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Chief Editor

# VALUE BASED PERFORMANCE MANAGEMENT FOR SUSTAINING ORGANIZATIONAL PERFORMANCE

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## ABSTRACT

*Technology companies Google, Microsoft, Accenture, IBM, Cisco, Infosys, Tata Consultancy Services (TCS) and many more were moving away from Bell Curve model of employee appraisal in recent times. The performance management process is going through the period of transition worldwide. The focus in the performance management process at this point of time is 'Here and Now' with an eye on long term vision of the organization and not just the 'Year End' appraisal. Organizations are adopting newer ways of evaluating the performance of employees. The objectives of the study are: to study how the meaning of 'Performance' is understood by the participants; to analyze the importance of communication in Performance Management; and assess the participants' perceptions and opinions on the New Performance Management Model proposed by Deloitte. (2016). Exploratory and Descriptive research design and qualitative analysis were used for this study. The two insight stimulating cases; (i) the case of how participants understood the meaning of 'overall performance of the class' in a simulation and (ii) the participants' perception and opinion on the new model proposed by Deloitte on performance management were analyzed. The study revealed that students had varied understanding of 'Class performance'. Three students expressed that Delloite Model of performance Management was not new but a traditional one. The researcher presents 'Valued based performance Management Model' and suggests that if organization's value based vision is not integrated into the performance management process of an organization its performance cannot be sustained in the long term.*

**Key words:** Performance Management, Value based vision, Communication, Agreement, Measurement, HRM, Sustainable Development, and Commitment.

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## 1. REVIEW OF LITERATURE

Brumbach (1988) defines performance as follows: 'Performance means both behaviors and results. Behavior's emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results.' Hence, behavior as well as the results finds their place in the concept of performance.

Armstrong and Baron (2012) point out that Performance Planning and Performance Agreement is a joint exploration of what individuals are expected to do. It is more so important that the manager clearly specifies the meaning of performance according to the job description or the role. It may happen that the manager may expect of performance from a team member that is not so relevant for that particular role but of the role above or below to the position otherwise known as setting expectations either on the higher side or lower side of the standards for the role.

Mohrman and Mohrman (1995) state that it is necessary to tie all aspects of managing performance to business objectives. Armstrong and Baron (1995) suggest that in a holistic approach to the management the following aspects of what makes organizations, teams and individuals perform well must be considered: the context of organization, culture, functionality, job design, team work, organization development, purpose and value statements, strategic management and human resource management. Organization needs to create an environment of learning for the employees to enhance knowledge and develop relevant competencies for performance. In an era where there is rapid technological advancement, constant change in the business environment and business models, it is essential to develop learning organizations that supports employee's continuous learning.

The Hawthorne experiment conducted by Elton Mayo and his team in General Electric Company in Chicago between 1924 - 1932 provide us the insight into what influences the performance. The illumination experiment indicated that there were other important factors than working conditions which impacted performance. It was the complex human variable. More interesting findings emerge from Relay -room experiment and Bank -wiring room study. In the relay room experiment the productivity of the girls constantly increased due to the attention, recognition they received from the organization. The group cohesion and friendly supervisor motivated the employees to perform well. On the other hand in the Bank – wiring experiment the productivity didn't go up for the fear of losing the job and for possibility of increasing the targets. These experiments highlight the significance of human factor on performance (Dwivedi, 2011). Assessing such complex human factors' influence on performance of the task is not such an easy task. One needs to have good understanding of organizational behavior and ability to analyze behavior and performance and the link between them.

In the nail biting business competitive environment value often loses its place on the race to achieve the targets or profits. While it may serve short term needs it largely affects organizations performance in the long term. Any organization is created by the people and exists for the people.

The National Institutional Ranking Framework (NIRF) launched by Indian Ministry for Human Resource Development in 2015 ranks the higher educational institutions based on five parameters: Teaching Learning and Resources, Research and Professional Practice, Graduation Outcome, Outreach and Inclusivity and Perception (NIRF, 2018). A college from Trichy submitted data to NIRF for the courses the government supported (student strength of 2086) and did not submit the data for the self-financed courses. The college has total student strength of 9088 (April 28, 2018 Times of India). The principal of college justified that he had

not submitted details of self-financing programme since they were not getting funds for self-financing courses from the government.

