Chapter – II

REVIEW OF LITERATURE

2.1 Introduction

The previous chapter discussed the aim and scope of the present study from the wider perspectives of performance management, performance analysis, and performance appraisal. Now an attempt is made to analyze the past trends in the area of research in performance management, performance analysis, and performance appraisal both at national and international levels. Many researchers have conducted studies on performance management, performance analysis, and performance appraisal. Hence, there is a need to trace out the above areas of research.

Abha Prasad, Malvina Pollock and Ying Li (2013) analyzed the status of public debt management performance in 17 small states through the findings of the Debt Management Performance. It is observed that empirical evidence indicates that the higher the quality of a country's policies and institutions, the better is its capacity to carry debt and withstand exogenous shocks. Borrowing for productive purposes can be an important element in boosting growth of gross domestic product. Arguments in favor of sound debt management are especially compelling for small states that must mitigate the particular risks to which their economies are exposed. Against this backdrop, the paper identifies aspects of debt management where small states do relatively well and those where they perform poorly, relative to other developing countries, and examines the underlying factors at play.
David Mayston (2012) examined several outstanding issues on the interface between the measurement of performance in primary and secondary education and the management of improved performance in this nationally important sector. These issues relate to the clarification of the objectives of the education system, the impact of performance reward systems, such as performance related pay, the role of resources in influencing educational outcomes, the reliability of existing methods of assessing educational performance, such as Data Envelopment Analysis and multivariate regression, and the need for an improved national comparative database.

Anca Mehedintu, Cerasela Pîrvu, and Cristian Pîrvu (2012) argued that performance management includes activities that ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, employee, or even the processes to build a product or service, as well as many other areas. Strategic Management determines the improvement of processes, effective use of resources, focus on critical areas in terms of finance, creating opportunities for innovation and technological progress, improvement of the supply mechanism and the duty to promote personal interaction and negotiation at all levels, continuous assessment of organization and its technological trends, analyze the market potential and competence field, etc.

Satia (2012) reviewed experiences in selected developing countries and addressed the following three questions: What has been the contribution of the quality of management to performance of the population programmes? What type of management improvement assistance has been attempted during the seventies and with what results? What has been the role of management assistance efforts by agencies/organizations
external to the program in bringing about such improvements? The review suggests that management at clinic levels seems to affect their performance; however, at higher levels the efforts of policies, leadership, resource allocation and environment raise many definitional measurement and methodological issues in assessing contribution of quality of management to performance.

Scottye J. Cash, et al. (2012)\(^5\) analysed the two primary components of the performance management system viz. balanced scorecards and dashboards. The goal is to provide an overview of the process, to describe how a performance management system was developed and the rationale behind it, and to provide examples of how the process was implemented at a national and site level. The authors provided an overview of performance management systems and an example of how performance management tools can be applied to child welfare agencies. These tools can assist in planning and quality improvement and can be used to support the ongoing development of an empirical base for service programs.

Wenbin, et al. (2012)\(^6\) reported that the approach taken to develop the PM system was based around Soft Systems Methodology, a well established systems-based approach to problem solving and organizational design. The methodology progressed from the development of key strategic objectives through a structured decomposition of necessary organizational activities, the construction of key performance indicators, the specification of targets, to communication and future planning. It involved significant levels of participation and communication throughout the organization. The results were judged by senior management to have been very successful, and the company has grown significantly.
Deborah Ann Blackman, et al. (2012)⁷ provide a new conceptualisation of high performance government for the public sector. Despite the concerted focus on performance management in both the public and private sectors, the performance puzzle remains. In part, the authors argue that this is because of a failure to recognise the complex interactions across the micro, meso, and macro levels of performance management that characterise such systems in the public sector. The authors considered the current attention on system-wide 'high performance government', reviewed the existing literature on high performance organisations, and high performance individuals and groups, and then posited a further, and to date missing, level of analysis - high performance governance.

Imen M’hamid and Rym Hachana (2012)⁸ have two objectives. First, it seeks to understand the impact of gender diversity in top management on performance. Secondly, it analyzes the relationship between the disclosure of feminine values in top management and performance. The authors conducted unstructured interviews and administered a questionnaire to conduct an exploratory analysis of 189 unlisted Tunisian companies. The results suggest that gender diversity is a creator of wealth; it is essential to uphold the values for women in top management to propel the performance of Tunisian firms.

Pr Zehra Roofi Budhwani and Amanat Ali Jalbani (2012)⁹ evaluated the efficacy of current performance appraisal systems and then identified the significance and implications of the introduction of 360 degree feedback as a form of appraisal and its impact on the productivity of employees in Pakistan’s Banking Sector. For this purpose, qualitative research was conducted through questionnaires. The findings of the survey revealed that ranking method and management by objectives are the two most commonly
used appraisal systems in the industry, but a strong preference has been observed for implementation of the 360 degree feedback system.

**Ioana Florentina Savu, et al. (2012)**\(^{10}\) reported that the overall aim of the performance management policy is to establish a high performance culture among Romanian bank employees in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills. Specifically, performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities. The main objective is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. Performance management is concerned with ensuring that the support and guidance people need to develop and improve are readily available.

**Khasro Miah and Chowdhury Golam Hossan (2012)**\(^{11}\) investigated the impact of employee performance management system on business process improvement. This case study reviews the employee performance management system of the retail industry in the UK market through in-depth interview conducted from both managerial and non-managerial employees of the retail shops. The findings show that the case study organization is very powerful in employee performance management, as they are concerned for booty poor and high performer with corrective action and reward respectively.
Robert Cardy and Mark Suazo (2012)\textsuperscript{12} reported that performance is of focal and critical interest in organizations. The authors examine the issue of the breadth of performance in terms of measuring and managing performance. Overall, a contingency approach is taken in which the expected benefits and preference for broad or narrow performance measures depend on the type of job.

