



## **ORGANISATIONAL DEVELOPMENT AND PERFORMANCE MEASUREMENT**

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### **Introduction:**

#### **Uses of performance management:**

Between person, within person, system maintenance and documentation. Between person uses are what have been referred to as administrative purposes, consisting of recognition of individuals' performance to make decisions regarding salary administration, promotions, retention, termination, layoffs and so forth. Within person uses are those identified in Management by Objectives (MBO), such as feedback on performance strengths and weaknesses to identify training needs and determine assignments and transfers. PA also helps in organizational goals, which are referred to as system maintenance uses. Finally, documentation purposes are to meet the legal requirements by documenting HR decisions and conducting validation research on the PA tools. Some organizations are attempting to meet all of these goals simultaneously while they continue to use tools that were designed for one type of purpose (Wiese & Buckley, 1998).

Jawahar and Williams's (1997) findings suggest that ratings collected for administrative purposes are more lenient than ratings for research or developmental purposes. Although rating scale formats, training and other technical qualities of PA influence the quality of ratings, the quality of PA is also strongly affected by the administrative context in which they are used (Murphy & Cleveland, 1995). Effective managers recognize PAS as a tool for managing, rather than a tool for measuring subordinates. Such managers use PA to motivate, direct and develop subordinates, and to maximize access to important resources in the organization to improve productivity.

Performance management is an important tool in the hand of management to bring greater responsiveness in human resource of an organization. The uses of performance management are:

1. Performance improvement: performance feedback allows the employee, manager and personal specialists to intervene with appropriate actions to improve with performance.
2. Placement decision: promotions, transfers and demotions are usually based on past or anticipated performance. Often promotions are reward for past performance.
3. Compensation adjustments: performance evaluation helps decision makers determine who should receive the pay rises. Many firm grant part or all pay increases and bonuses based upon merit, which is determined mostly through performance management.
4. Training and development needs: Poor performance may indicate the need for retraining. Likewise, good performance may indicate untapped potential that should be developed.
5. Career planning and development: performance feedback guides career decisions about specific career decisions about specific career paths one should investigate.
6. Staffing process deficiencies: good or bad performance implies strength or weakness in the personnel department's staffing procedure.
7. Informal inaccuracies: poor performance may indicate errors in job analysis information, human resources plans, or other parts of the personnel management information system. Reliance on inaccurate information may have lead to inappropriate hiring, training, or counselling decisions.
8. Job design errors: Poor performance may be a symptom of ill –conceived job designs. Appraisals helps diagnose these errors.
9. Equal employment opportunity: Accurate performance management that actually measure job related performance ensures that internal placement decisions are not discriminatory.
10. External Challenges: sometimes performance is influenced by factors outside the work environment such as family, financial, health or other personal matters. If uncovered through appraisals, the human resource department may be able to provide assistance.
11. Feedback to Human Resources: good/bad performance throughout the organization indicates how well the human resource function is performing.
12. Raises, Merit Pay, Bonuses: performance management is the foundation of much human organization.
13. Personnel Decisions.
14. Research Purposes.

### **1.3) Benefits of performance management from Employer perspective:**

Despite imperfect measurement techniques, individual differences in performance can make a difference to company performance. Documentation of performance management and feedback may be required for legal defense. Appraisal offers a rational basis for

constructing a bonus or merit system. Appraisal dimensions and standards can help to implement strategic goals and clarify performance expectations. Individual feedback helps people to rectify their mistakes and get ahead, focusing more on their unique strengths. Supervisors, Peers, Subordinates, Self –appraisal, Users of services, Consultants used to play active role in performance management system.

Informal appraisals are conducted whenever the supervisor or personnel managers feel it is necessary. However, systematic appraisals are conducted on a regular basis. According to another Indian study, eight organizations apprised their supervisory personnel at their anniversary date of joining.