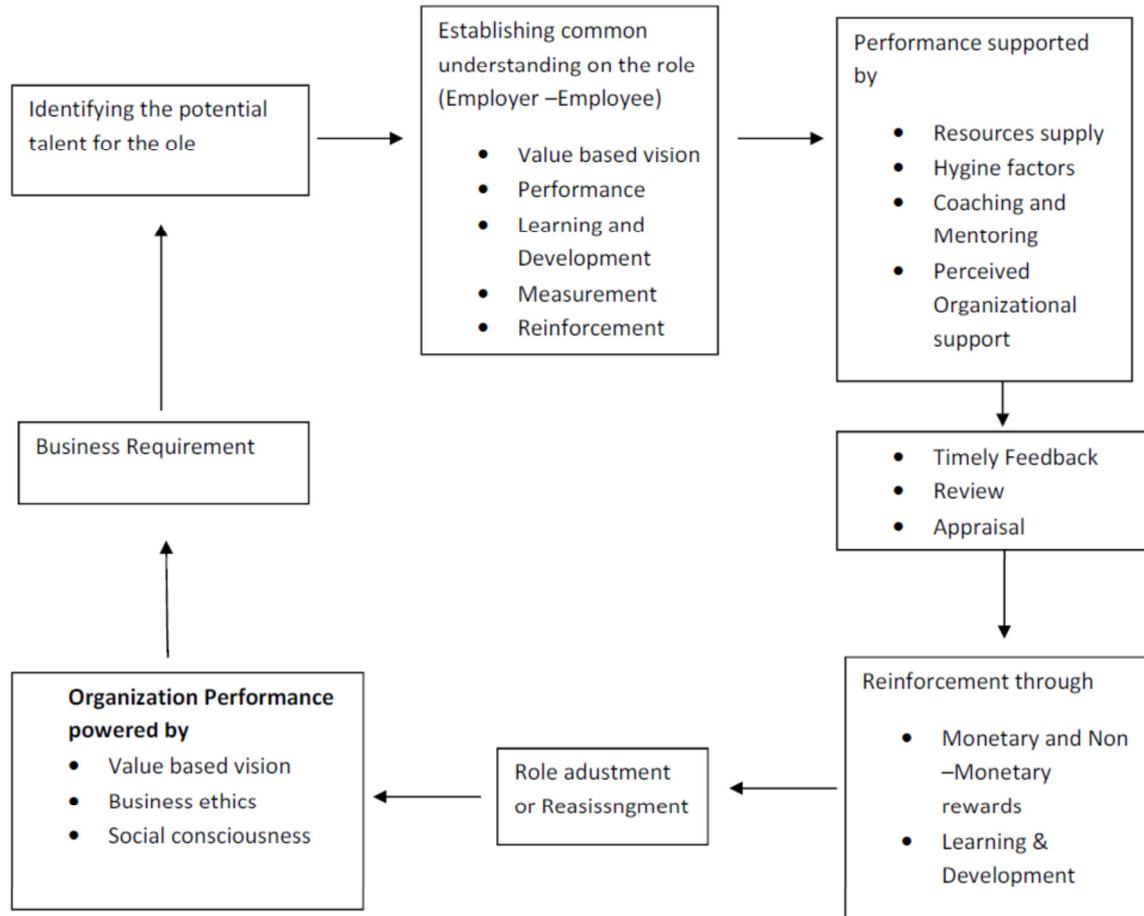
While the intention to regulate universities and colleges are good there is no value alignment between college and the NIRF. The issue raised by the Trichy College is a larger one for the whole country for the self-financed programmes offered by the colleges. How would an assessment for these courses make it effective while they do not receive funds or grants to run courses from the government? The teachers in the self-financed courses are paid low salary. Hence, the whole performance assessment needs to be value aligned, mutually discussed and agreed on vision, performance, measurement and reinforcement.

The people living in the surrounding areas of the Sterlite industry have raised their voices against the industry. Lots of people from the state of Tamilnadu have come in support of the villagers. The reason cited is people living in these areas are prone to diseases due to the pollution created by the industry. The Supreme Court fined Rs.100 crore to the organization for polluting the area (2 April, 2013, The Economic Times). If a business exists for the people how would it allow itself to harm people living where the industry exists. Organization has to relook if its vision is value based and how it could resolve conflicts to sustain its performance.

Some of the industries such as Manufacturing, Education and Textile in India have more contract employees than permanent employees. The employees on contract are paid less compared to permanent employees. The Supreme Court on its verdict on the case filed by the contractual employees of Punjab government seeking equal pay on par with the government employees stated “Any one, who is compelled to work at a lesser wage, does not do so voluntarily. He does so, to provide food and shelter to his family, at the cost of his self-respect and dignity, at the cost of his self-worth, and at the cost of his integrity. For he knows, that his dependents would suffer immensely, if he does not accept the lesser wage,” The Supreme Court said India must follow the equal pay for equal work principle because it was a signatory of International Covenant on Economic, Social and Cultural Rights (27 October, 2016 Hindustan Times).