Annalisa Cristini, Tor Eriksson and Dario Pozzoli (2011)\textsuperscript{13} reported that high-performance work practices are frequently considered to have positive effects on corporate performance. The authors investigated whether high-involvement work practices are associated with higher wages, changes in wage inequality and workforce composition, using data from a survey directed at Danish private sector rms matched with linked employer-employee data. They also examined whether the relationship between high-involvement work practices and employee outcomes is acted by the industrial relations context.

George Cristian Schin, Racovita Margareta & Viorel Susanu (2011)\textsuperscript{14} concentrate on the analysis of the results of a research performed in performance management domain applied within notary offices from Romania. The results of the most relevant sections of the research the level of understanding and knowledge of Balanced Scorecard concept by notaries’ public from Romania, main arguments for notaries’ public from Romania that desire to implement Balanced Scorecards within notary offices, as well as the success factors that facilitate implementing and using Balanced Scorecard concept within notary offices, involved both a graphical representation, as well as an interpretation from the point of view of integrating the notary services in the problematic of public services management.
Pauline Stanton and Alan Nankervis (2011)\textsuperscript{15} focused on the links between strategic HRM, performance management systems and organizational effectiveness, and even fewer have examined these relationships in Southeast Asia. The authors addressed this gap in the literature by examining the perceptions of a split sample of senior managers in Singapore. It reveals an interesting gap between their rhetoric and the realities of their performance management systems, and suggests future research directions.

Anatoliy G. Goncharuk (2011)\textsuperscript{16} described a model of implementation of performance benchmarking on the enterprise includes the sequence of operations, which enables to connect together several key management functions, and clearly divide the performance management process into several steps. It provides both direct and feedback to ensure continuity of performance management process. The author proposes an organizational mechanism to reduce the time and resources to implement the process of enterprise performance management that consists in an organization of the branch and regional benchmarking agencies.

Florentina Simona Făurescu and Oana Adriana Du?ă (2011)\textsuperscript{17} evaluated the economic and financial performance of a company. The evaluation of management performance requires a complex comparative and evolitional analysis of a company’s financial development. The study aims at outlining the importance of the analysis of income statements and cash flows in the evaluation of management performance.

Florin Enache (2011)\textsuperscript{18} argued the need for the correlation between an employee and their organization in understanding human resource planning, employee performance
evaluation, and career plans. Harmonization is needed in the key stages of their careers in order to improve employee and organizational needs in an effective manner. In an organization, employees do not merely work for it, they are the organization, and correctly evaluating the employees’ performance influences the organization’s objectives and stability, no less than organizational culture.

Radu Camenita and Costin Damasaru (2011)\(^9\) show an elaborated management system that helps law enforcement managers to improve performance through an ongoing process of establishing desired outcomes, building performance standards, then collecting, analyzing and reporting on streams of data to improve individual and collective performance. The paper presents a literature review, which identifies that the bureaucratic model of policing may no longer be functional for policing post-modern society and inconsistent with modern governance principles. A more democratic heteronomous model of leading law enforcement agencies, where management determines the broad philosophical principles and co-ordination of tasks while the practitioner makes localized decisions, may improve organizational effectiveness.

Zhaoquan Jian, et al. (2011)\(^20\) examined the link between abusive supervision and frontline employees' service performance by focusing on the mediating role of organization-based self-esteem (OBSE) and the moderating role of relational-interdependent self-construal (RISC). The results of analysing 324 supervisor-subordinate dyads in five large hotels in China revealed a negative relationship between abusive supervision and service performance via OBSE. In addition, RISC moderates the mediating effect of OBSE on the abusive supervision--service performance relationship.
such that the mediating effect is stronger when RISC is high rather than low. Theoretical and managerial implications of these findings are discussed.

**Ramesh and Naidu Munirathinam (2011)**\(^{21}\) state that ergonomics is concerned with designing jobs by integrating socio-technical factors of the job and characteristics of job holder. It is the science of balancing between employees and the work they do. It provides a safer and comfortable workplace solution for increased efficiency and enhanced productivity. The principles of ergonomics are used to improve man-machine system so that an employee can perform the job effectively.

**Colin Hawes and Eng Chew (2011)**\(^{22}\) traced the origins of the policy to the outstanding performance of a small number of Chinese firms since the late 1980s, a phenomenon attributed by the CEOs of these firms to effective implementation of cultural values change among their workforces. The authors gave detailed accounts of two such firms, Haier Group and Huawei Technologies, demonstrating how they have utilized cultural management techniques to improve their employees' performance. They also identified some negative aspects of their approach to cultural management that may impede these firms in their efforts to become truly international corporations.

**Alberto Bayo-Moriones, Jose Enrique Galdon-Sanchez, and Sara Martinez-de-Morentin (2011)**\(^{23}\) carried out an analysis using a sample of Spanish manufacturing plants. Their results show that the structural characteristics of the establishment such as its size or foreign ownership, as well as the wage setting arrangements and trade unions, play a role in explaining the importance of the factors mentioned in shaping wage adjustments. The human resource management policies adopted by the employer seem to
be less relevant, although the qualification of workers and the use of pay for performance have a significant impact on the process of wage adjustment.

**Blossom Yen-Ju Lin, et al. (2011)**

aimed to explore how the behavior of a hospital-based emergency department's (ED's) leader might be related to ED unit performance and ED employees' work satisfaction. One hundred and twelve hospital-based EDs in Taiwan were studied: 10 in medical centers, 32 in regional hospitals and 70 in district hospitals. Three instruments were designed to assess leader behaviors, unit performance and employee satisfaction in these hospital-based EDs. A mail survey revealed that task-oriented leader behavior was positively related to ED unit performance.