**Criteria for identifying and writing good performance goals** :-Performance management is planned , developed and implemented through a series of steps:-

- a) **Establish performance standards:** Appraisal systems require performance standards, which serve as benchmarks against which performance is measured. To avoid embarrassments, performance standards must be clear to both the appraiser and the appraise. The goals must be developed after a thorough analysis of the job. Goals must be written down. They must be measurable within certain time and cost considerations.
- b) **Communicate the standards:** Performance management involves at least two parties; the appraiser who does the appraisal and the appraise whose performance is being evaluated. Both are expected to do certain things. The appraiser should prepare job descriptions clearly; help the appraise set his goals and targets; analyze results; offer coaching and guiding to the appraise whenever required and rewards good results. The appraise should be very clear about what he is doing and why he is doing it.
- c) **Measure actual performance:** After the performance standards are set and accepted, the next step is to measure actual performance. This requires the use of dependable performance measures, the ratings used to evaluate performance. Performance measures—to be helpful—must be easy to use, reliable, and report on the critical behaviours that determining performance. Four common sources of information which are generally used by managers regarding how to measure actual performance are personal observation, statistical reports, oral reports and written reports. Performance measures can ob subjective or objective.
- d) **Compare actual performance with standards and discuss the appraisal:**  
Actual performance may be better than expected and sometimes it may go off the track. Whatever be the consequences, there is a way to communicate and discuss the final outcome. The assessment of another person’s contribution and attribution is not a easy

task. It has serious emotional overtones as it affects the self –esteem of the appraise. Any appraisal based on subjective criteria is likely to be questioned by the appraise and leave him quite dejected and unhappy when the appraisal turns out to be negative.

**e) Taking corrective action:**

Corrective action is of two types: one puts out the fires immediately, while the other destroys the root of the problem permanently. Immediate action sets things right and get things back on track whereas the basic corrective action gets to the source of deviations and seeks to adjust the difference permanently.

**Primary data:**

The primary data for this purpose was collected on the basis of field survey. Two questionnaires were prepared for this purpose, and filled by respondents. Free and frank discussions with selected respondents, relevant literatures of Company / Organization and Observation method also has been included. One questionnaire was specifically prepared for the Executive from personnel / HR, responsible for carrying out the Performance Management System in Company / Organization for expressing his/her opinion regarding Performance Management System.

**Measures:**

Two separate questionnaires were developed one for H R managers and for Department managers to measure the factors found to influence the effectiveness of performance appraisal.

The questionnaire for H R managers consisted of information regarding H R practices related to Performance Management.

The questionnaire for managers consisted of questions pertaining to perception of H R practices related to performance appraisal system, their and acceptance of PMS, perception of organizational climate and commitment to the organization.

Three scales were used in the study. Perception of Performance Management System was assessed by a scale developed by Freinn- von Elverfeldt, A.C, von (2005) consisting of 11 dimensions-instrument validity, distributive justice, procedural justice, goal-setting, performance feedback, performance based pay, employee participation ,360-degree appraisal, ,Rating techniques, Rating accuracy and training. In order to validate the scale it was distributed to HR managers and academicians in the field. Based on the response it was found to be usable in the Indian context.

Organizational climate was assessed by a scale developed by Shalindra Singh (1988) consisting of seven dimensions.

Organizational commitment was assessed by Mowday R.T, Steers R.M, Porter L.W (1979).consisting of 15 questions.

Organizational climate and commitment scales are widely used in the Indian context.

All the scales were assessed on a five-point Likert-scale ranging from one to five, with one being “I absolutely disagree”, three being a neutral score and five being “I absolutely agree”.

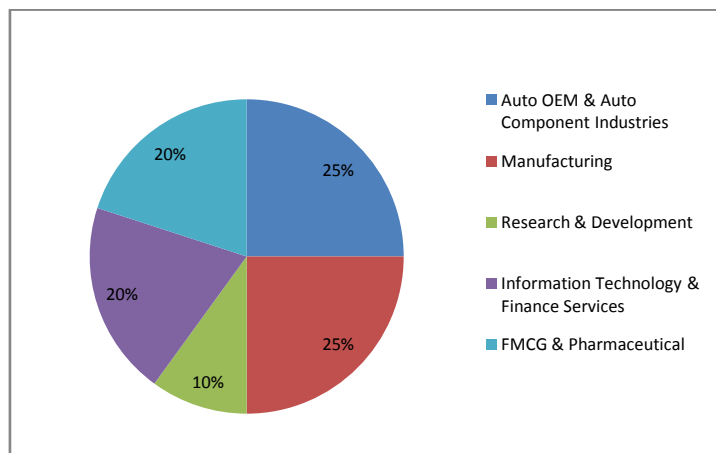
**Secondary data:**

In order to conduct the research, the relevant and concerned book, reports, literatures from internet and various libraries were referred. Further, important contributions in the subject matter, from various journals, magazines, periodicals, reports, bulletins, survey material, newspapers published in India & abroad also used were widely used for study. The same is acknowledged at various relevant points in the thesis and listing is made on Bibliography, at the end.