The recent business cases in India such as Sahara, King Fisher Airlines, Firestar Diamond International Private Ltd (Nirav Modi), Subhiksha were listed in the financial or business scam. When business is done only with profit motive alone without concern for the people organization performance deteriorates faster.

Hence, the researcher has developed the following value based performance management model for sustainable organizational performance. The model below depicts that the organizational performance is powered by Value based vision, Business ethics and Social Consciousness. The environment for example must be used with social consciousness for the business. Social consciousness in business context is that the resources are utilized in a responsible manner for the larger benefit of the society.



**Figure 1** Value based Performance Management Model

## 2. METHODOLOGY

The objectives of the study are: to study how the meaning of ‘Performance’ is understood by the participants; to analyze the importance of communication in Performance Management; and assess the participants’ perceptions and opinions on the New Performance Management Model proposed by Deloitte. (2016). Exploratory and Descriptive research design and qualitative analysis were used for this study. The two insight stimulating cases; (i) the case of how participants understood the meaning of ‘overall performance of the class’ in a simulation and (ii) the participants’ perception and opinion on the new model proposed by Deloitte on performance management were analyzed. Census method was used for this study. Thirty nine final year post graduate students of Human Resource Management who were learning on the subject ‘Performance Management’ were the samples for the study. They were asked to develop the criteria and evaluate the overall performance of their class (as a group) in the college, taking into consideration the nearly two years of time they had spent together in the campus 2014 -2016 (academic year). They were given thirty minutes of time to carry out their written individual assessment. The criteria and their evaluations were analyzed to find out their understanding of the meaning of ‘Overall Class (Group) Performance’.

The same group was given the article of ‘Reinventing the Performance Management’ by Deloitte (2015) and were asked to critically review and comment in writing. The participants were given the articles two days in advance for their reading and understanding of the Deloitte proposed model of Performance Management. On the day of the data collection that

participants were given 45 minutes to write down their perceptions and critical opinions on the new model of performance management by Deloitte. The participants' perceptions and opinions were analyzed using qualitative method of data analysis. One of the major problems in performance management is quantitative vs qualitative analysis of performance. While quantitative is easier as it deals with numbers, the challenge is more with qualitative analysis. One needs to carefully integrate both into the review and appraisal process of performance management. This study also intends to bring out the importance of qualitative analysis in performance management.

### **3. DATA COLLECTION AND ANALYSIS**

Thirty nine final year post graduate Human Resource Management (HR) students of leading Social Science Postgraduate educational institution in South India were the samples of the study. They had been studying together for almost two years and had a fair understanding of each other in the class or as group. They were asked to evaluate their overall group performance as a class in the college. Out of thirty nine participants four had asked for clarifications on criterions. The researcher instructed them to use criterions that they thought were appropriate for evaluations. Each one started evaluating the group overall performance. Each participant had his or her own criteria for evaluation. There were so many criterions the participants had used for the evaluation. Some of them were: performance in examinations, punctuality, timely submission of assignments, participation and performance in college cultural programmes, achievements in sports activities, taking initiative, helping others, team work, commitment, creativity, honesty, hard work, Interpersonal relationship, communication, conflict management, and the list went on.

In yet another study, the same group of participants were asked to critically review (share their perceptions and opinions) the article titled "Assessing Performance: Reinventing Performance Management" by Buckingham, M., and Goodall, A. (2015). The students had commented on various aspects of performance management mentioned in the article such as how lot of time and efforts were spent in the performance review meetings. The important aspect that emerged from the study was three students commented that the proposed new model of employee performance appraisal was not a new method rather traditional method of manager evaluating the employees. If quantitative analysis were used to analyze the participant's perceptions and opinions the critical view and response of these three participants would have been insignificant. The qualitative analysis brings the insights of participants to understand the perception of the participants on the new model of performance management proposed by Deloitte. In the new model proposed, the sole responsibility of Performance management lies with the Team Leader whom the organization considers as the right person to make all decisions. This reflects the struggle that the industries experience in developing a new model of performance management. Even if the team leader as Deloitte suggested was the right person to carry out the performance assessment for the team, it was a very old practice that existed for long time. This only brings out the challenge that lies ahead in developing an effective performance management system that can overcome inbuilt individual bias or subjectivity and integrating quantitative and qualitative measures in objective assement of employee performance.

### **4. DISCUSSION**

Since each one of the participants perceived 'group performance' in difference ways they developed different criterions to evaluate the group performance. It only shows that first of all it wasn't clear to the participants what the meaning of 'group performance' was. All of them attempted to evaluate the overall performance of the group but it was not achieved for the

simple reason that the meaning of performance wasn't defined. Therefore clearly defining the performance is essential in Performance Management.

