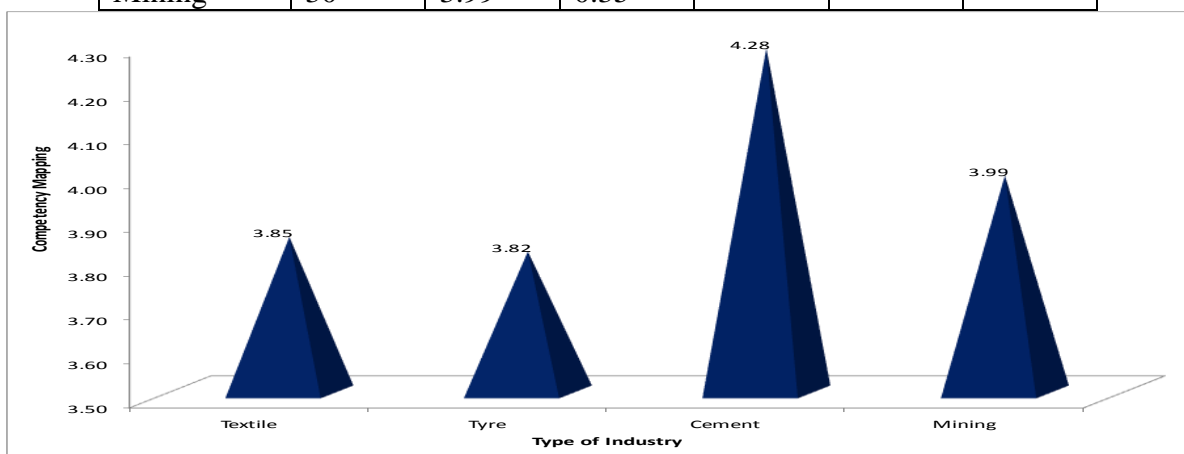
Test results given above shows that a highly significant difference with regard to “performance and organization goals” aspect exists among different types of industry ( $F = 13.03, p < 0.001$ ). The industry score is found to be significantly higher, hence null hypothesis is rejected. The result indicated that satisfaction regarding ‘performance and organization goals’ highest in cement industry, and also found that, a highly significant difference exists between textile and cement industry, Tyre and cement industry and Cement and mining industry.

**H<sub>03</sub>:** There is non-significant difference in satisfaction regarding competency mapping factor among different type of industry taken under study.

The third hypothesis studied to compare difference in satisfaction regarding competency mapping factor among different type of industry. One way ANOVA test was applied.

### Competency Mapping

Type of Industry	N	Mean	SD	df	F	Result
Textile	30	3.85	0.27	3, 146	8.03	***
Tyre	30	3.82	0.74			
Cement	60	4.28	0.51			
Mining	30	3.99	0.35			



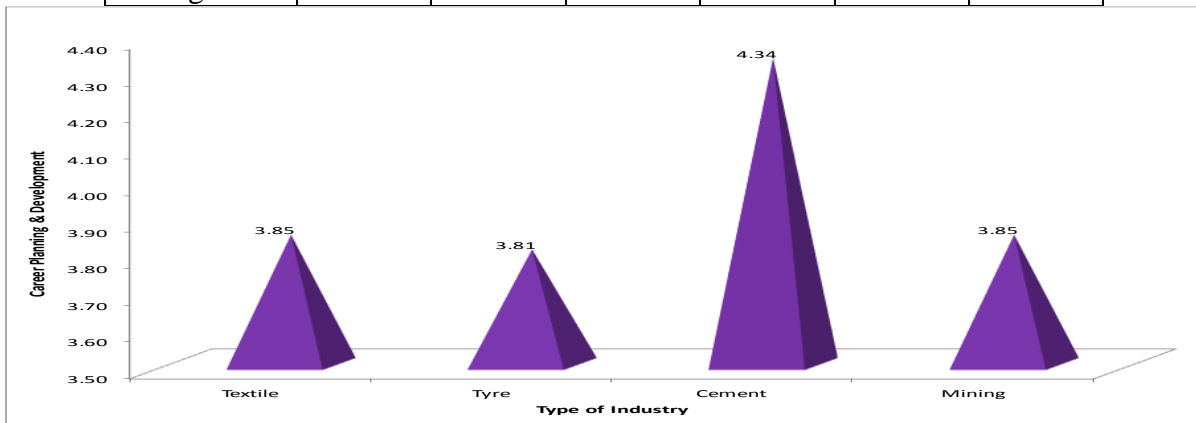
Test results given above shows that a highly significant difference with regard to “competency mapping factor” aspect exists among different types of industry ( $F = 8.03, p < 0.001$ ). The industry score is found to be significantly higher, hence null hypothesis is rejected. The result indicated that satisfaction regarding “competency mapping factor” highest in cement industry, and on further analysis it is found that, a highly significant difference exists between Textile and cement industry, Tyre and cement industry with regard to competency mapping. Hence cement industry stands out different among the selected industries.