**Anna M. Cianci and Steven E. Kaplan (2010)**

conducted two experiments in which MBA students make judgments about a company's future performance and management's reputation after the company reports poor financial results. Generally, the results indicate that management's explanations influence investors' judgments of the company's future performance and that judgment about management were jointly influenced by both manipulated factors. Specifically, the results indicate that a pre-existing favorable management reputation is an enduring trait that is not damaged even when management offers an implausible explanation.

**Waal de A.A. and Leo Kerklaan (2010)**

described a framework that they developed at the request of the Dutch Ministry of Transport, Public Works, and Water Management, to establish whether or not two of its service providers--Dutch Railways and ProRail--were ready to be managed at arm's length. The framework's application will be illustrated by a description of a successful review at the two service providers. The
results of this test give us confidence that the performance management readiness review framework can be used for efficiently evaluating governmental service providers.

Chi-Fan Lin (2010)\textsuperscript{27} suggests that customer satisfaction can be classified into factors so that managers can make better decisions about how resources should be allocated to improve customer satisfaction. The aim of this research is to develop a typology of customer satisfaction as well as enhance traditional importance-performance analysis, and to discuss the implications that the suggested typology has on the management of customer satisfaction within service industries.

Marius Dan V. Dalotă and Laura Tănăsoaica (2010)\textsuperscript{28} focused on the implementation issues associated with the innovation of enterprise resource planning to achieve innovative large-scale change in organisations. If innovation and learning become part of a firm's leading performance indicators, this is sure to have implications for performance management.

Paulino Silva and Aldónio Ferreira (2010)\textsuperscript{29} examined performance management practices in public PHSs. Three case studies of PHSs organisations were conducted resulting in interview material and archival data. Otley's performance management framework was used to examine the data. It is found that the performance management systems of the studied PHSs were disjointed and lacked consistency and coherence. The study highlights the implications of the poor design and use of performance management systems and highlights areas for improvement in the organizations.
John P. Burns and Zhou Zhiren (2010) examined how the Chinese government came to endorse the concept of performance management. The authors discussed China’s experience with performance management in various sectors, including organisational restructuring and human resource management in the civil service, performance and results management and the “objective responsibility system”, and the attempts to improve accountability and performance in the delivery of public services.

Decramer, Christiaens and Vanderstraeten (2010) discussed the issue of performance management in a higher education context, with particular attention to the extent to which employee performance management systems have been implemented, the antecedents that explain the approach taken; and the consequences of the emergent approach. This study finds that the nature of the PM system is created and formed by the internal as well as the external environment and that non-rational behaviour sometimes occurs because of the institutional environment. Among other findings, the paper illustrates the lack of integration between the performance management practices. The authors concluded that multiple implementation rationales of performance management practices affect the building of a performance management system. Practical Implications: This study represents an exploratory case study that is intended to explore reasons for implementing performance management practices.

Maja Vidović (2010) investigated the link between the quality of knowledge management and financial performance of an organization, using the data from the research conducted in Croatia. The theoretical part of the paper presents the literature review on research concerning the link between knowledge management and financial performance. The empirical part of the paper investigates the before mentioned link using
the quality of knowledge management success factors as a measure of knowledge management. Based on performed correlation tests, this research confirms that there is a link between knowledge management and financial performance.

**Alexis Anne McGuffin and Esther Obonyo (2010)** reported the contemporary practice of coaching in the business world entails engaging accredited professionals to enhance the performance of employees. A key problem impeding the widespread adoption of coaching is the lack of empirical research supporting the effectiveness of implemented programmes and the returns on investment. The benefits of coaching are assessed from the perspective of employees. Data were collected through a case study of an employee coaching programme within a large, multinational construction company. The programme significantly enhanced the employees' personal and professional growth and development. It also increased their motivation levels and loyalty to the company.

**Joop Vinke and Loredana Orhei (2010)** reported that the instruments and tools to practice HRM in organizations are often used at an operational level contributing to the strategic goals. In this way the contribution does not touch upon strategic decisions, but is integrated in a part of strategic planning. It is the true belief of the authors that the role of the human dimension and its contribution to organizations is an important and underestimated factor in training, education and scientific research in HRM. Focusing upon the added value of the human dimension to strategic decisions in business is a new and slippery road; it is, as the other developed study programmes at a University in the Netherlands have already shown, a road that deserves more attention.
Gary Charness, et al. (2010)\textsuperscript{35} analyzed the effect of delegation on the employees’ performance in an experimental gift exchange game where employers may allow workers to choose their own wage. The study results show that workers reciprocate positively towards companies that delegate the decision of the wage, obtaining that higher effort levels are displayed when workers are free to choose their wage, even when wages chosen by employees are similar to those assigned by employers. In addition, the authors found that this enhancement in workers’ behavior is mainly due to the positive effect of delegation per se rather than to the “responsibility-alleviation”.

Livia Ilie and Adrian Ilie (2009)\textsuperscript{36} addressed the issue of human resources development, especially of education and training of people in an industry that heavily depends on the performance of its employees in dealing directly with the customer.

Manish Mittal and Aruna Dhade (2009)\textsuperscript{37} reported that lack of knowledge among employees regarding banking performance indicators affects banks negatively as these are the basis for any banking action. The authors found out the awareness level, as well as the perception among bank employees about CAMEL rating, and the efforts made by them for improving the ratings of their banks. The results show that there is, comparatively, a higher degree of lack of awareness among executives of private sector banks, and hence, they do not perceive it positively. Foreign banks enjoy a high degree of awareness and positive perception among their employees.

Velmurugan, Senthamil Raja and Palanichamy (2009)\textsuperscript{38} attempt to study the effectiveness of training and development programme taking the Chennai Petroleum Corporation Limited, Chennai as sample. The perceptions of the employees’ performance
before the training programmes and after the training programmes were measured. Apart from it, whether the company was really interested in providing training programmes to the employee’s equip the trainers with latest technologies was also measured. The results depicted that due importance was given to the training and also the employees said that the trainers were well equipped. The majority of the employees suggested that the training programmes helped them to do the job in a better way. Thus, it had been concluded that the programmes increased the level of satisfaction of the employees in discharging their duties, even though a small section of the employees differing with the majority.