**Table No. 6 - Table showing the type of industry**

Sr. No.	Industries	Response	Percentage (%)
1	Auto OEM & Auto Component Industries	5	25
2	Manufacturing	5	25
3	Research & Development	2	10
4	Information Technology & Finance Services	4	20
5	FMCG & Pharmaceutical	4	20
Total		20	100

**Graph No. 6 - Graph showing the type of industry**



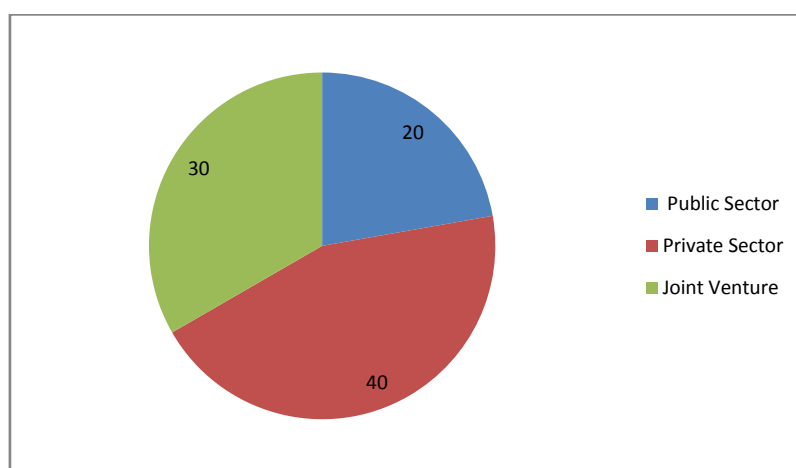
**Description-**

An equal 25% Industries are from Auto OEM & Auto Component and Manufacturing and equal of 20% Industries from Information Technology Service and FMCG & Pharmaceutical industry.

**Table No. 7 - Table showing the details of the segment of the organization :**

Sr. No.	Economic Segments	Response	Percentage (%)
1	Public Sector	1	20
2	Private Sector	12	40
3	Joint Venture	7	30
Total		20	100

**Graph No. 7 - Graph showing the details of the segment of the organization :**



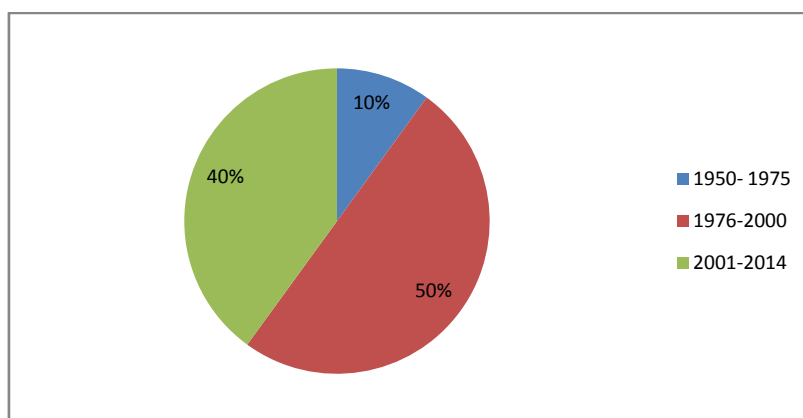
**Description-**

When 5 % of the organizations are from public sector, 60% are from private sector, 35% of the organizations are from joint venture. All types of industries are represented in our study.