**H<sub>04</sub>:** There is non-significant difference in satisfaction regarding Career planning and development factor among different type of industry taken under study.

The fourth hypothesis studied to compare difference in satisfaction regarding Career planning and development factor among different type of industry. One way ANOVA test was applied.

### Career Planning & Development

Type of Industry	N	Mean	SD	df	F	Result
Textile	30	3.85	0.43	3, 146	11.17	***
Tyre	30	3.81	0.85			
Cement	60	4.34	0.42			
Minng	30	3.85	0.27			



Test results given above shows that a highly significant difference with regard to “Career planning and development factor” aspect exists among different types of industry ( $F = 11.17, p < 0.001$ ). The industry score is found to be significantly higher, hence null hypothesis is rejected. The result indicated that satisfaction regarding Career Planning & Development highest in cement industry, and on further analysis it is found that, a highly significant difference exists between Textile and cement industry, Tyre and cement industry and Cement and mining industry with regard to Career Planning & Development

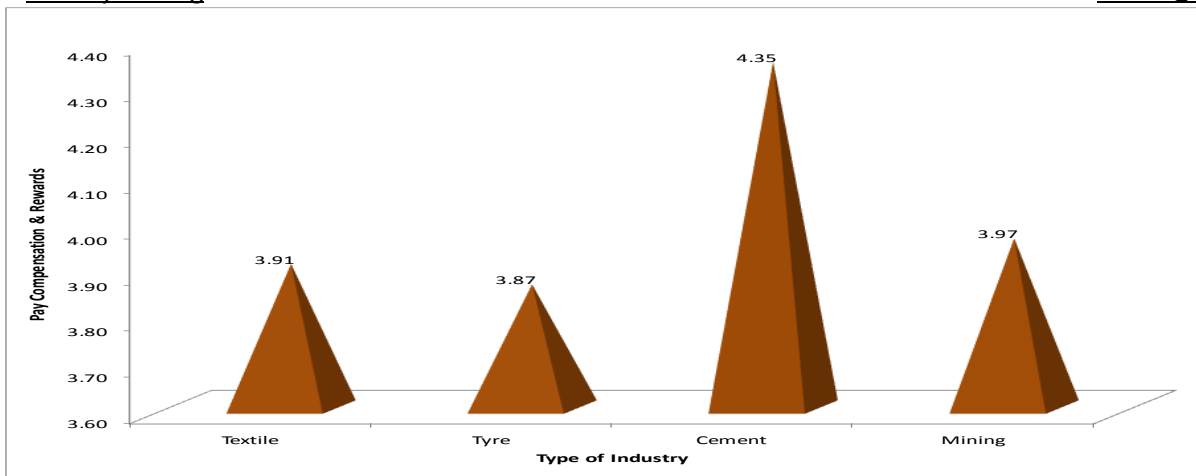
**H<sub>05</sub>:** There is non-significant difference in satisfaction regarding pay compensation and rewards factor among different type of industry taken under study.

The fifth hypothesis studied to compare difference in satisfaction regarding pay compensation and rewards factor among different type of industry. One way ANOVA test was applied.

### Pay Compensation & Benefits

Type of Industry	N	Mean	SD	df	F	Result
Textile	30	3.91	0.44	3, 146	9.23	***
Tyre	30	3.87	0.66			
Cement	60	4.35	0.52			
Mining	30	3.97	0.31			

Test results given above shows that a highly significant difference with regard regarding “pay compensation and benefits factor” exists among different types of industry ( $F = 9.23, p < 0.001$ ).



The industry score is found to be significantly higher, hence null hypothesis is rejected. On observing data the result indicated that satisfaction regarding pay compensation and benefits highest in cement industry. On further analysis it is found that, a highly significant difference exists between Textile and cement industry, Tyre and cement industry and Cement and mining industry with regard to pay compensation and rewards