Subhash C. Kundu and Divya Malhan (2009)\(^3\) observed that competitive advantage of a company can be generated from human resources (HR) and company performance is influenced by a set of effective HRM practices. Primary data based on 218 respondents from four insurance companies were analyzed to assess HR practices being practiced by insurance companies in India. Six factors from factor analysis were further analyzed. ‘Training and benefits’ was found highly in practice in the insurance companies. Further, ‘performance appraisal,’ ‘selection and socialization of employees,’ and ‘HR planning and recruitment’ were moderately practised in insurance companies. ‘Workforce diversity and contemporary HR practices’ and ‘competitive compensation’ were also practised to some extent. ANOVA results showed that Indian companies did not practise workforce diversity. Compensation practices were found more competitive or performance based in Multinational insurance companies than in Indian ones.

Mohmad Mohd-Derus, Othman Mohd-Yunus & Mohd Hafiz Saberi (2009)\(^4\) discussed the need to explore competencies of exceptional Quantity surveyors and in the
process suggests the means to identify those competencies. It is also argued that undertaking this heavy task cannot be accomplished without the participation of experienced public Quantity surveyors. The importance of competencies model for Quantity surveyors is also discussed in relation to human capital development which includes promotion, training, and recruitment of young Quantity surveyors to serve the public.

Wan-Yu Yeh, Yawen Cheng and Chiou-Jung Chen (2009) examined the distribution of variable pay systems across socio-demographic categories and employment sectors. The authors examined the association of pay systems with psychosocial job characteristics and self-reported burnout status. A total of 8906 men and 6382 women aged 25-65 years were studied. Among the three pay systems, employees earning through a performance-based pay were found to have the longest working hours, highest level of job control, and highest percentage of workers who perceived high stress at work. Those remunerated through a piece-rated/time-based pay were found to have the lowest job control, shortest working hours, highest job insecurity, lowest potential for career growth, and lowest job satisfaction. The results of multivariate regression analyses showed that employees earning through performance-based and piece-rated pay systems showed higher scores for personal burnout and work-related burnout, as compared to those who were given fixed salaries, after adjusting for age, education, marital status, employment grade, job characteristics, and family care workloads. As variable pay systems have gained in popularity, findings from this study call for more attention on the tradeoff between the widely discussed management advantages of such pay systems and the health burden they place on employees.
Natalie J Webb and Philip J Candreva (2009)\textsuperscript{12} presented here a case study of an organization within the U.S. Navy that created a new organizational construct and performance management system. The authors explored the issues faced by naval leaders as they attempted to use their performance information to make resource allocation decisions at the sub-organization level, and base budgets at the organization and service. They attempted to diagnose many of the practical problems a government organization encounters when implementing a performance management system, to include trying to inform budgets, and make recommendations on actions that would improve the strength of the performance system. The authors found in the organization a good conceptual framework, organizational enthusiasm, and reasonable attempts to link disparate information systems into a coherent whole. The good intentions are hindered, however, by inadequate accounting systems, a lack of understanding of cost accounting methods, weak use of terminology and longstanding institutional attitudes.

Jingfeng Yuan, et al. (2009)\textsuperscript{13} selected the 15 performance objectives. The relative significance and difference of performance objectives for different stakeholders are presented based on a structured questionnaire survey. The survey results show that all identified objectives are important. In spite of stakeholders' common opinions on the objectives of quality, costs, time and the services provided by PPPs, there are evident differences in the objectives of budget constraints of the public sector, risks, revenue and guarantees.

Enrico and Dahlgaard (2009)\textsuperscript{14} studied the effect of management factors on enterprise performance. The relationships between management factors and enterprise
performance are formalized by a Simultaneous Equation Model based on the generalized maximum entropy estimation method.

**Ionela Carmen Rizea and Denisa Elena Parpandel (2009)** reported that the current world affairs, competitive strength of the firm result from creation or identification of a management system suitable for carrying out raised performance. By design, formation and manifestation, performance management is constituted like an essential set and completely theoretic, put in service directly solving the problems encountered in complex fight for conquest and customers development. Nowadays the knowledge of management performance has become indispensable in running any business.

**Ercan Oztemel and Ovul Arioglu Salmona (2009)** presented a general framework for agent-based performance management in local governments. The importance of performance management and the capability of computing technologies to support are introduced. After providing the rationale for automated performance assessment systems, the proposed framework is outlined. A performance assessment model is also proposed. This model is particularly designed to measure the performance of the services carried out by a local government, taking its capabilities, available resources, urban priorities and needs into account. The structure of the agents is explained and the possible implementation issues are addressed.

**Dash Bidya (2009)** reported that performance management through recession metrics implemented is indeed a must. Employee morale is one thing that is hard to maintain in any company during this extremely trying and frustrating period.
Communication should definitely be one of the focus points of the recession metrics. Open communication should be administered because without this, the informal grapevine would then be the ultimate source of havoc in the company. Anxiety levels would be raised and the employees themselves would feel detached and angry because they are not being told everything that has been going on under their noses. The restructuring of the organization should also be included in the metric set. Downsizing is inevitable; so there will certainly be a lot of people that the company would have to let go. More importantly, the employees left behind are the ones who need to do more work with fewer resources so they might need to work longer hours and shorter days – to maximize time and cut costs.