**Table No. 8 - Table showing the year of establishment of the organizations:**

Sr. No.	Establishment Year	Response	Percentage (%)
1	1950-1975	2	10
2	1976-2000	10	50
3	2001-2014	8	40
Total		20	100

**Graph No. 8 - Graph showing the year of establishment of the organizations:**



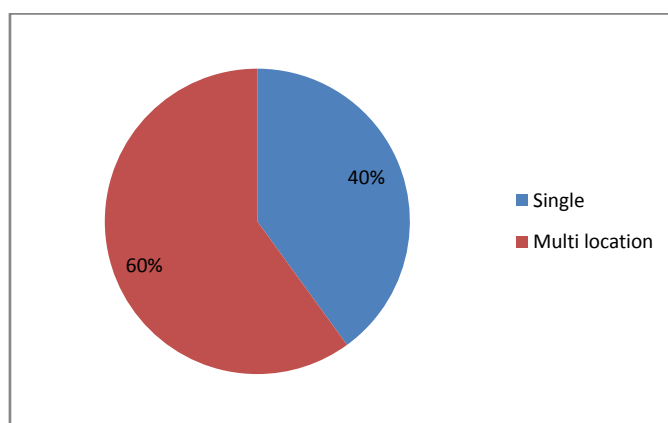
**Description-**

One half of the organizations was established in the year 1976-2000 ,40% of the organizations in the year 2001-2014 and 10% of the organizations are established in the year 1950-1975.

**Table No. 9 - Table showing the location of business**

Sr. No.	Locations	No. of Managers	Percentage (%)
1	Single	8	40
2	Multi location	12	60
Total		20	100

**Graph No. 9 - Graph showing the location of business**



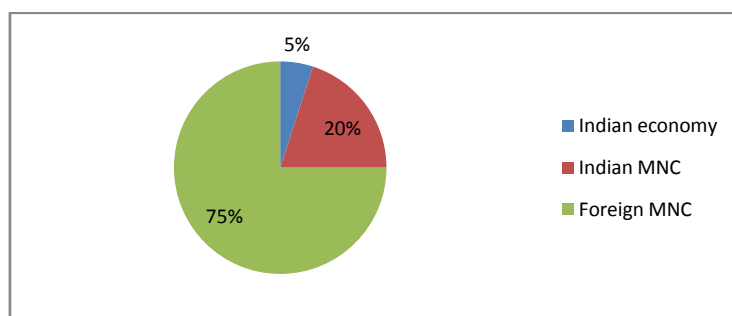
**Description-**

From the table above it can be seen that 60% of the organizations have multi location of business, while 40% of the organizations are having single location.

**Table No. 10 - Table showing the details of the structures of the organizations:**

Sr. No.	Geographical orientation	No. of Managers	Percentage (%)
1	Indian Economy	1	5
2	Indian MNC	4	20
3	Foreign MNC	15	75
Total		20	100

**Graph No. 10 - Graph showing the details of the structures of the organizations:**



**Description-**

The table no 10 discloses that majority of the respondents i.e., 75% are from Foreign MNC's, 20% of the organizations are Indian MNC, 5% of the organizations are Indian Economy.

Since globalization organizations are stretching across the world. Pune being a very suitable for industrial development it is obvious that many foreign MNC's and Indian MNC's are present; however majority are foreign MNC's.

**Organizational development and performance management:**

- Researcher has found that half of departmental managers are willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful. most of the managers feel proud in taking positively for the present organization to their friends as a great organization to work It is found that maximum number of departmental managers feel loyal to the organization. Departmental managers are eager to accept almost any type of job assignment in order to keep working for this organization.
- It is found that more than half of departmental manager agrees that their values and organizations values are same. It is found that departmental managers feel proud to tell others that they are part of this organization.
- It is found that half of the departmental managers agree that they could just as well be working for a different organization as long as the type of work was similar. It is found that organization inspires in the way to improve job performance.
- It is found that maximum number of departmental managers feel that they are extremely glad that they choose this organization to work for over others they was considering at the time they joined. It is found that half of the departmental mangers agree that there is not too much to be gained by sticking with this organization indefinitely and others are disagreeing. It is found that half of the departmental managers agree that often, they find it difficult to agree with this organization's policies on important matters relating to its employees and others are disagreeing. It is found that more number of the departmental managers feel that they really do care for fate of this organization.
- It is found that maximum number of the departmental managers agrees that they feel this is the best organization for work.
- It is found that very few of the departmental managers agree that deciding to work for this organization was a definite mistake on their part and maximum departmental managers are disagreeing.
- **Hypotheses - 3**
- **Alternative Hypothesis:** Performance Management System is very useful tool to bring out Employee Development.