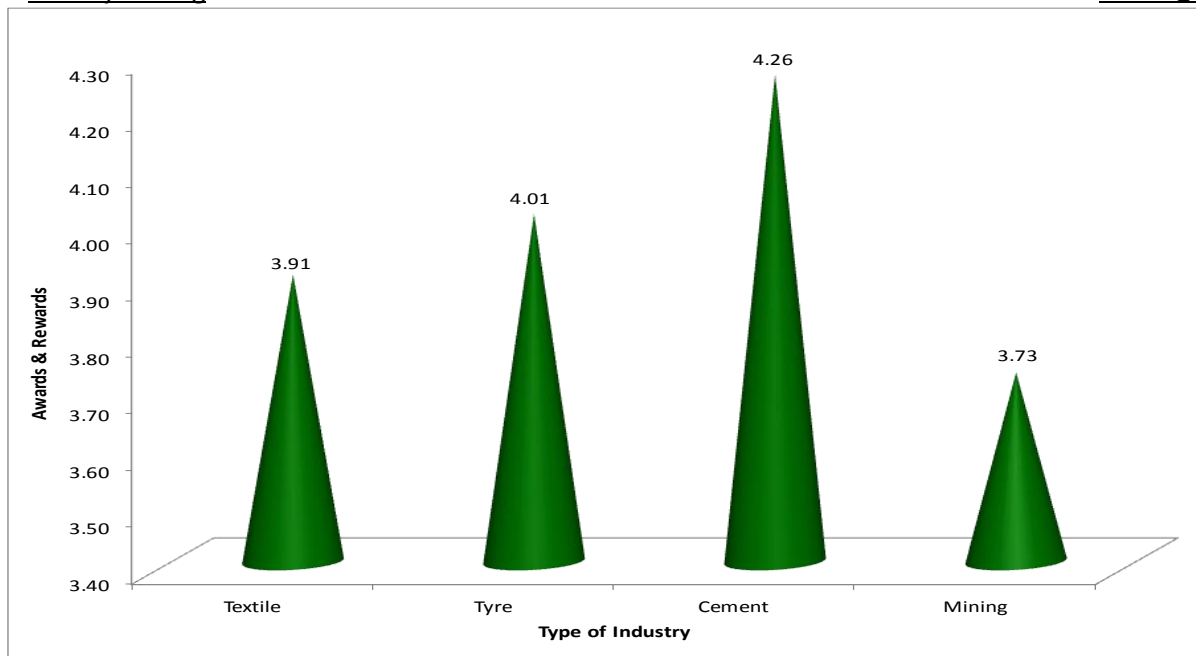
**H<sub>06</sub>:** There is non-significant difference in satisfaction regarding awards and rewards factor among different type of industry taken under study.

The fifth hypothesis studied to compare difference in satisfaction regarding awards and rewards factor among different type of industry. One way ANOVA test was applied

**Awards & Rewards**

Type of Industry	N	Mean	SD	df	F	Result
Textile	30	3.91	0.14	3, 146	10.37	***
Tyre	30	4.01	0.64			
Cement	60	4.26	0.48			
Mining	30	3.73	0.33			

Test results given above shows that a highly significant difference with regard to “Awards and Rewards” exists among different types of industry (F = 10.37, p<0.001). The industry score is found to be significantly higher, hence null hypothesis is rejected. Result indicated that satisfaction regarding awards and rewards factor was highest in cement industry.



On further analysis of data it is found that, a highly significant difference exists between Textile and cement industry and Cement and mining industry with regard to awards and rewards. Non-significant difference between tyre and cement industry was found.

### CONCLUSION

The study indicated that all the executive and top management are satisfied with Performance management system and practices adopted in their organization. The responses received from the employees are agreed and strongly agreed category. This is also evident from the fact that employees have been working in their organization since long time and some employees are working in single organization since their joining. Selected organization is performing best with their competitor in respective manufacturing field. This is only due to well people management system are implemented in their organization.

The analysis clearly shows that performance management system is working effectively & efficiently in the selected industry. Result indicated that at an overall performance management system of the industries is highly effective. To compare satisfaction with various aspects of performance management system viz. Performance and Organization Goal, Competency Mapping, Career Planning & Development, pay Compensation, Benefits and Awards & Rewards among different types of industry were analyzed. The results indicated that there is high satisfaction in the employees of cement industries.

### RECOMMENDATIONS

The study and the analysis reveal that the Industries have realized the importance of performance management system for higher results and sustainability in the competitive environment. They have developed and implemented efficient performance management systems in their organizations. On the basis of analysis of data, the following recommendations are proposed:-

1. Company should realize the importance of human capital for higher and sustainable performance to the organization thus always concentrated on alignment of individual goals and objectives with the organizational goal and objectives. Companies need to be transparent in the setting goals and evaluation / appraisal systems.
2. Supervisor should give more focus on monitoring the goals and objectives and provide constructive regular feedback in time to enhance the performance of the people as well as Organization.

3. Company should give attention towards timely coaching and counseling to appraise.
4. Company should give more emphasis on the identification of potential and capacity of the individual and prepare Individual Development plan for growth and succession.
5. The companies should focus more on succession planning and leadership development as still this area lacks adequate attention. For this purpose, competency matrix and mapping should be more stressed and emphasized upon for development of talent.
6. The companies should also focus on the compensation as well as non monetary benefits like insurance coverage of self and family, medical facilities, school, recreation clubs and housing etc., for the employees, as some of the employees seem to be having grievances regarding the adequacy of salary and benefits.

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