Natalie J Webb and Philip J Candreva (2009) presented here a case study of an organization within the U.S. Navy that created a new organizational construct and performance management system. The authors explored the issues faced by naval leaders as they attempt to use their performance information to make resource allocation decisions at the sub-organization level, and base budgets at the organization and service. They attempted to diagnose many of the practical problems a government organization encounters when implementing a performance management system, to include trying to inform budgets, and make recommendations on actions that would improve the strength of the performance system. The authors found in the organization a good conceptual framework, organizational enthusiasm, and reasonable attempts to link disparate information systems into a coherent whole. The good intentions are hindered, however, by inadequate accounting systems, a lack of understanding of cost accounting methods, weak use of terminology and longstanding institutional attitudes.
Aapo Länsiluoto and Marko Järvenpää (2008) analyzed the forces that prompted a Finnish food manufacturing company to implement environmental management system and performance management system. The paper also aims to describe how and why environmental issues were integrated onto a balanced scorecard. The paper utilizes both qualitative and longitudinal case study approaches. Semi-structured interviews are the main source of empirical data; these were conducted by both researchers. The forces driving the implementation of the EMS changed from external to internal forces over time. The initial purpose of EMS implementation was to obtain an environmental certificate. Later on the forces turned to internal ones when the causal link between improving environmental performance and profitability was recognized.

Frank H.M. Verbeeten (2008) investigated whether performance management practices affect performance in public sector organizations. Theoretically, the research project is based on economic as well as behavioral theories. The research shows that the definition of clear and measurable goals is positively associated with quantity performance as well as quality performance. In addition, the use of incentives is positively associated with quantity performance yet not related to quality performance. Finally, the effects of performance management practices in public sector organizations are affected by institutional factors. The results suggest that the behavioral effects of performance management practices are as important as the economic effects in public sector organizations.

Madela Maria Abrudan and Dorin Coita (2008) viewed that performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole
work system that begins when a job is defined as needed and it ends when an employee leaves your organization. Within such a system, feedback to each staff member occurs regularly. Individual performance objectives are measurable and based on prioritized goals that support the accomplishment of the overall goals of the total organization.

**Christian Grund and Niels Westergaard-Nielsen** (2008) argued that for purposes of comparing wage dispersion's positive incentive effects with its adverse morale effects, the dispersion of wage increases is more revealing than the dispersion of wage levels. It is reasonable to expect greater dispersion of wage increases to be associated with higher monetary incentives, but also with increased perceptions of unfairness. The authors' analysis of linked employer-employee data from Denmark for the years 1992-97 shows that the dispersion of wage growth within firms generally had a negative association with firm performance. The results are mainly driven by white-collar rather than blue-collar workers, perhaps because blue-collar wages are typically regulated by contracts and union rules that explicitly take account of fairness and equity.

**Marcos Singer, Patricio Carlos Donoso, and Carlos Rodriguez-Sickert** (2008) proposed a static model to describe how employees make the decision of whether to cooperate or not, which considers material rewards and social preferences. Given the deep uncertainty involved, the authors conjecture that workers apply the Arrow-Hurwicz criterion, which considers a combination of the best- and the worst-case scenarios.

**Mamiko Takeuchi and Hisakazu Matsushige** (2008) analyzed the processes and the influence that family-friendly policies exert on the promotion of women
employees and corporate performance through women’s activities. In particular, Structural Equation Modeling is used to clarify complex causality between the promotion of women employees and personnel policies. The results of the analysis indicate that even if complex relations between the variables are taken into account, productive improvements due to family-friendly policies are not observed. Although family-friendly policies do not have a direct effect on the promotions or wages of women, they have an indirect effect on women’s promotions and wage increases through the length of their tenure.

Hervé Mathe (2008) reported that organizational structures certainly are of great importance in order to determine employees’ behaviour and performance. On the other hand, physical structures also significantly influence the way staff and customers view any company and interact with it. In service based activity, such as in retailing, banking, hospitality, and so, firms and institutions are competing thanks to innovations in products/services, delivery processes, and management styles. Innovative approaches may also materialize into the design of facilities. Service providers are in a position to significantly improve convenience, productivity, and attractiveness by designing space and defining appropriate layout carefully. This pattern also has to include identification of the meanings, characterization of size and qualification of the process by which any service facility delivers messages.

Carolyn Stringer (2007) reviewed 120 field studies published in Accounting, Organizations and Society and Management Accounting Research over the past 15 years. Design/methodology/approach – The Otley’s performance management framework is used to classify the field studies in terms of five central issues that relate to objectives,
strategies, target setting, reward systems, and information flows. The key findings are that only nine field studies examine the integrated performance management framework in any depth, and the research to date is fragmentary with regard to, for example, the performance management issues studied and theories used.

Chaur-Shiuh Young, Liu-Ching Tsai and Hung-Wen Lee (2007) examined whether an intellectual capital (IC)-oriented corporate performance management (CPM) system drives corporate performance through supporting the development and accumulation of intellectual capital. Data were collected from 211 firms in Taiwan and analysed using a structural equation model analysis. The authors documented that greater adoption of an IC-oriented CPM system is significantly associated with higher IC levels. In addition, greater adoption of an IC-oriented CPM system has a significant and positive indirect effect on corporate performance through its association with IC levels. The results highlight the importance and benefits of adopting an IC-oriented CPM system. This study extends existing research on the association between IC and corporate performance by explicitly identifying IC-oriented CPM systems as a contributing factor to corporate IC developments.

Koen Dewettinck (2007) suggested that PM system purpose relates to industry characteristics but also to PM system’s effectiveness in terms of (1) increasing performance and (2) fostering employee development and motivation. Analyses based on data from 319 Belgian organisations reveal that organisations operating in more competitive markets tend to have a PM system with a stronger performance oriented purpose, at the expense of a stronger development oriented purpose. Relating PM system purpose to PM system effectiveness, the study indicates that PM systems with a stronger
development oriented purpose are more effective in fostering employee development and motivation. In contrast, the strength of a PM system’s performance oriented purpose did not relate to higher effectiveness in terms of increasing performance at various levels.