- **Null Hypothesis:** Performance Management System is not useful tool to bring out Employee Development.
- **Justification** Performance management (PM) is the process of managing the execution of an organization’s strategy. PM provides explicit linkage between strategic, operational, and financial objectives. It communicates these linkages to managers and employee teams in a way they can comprehend, thereby empowering employees to act rather than cautiously hesitate or wait for instructions from their managers. PM also quantitatively measures the impact of planned spending, using key performance indicators. Performance Management helps employees to understand what is expected of them and guides them in maintaining or improving performance to meet expectations. Performance Management also gives employees developmental tools that help them .to grow and advance their careers.
- In this study, Manager’s opinion regarding the application of performance management system in various sectors was measured on 5-point Likert scale. As variables were discrete categorical variables and further researcher was interested in finding out the association between these variables, Spearman’s correlation was thought to be most appropriate test. The result of the correlation is as shown in the table below –
- **Inference –**
- Since,  $p < 0.01$ , there is evidence of strong positive correlation between performance management and the development of employees. **Spearman's correlation coefficient is 0.796 and this is statistically significant (P = 0.000).** Thus, null hypothesis is rejected and alternative hypothesis is accepted. Therefore, from the result **researcher can analyze that there is association between the performance management and the development of employees.**

		Commu_a bt_PM_Sy s
Development_of_E mp	Correlation Coefficient	.796**
	Sig. (2-tailed)	.000
	N	200

**Conclusion:**

**Development of employees is used** to foster growth and development to provide opportunities for employees to accept greater challenges, Further to help the employees in contributing to the achievement of department goals and the agency’s mission and vision to

build employee self-confidence and commitment produce a measurable change in performance and bring about the desired changes that can solve a variety of problems.

**Organizational climate and performance management:**

- It is found that the main concern of the managers is to help each other and develop the corporate skills. Half of the departmental managers agree that managers here have high concern for one another and help each other spontaneously when such help is needed. It is found that Managers in this organization are not likely to express their feeling on important matters.
- It is found that half of the departmental managers agree that reward & promotions are given on basis of merit .It is found that the organization discourages informal and personal relations.

**Findings for Organizational Aspect:**

- It is found that organizations are taken from industries like Automobile, Hospitality, Healthcare & Hospitals, Banking, IT in same proportion .maximum organizations are from Private sector, few are from Public sector, Joint venture and very few are from other sectors .organizations having departmental managers in between 0 to 100 are taken for the study .maximum organizations taken for the study are established in the year 1976 to 2000, few organizations are established in year 2001 to 2014 and very few organizations are established in year 1950 to 1975.It is found that most of the businesses have multi-location and few businesses have Single location. Most of the organizations are from Indian companies, few organizations are Indian MNC and there is only one organization which is Foreign MNC.
- It is found that more number of the departmental managers agree on that managers are subject to strict systematic discipline & control. Managers strongly watched for obeying all the rules .There is a provision for punishments for violating rules and procedures of the organization are severe. Managers in the organization tend to be cold and aloof towards each other.
- It is found that organization are willing to takes chance on good ideas .It is found that organization prefers novel than slow, safe and sure approach.
- It is found that Organization encourages general orientation towards risk taking. It is found that the organization takes pretty big risks occasionally to keep ahead of the competition.

- It is found that there is a feeling of pressure to improve the personal and group performance. Managers seem to take much pride in their performance. It is found that managers are free to set their own performance goal in this organization.
  - It is found that managers agree that convincing to the top management becomes more important under situation of conflicts. It is found that philosophy of the top management emphasizes human factor. It is found that maximum number of the departmental managers believes that happy employees will produce more.
  - It is found that achieving goals or targets set or excelling them is the main concern in the organization and others are disagree .It is found that communication of relevant information is made available to all who need it and want to achieve high performance standards.
  - It is found superiors often seek advice from their subordinates before decisions are made and most of the daily activities have rules and procedures in the organization.
  - The maintenance of organization norms and policies are the main criteria of success.
  - It is found that the job assignment in this organization is clearly defined and logically structured. Rules and regulations are made and executed for handling any kind of problem which may arise in making most of the decisions.
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