The study also reveals that the concept of group performance was not clearly explained to the participants. If the concept and the criterion to evaluate the performance were clearly explained to the participants it would have been easier for them to evaluate. On the other hand if the participants had the opportunity to clarify on what is meaning of group performance in this context the objective of evaluating the performance would have been met to certain extent.

The whole sequence above mentioned may be repeated in some of the organizations. The organizations may not clearly communicate to the employees the meaning of performance and what was clearly expected of them. The manager who sits for performance evaluation may develop his own criterion for evaluation of performance as per his understanding of performance. On the other hand the employee may communicate of his performance to the manager as per his own understanding of what is performance. The above whole scenario provides us a picture of how sometimes the performance evaluation is done. Therefore Communication between manager and team member is vital for establishing an understanding on Performance and expectations.

The most important aspects in any performance management are to define Key Performance Area (KPA), Key Result Area (KRA) and Key Performance Indicators (KPI) for each job. It may happen that the manager may expect of performance from a team member that is not so relevant for that particular role but of the role above or below to the position otherwise known as setting expectations either on the higher side or lower side of the standards for the role. This is where again the problem occurs in performance management. Since the performance is not explicitly defined precise to the position it creates a friction in understanding of performance for the manager as well the employee. When such confusion happens it may indicate that there is lack of understanding or knowledge of the positions. A through job analysis needs to be done for developing a clear job description which may enable the manager to communicate to the employee the expected performance for the role.

The meaning of performance may be clear, the manager's expectations may be clear and what happens if the employee does not agree for the managers' expectations. In certain situations it may be considered as positive sign that it gives an opportunity for clear discussion. It is quite important to hire an employee who disagrees with managers expectations initially and clarifies for better understanding taking into consideration his own competencies and skill sets than an employee who blindly agrees to the expectation. Manager and employee sharing the same understanding of the meaning of performance and mutually agreeing on the expectations are very important for the successful process of performance management.

In organizations, where once a year performance appraisal or review is done it may happen that the manager hires the employee and leaves him alone responsible for his performance and gets surprised or shocked at the year-end performance appraisal. Instead of waiting for the year end for the formal appraisal, continuous monitoring and feedback improve performance as well as save the project. The Human Resource Practices: Recruitment, Learning and Development, Compensation Management, Organization Development, Legal Compliances etc. must be aligned to achieve the objectives of the organization.

The differences among managers can come in while looking at performance wholly from the perspective of behaviors or the results. Measuring results are easier. Results are quantified. The number says it all. Managers wouldn't find it difficult to assess the results of the employees. The real problem is with the behaviors. Assessing or measuring the behavioral

performance of the employees and the behavior of the manager who does the performance assessment are the key elements which make the performance management process a successful one or a failure. Managers must be well trained on how to assess the behaviors of the employees and how to behave during the performance reviews. Subjectivity plays a major role in the assessment of employee's behavioral competencies. The employee perceives his own behaviors differently than as actually it is and the manager may observe the behavior of an employee differently than as it actually occurs.

The way to overcome this challenge is to provide ongoing training programme to keep improving the understanding of the employees as well as the managers the human behaviors. In a special way, focus can be intensified in enhancing managers and employees understanding of behaviors that are most relevant for the organizational success.

Organizations sometimes have performance management system for sake of having it. It has no links with individual performance, team performance and organizational performance. The data is just collected and documented as routine process. Such practices dampen the spirit of the employee and reflect the culture of the organization. The organization will suffer in terms of its growth and development. The quality of the product or service will get affected. The end result is the organization becomes sick and it is on the way of exit. Any growing organizations will care for the performance management process and ensure it is genuine and meets the needs of an employee and organization. Organization must commit itself to enhance the performance management process to keep it fit with the time and conditions.

## 5. CONCLUSION

While artificial intelligence, automation process may do the job intelligently and deliver the products of high quality, human beings will always have an upper hand in the organizations. It is their intelligence and value based vision and business for the benefit of the society will drive organization towards sustainable performance and organizational development. The performance management remains crucial to link the human efforts to link with the vision of the organization. As the environment is complex so are the people and the systems. The complexities need to be managed effectively. While technology development assists to enhance any system or process, it is significant to manage the perception, understanding, expectation and on the whole the communication aspect of performance management. The key to establishing successful performance management process is to lay down a strong foundation: defining performance, communicating, clarifying, agreeing and measuring of performance and managing the complexities in the performance management process. The two important aspects of performance: Man and Machine; and their interaction require special attention. Managing this interaction effectively can lead to organizational success. When the basics of performance management aren't followed it can cost the organizations dearly. The clear evidence for this is Volkswagen emission scandal (2015).

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