Iain Cameron and Roy Duff (2007)59 addressed two problems: validly and reliably measuring the safety performance of construction managers; and motivating managers to improve their safety performance. A measure of management safety performance was developed, covering seven items: induction training; toolbox talk training; safety committees; subcontractor safety; maintenance of safety records; safety manager actions and safety consideration. This was used on a case study site to improve motivation of the management team. During an intervention, using monthly feedback and goal-setting techniques, their performance improved from 49% to 82% of maximum expected performance. The results demonstrate that a valid and reliable measure of management safety performance is practicable and support the proposition that goal setting can improve management safety performance in the construction industry.

Alka Chadha, Ali Mehdi and Garima Malik (2007)60 examined the empirical evidence on the relationship between preventive health care and labour productivity and corporate profitability. The primary research undertaken for this study included an electronic survey of some of the most well-established companies in the country, as well as a field-cum-electronic survey with a sample of employees in Delhi and the National Capital Region. Preventive health care holds enormous promise for the competitiveness of Indian companies and for the country's economy in the global arena. In a highly competitive corporate environment, companies cannot afford the absence of their employees due to sickness, caused by a sedentary lifestyle, etc., or a poor performance at
the workplace due to poor health. Both as part of their corporate social responsibility and to boost their profits, a number of firms are offering preventive health care facilities to their employees. And it is on their performance, productivity and profitability that India's growth potential and global competitiveness depends substantially.

Nina Pološki Vokić and Ana Bogdanić (2007)\textsuperscript{61} reported the greatest level of stress perceive respondents who have three or more children, who are more than 50 year old, and those employed in marketing, at middle levels or in procurement, while the lowest level of stress perceive employees younger than 30 years of age, those employed in HR, finances and production, and parents of one child. Concerning the relationship between individual differences and levels of stress experienced, although the cross-sectional design of the study does not allow for causal interpretation of relationships found, findings suggest that there is a connection between age, marital status, parenthood, number of children and hierarchical level, and the way stress is perceived, while gender, department and working hours are not connected to it. The research integrated a broader set of antecedent variables which enable a better understanding of the demographic and work factors that lead to occupational stress.

Jordi Brandts, Arthur Jan Hendricus Christoffel Schram and Klarita Gërxhani (2007)\textsuperscript{62} analyzed experimentally how the existence of social information networks affects the ways in which firms recruit new personnel. Through such networks firms learn about prospective employees' performance in previous jobs. Assuming individualistic preferences social networks are predicted not to affect overall labor market behavior, while with social preferences the prediction is that when bilaterally negotiated: i) wages will be higher and ii) that workers in jobs with incomplete contracts will respond
with higher effort. The experimental results are consistent with the social preferences view, both for the case of excess demand and excess supply of labor.

**Tor Eriksson** and **Jaime Ortega** (2007)\(^6\) examined the effect on the employees’ out-of-work activities, testing whether performance pay contracts lead to a “time squeeze” for non-work activities. In doing so, we distinguish between two effects, a substitution effect and a discretion effect. On the one hand, since the marginal payoff to work is higher under a performance pay contract, employees will work more and spend less time on private activities.

**David W. Marsden** (2006)\(^6\) focused especially on the non-codified elements of employees' work, such as those commonly the subject of 'psychological contracts', and considered the role of individual employee voice in the process of adaptation, and how it related to more familiar forms of collective employee voice. It is argued that the process can be analysed as a form of integrative bargaining, and applies the framework from Walton and McKersie. Employee voice enters into this process by virtue of consideration of the respective goals and preferences of both parties. The element of employee voice may be very weak when new work goals and priorities are imposed unilaterally by management, and they may be strong when full consideration is given to the changing needs of both parties. Two examples from work on performance management in the public services are used to illustrate these processes. The authors conclude with a discussion of the ways in which collective employee voice may help to reinforce individual level integrative negotiation. The article seeks to contribute to the recent work on why employers choose employee voice mechanisms by broadening the range of
policies that should be taken into account, and in particular looking at the potential of performance management

Richard Belfield and David W. Marsden (2006)\textsuperscript{65} reported the results of a panel survey of classroom and head teachers which started in 2000 just before implementation of the new system, and then after one and after four years of operation. The authors found that both classroom and head teacher views changed considerably over time, from initial general skepticism and opposition towards a more positive view, especially among head teachers by 2004. They argued that the adoption of an integrative bargaining approach to performance reviews explains why a growing minority of schools have achieved improved goal setting, and improved pupil attainments as they have implemented performance management. Pay for performance has been one of the measures of organizational support that head teachers could bring to induce changes in teachers' classroom priorities.

Ansgar Richter and Sascha Leonard Schmidt (2006)\textsuperscript{66} analyzed the importance of both the level and the type of two critical dimensions of human capital for the performance of management consultants, namely education and experience. The authors used both qualitative and quantitative data on client ratings of the performance of 50 senior management consultants engaged in 100 consulting projects. The empirical findings suggest that both the level and the type of education and experience are important for performance. In particular, experience within the consulting industry positively affects the performance of management consultants, but there are curvilinear effects on performance ratings of experience in occupations other than consulting.
Jordi Brandts and Carles Solà (2006) studied how personal relations affect performance in organizations. In the experimental game the authors use a manager has to assign different degrees of decision power to two employees. These two employees then have to make distributive decisions which affect themselves and the manager. The focus is on the effects on managers' assignment of decision power and on employees' distributive decisions of one of the employees and the manager knowing each other personally. The evidence shows that managers tend to favor employees that they personally know and that these employees tend, more than other employees, to favor the manager in their distributive decisions.

Osman M Karatepe (2006) suggests that the significant consequences of service recovery performance are job satisfaction and intention to leave. The results of the other hypothesised linkages demonstrate that intrinsic motivation, emotional exhaustion, and role ambiguity are significantly associated with frontline employees' job satisfaction. In addition, the current empirical findings provide support for the notion that role ambiguity and emotional exhaustion are significant predictors of intention to leave. Limitations of the study, managerial implications, and implications for future research are discussed.

Jack Diamond (2005) argues that to develop a comprehensive performance measurement system requires resolving a number of issues involved in clearly defining how to measure "performance" as well as overcoming a number of technical issues in the design and use of measures of that "performance." However, perhaps the most critical step is introducing a system whereby performance information can influence resource allocation decisions, i.e., establishing a performance management system. Based on
international experience, this paper reviews each of these hurdles in moving toward a performance management framework.

**Klaus P. Fischer and Nabil Khoury** (2005)\(^7\) provide new evidence about the impact of ethical ratings published in Canada on the risk-adjusted returns of the securities concerned, within the framework of a multi-factor Capital Asset Pricing Model, and give an interpretation of the results from the perspective of portfolio composition and of corporate governance.

**Bo Enquist, Mikael Johnson and Carolina Camén** (2005)\(^7\) focused on contractual governance as a part of performance management for a stakeholder network in a specific, government-controlled context: Public Transport. In order to contribute to more dynamic and sustainable public service, a more process-oriented approach to contractual governance is necessary. Public Transportation in Sweden has undergone an initial wave of development, the production paradigm, and is now undergoing what is more a second wave of service, the service paradigm. A third wave of development is approaching: sustainability. The authors argue that contractual governance creates a more dynamic contractual relationship as a key element of performance management leading to more sustainable public service. They also argued that a proactive approach during the mission will positively affect all the stakeholders involved.

**Anni Heikkilä and Hannu Piekkola** (2005)\(^7\) described divergences in employers' and employees' opinions on the proper share of local bargaining in contract wage gains in Finland. Employers want the locally bargained wage share to be approximately half of the total wage rise, while the majority of employees would prefer
this share to be in the region of 1-24 per cent. Employers in firms that are large, foreign owned or operate in the financial services industry desire the largest locally bargained share of contract wages. Employees in large firms, on the other hand, resist local bargaining. When the firm uses performance-related pay, employees would prefer a large role for local bargaining in contract wage gains.

Stephen L. Mehay and William R. Bowman (2005) used unique data set that contains job-performance measures for employees of a large, hierarchical organization. The quasi-longitudinal data track the marital status and job productivity, including performance reviews and promotions, of male Naval officers in technical and managerial jobs. Compared with single men, married men receive significantly higher performance ratings and are more likely to be promoted. In estimates that control selection arising from quit decisions, the size of the marriage productivity effect falls, but in most cases remains robust.

Andries de Grip and Inge Sieben (2005) have found that firms do not reward employees' skills according to their contribution to firms' productivity, as (1) employees are over-rewarded for their sector-specific skills and under-rewarded for the productivity enhancing effect of their computer skills and (2) employees' work experience positively affects their wages, but does not have real productivity effects. Moreover, it is found that training employees in case of vacancy problems seems to be an adequate HR practice, since it increases productivity without affecting the average wage level. The opposite holds for offering higher wages to newly recruited employees. Furthermore, the authors found that only the employees benefit from performance evaluation interviews, whereas
employing many employees by temporary contracts appears to have a negative effect on productivity, without affecting the wage level.

**Den Hartog, Boselie and Paauwe (2004)** presented a model for Performance Management combining insights from strategic HRM and I/O psychology. The model incorporates multi-level elements, and adds to previous models by explicitly incorporating employee perceptions, the role of direct supervisors and possible reversed causality.

**Andrew Dainty, Mei-Cheng and David Moore (2004)** dealt with the potential role and application of the framework in the drive for performance excellence within the industry, such as in selection, management development, succession planning, performance management and team deployment. It is argued that it offers an innovative alternative to normative micro-competence-based approaches that do little to engender performance excellence amongst the industry's key managers and professionals.

**Zahirul Hoque (2004)** investigates determinants and consequences of performance measures. In general, it investigates the role of the choice of performance measures on the relationship between (a) strategic priorities and performance and (b) environmental uncertainty and performance. Two hypotheses are developed concerning this general relationship, predicting, respectively, a positive relationship between business unit strategy and performance through management's choice of non-financial measures of performance (H1) and a positive relationship between environmental uncertainty and performance through management's choice of non-financial measures of performance (H2). To test these hypotheses, a path analytical model is applied to
questionnaire survey data from 52 manufacturing companies. As hypothesized, the results revealed the existence of a significant and positive association between management's strategic choice and performance acting through management's high use of non-financial measures for performance evaluation. On the other hand, the study found no evidence of a significant relationship between environmental uncertainty and performance through management's use of non-financial performance measures.

Jae Won Sun (2004) examined how the rules and the method for an employment adjustment formed right after the Second World War in Japan. The authors focused on the case of the Showadenko Company which it could be clear to know the strategy of personnel retrenchment. In order to reduce friction between the management and the employees, the management also made the promise to do not repeatedly personnel retrenchment and do consultation prior to turnover. We can see the framework of the Japan's employment adjustment method which mentioned that it was established after the high-performance period.

Annick Bourguignon and Eve Chiapello (2003) presented a case study presented as an illustration of our proposal to consider these systems as one of the major trials in the business world, that is, social arrangements organizing the testing of people and resulting in ordering them, and further in consistent social goods allocation. This analysis emphasizes the role of criticism in the dynamics and evolution of performance evaluation systems and enables us to revisit concepts like controllability or objectivity which have been presented for decades as cornerstones of performance evaluation systems either in management control or in human resource management fields.
Kurt Verweire and Lutgart van Den Berghe (2003)\textsuperscript{80} argue that effective Integrated Performance Management (IPM) needs both strategic and maturity alignment. The management literature focuses on strategic alignment; in this paper the authors developed the concept of maturity alignment. Maturity alignment indicates that an organization must install the appropriate managerial and operational processes in accordance with the desired maturity level. The authors have identified four different maturity levels that indicate how well the organizational and managerial processes within an organization are defined and developed. They argued that insufficient maturity alignment is one of the major reasons why many performance management initiatives fail.

Claude Meidinger, Jean-Louis Rulliare and Marie Claire Villeval (2003)\textsuperscript{81} report the results of an experiment on how team heterogeneity in terms of productivity influences both the revenue sharing proposed by the principal to the team and the employees' performance. Experimental evidence shows that when the team is heterogeneous, the principal does not try to motivate the agents through her sharing offer. Regardless of the level of team-based compensation, a large amount of free riding occurs since each agent is mainly influenced by his teammate's behavior.

Douglas Kruse, et al. (2003)\textsuperscript{82} analyzed the role of human resource policies in the performance of employee ownership companies, using employee survey data from 14 companies and a national sample of employee-owners. Between-firm comparisons of 11 ESOP firms show that an index of human resource policies, nominally controlled by management, is positively related to employee reports of co-worker performance and other good workplace outcomes including perceptions of fairness, good supervision, and
worker input and influence. It is concluded that an understanding of how and when employee ownership works successfully requires a three-pronged analysis of: 1) the incentives that ownership gives; 2) the participative mechanisms available to workers to act on those incentives; and 3) the corporate culture that battles against tendencies to free ride.

**Michael Chernew, et al. (2003)** examined the relationship between employer decisions regarding which health plans firms choose to offer to their employees and the performance of those plans. The authors estimated two sets of specifications that differ in whether they model plan choice as a function of absolute plan performance or plan performance relative to competitors. They found that employers are more likely to offer plans with strong absolute and relative HEDIS and CAHPS performance measures.

**William, et al. (2002)** show that the underperformance can be attributed almost entirely to the unique tax environment of Japanese investment trusts, which had the effect of heavily penalizing early withdrawals. The relaxation of these regulations coincided with a major inflow of new money into the investment trust business. The authors examined the relative performance of Japanese and foreign investment management firms before and after this change in tax regulations, and found that the poor relative performance of Japanese funds from April 2000 through December 2001 may in part be attributed to the huge inflow of new money into this sector and the style shifts made necessary to accommodate this flow.

**Fredrik Nilsson and Magnus Kald (2002)** presented the findings of an empirical study of 209 firms in the Nordic countries. The purpose of the article is to
discuss recent advances in performance management, both for the Nordic Region as a whole and in individual countries. The findings show that the performance management systems of the Nordic firms under study are used both diagnostically and interactively. The two principal applications are in decision support at the top management and the operating levels. Furthermore, in the design of the performance management systems, both financial and nonfinancial measures are quite significant. These tendencies are particularly noticeable at the Danish, Finnish, and Swedish companies.

Peter Cappelli and Martin J Conyon (2001) investigated gift exchange relationships in real jobs, making use of a field quasi-experiment associated with the exercise of stock options for roughly 4500 managers in a large public company. The authors found significant and economically meaningful positive relationships between the variation in profit per share of the options sold and standard measures of subsequent job performance for individual employees. These effects exist in real jobs and persist over long periods, extending previous studies. Non-parametric and parametric fixed effects models, other controls for sample heterogeneity, and alternative specifications address possible concerns about the randomization assumption and associated statistical issues.

Fredrik Nilsson and Nils-Göran Olve (2001) discussed the role of control systems in multi business companies. The focus is on formulation and implementation of corporate and business unit strategies. Three widely used categories of control models are discussed: 1) models for performance management, 2) models for value-based management, and 3) models for strategic management. The discussion is based upon central normative texts and examples from applications in Nordic companies.
Burt (2000)\textsuperscript{88} examined the problem to establish a performance management system where units operating the program are accountable for meeting performance standards and are rewarded or sanctioned depending on how well they perform. The federal government's goal for the program is to maximize impact on the employment and earnings of participants, but because control groups are not available for the 640 local programs, proxy measures of performance must be used. In this paper, data from an experiment in 16 sites are used to determine how closely measured performance corresponds to program impact. It is concluded that there is only a weak correspondence between the two measures and that the Department of Labor should avoid making significant rewards or sanctions based on the current performance management system.

Patrick Sentis (1998)\textsuperscript{89} investigated whether corporate performance and shareholder wealth are related to staff reduction. More specifically, we test the wealth redistribution hypothesis between shareholders and employees when a firm reduces its staff. The authors find that staff reduction leads to a weak improvement of corporate performance and that industry-adjusted shareholder return is positively related to change in wealth allocated to staff.

Bruce A Rayton and Jonathan S Seaton (1996)\textsuperscript{90} have found that there is already a significant link between the pay of rank and file employees and the performance of their firms. The authors found that a doubling of firm value increases employee pay in these firms by approximately 14 percent. Firms with explicit profit-sharing arrangements have a performance elasticity of approximately 0.32, while firms without explicit profit-sharing arrangements have a performance elasticity of only 0.11. This indicates that flexibility of pay is not limited to the explicit profit-sharing awards.
This is further substantiated by the finding that even after controlling for the levels of profit-sharing pay, the performance elasticity in the profit sharing firms is 0.27. These estimates are by no means a complete measure of the stakeholding relationship, but they do quantify the financial relationship between firms and a group of primary stakeholders: the workers.

James B. Rebitzer and Lowell J Taylor (1995) examined employment rents in a setting where employees post sizable performance bonds-large law firms. Contrary to the efficiency wage hypothesis, the authors find that associates in these large firms post substantial performance bonds while also receiving substantial, ex ante rents.

Faiz Bilquees (1994) examined the trends in aggregate emoluments of the Federal Government Employees over the period 1977-78 to 1991-92. Levels of salary and allowances are very important factors in attracting and retaining good-quality human resources in any sector of employment in an economy, because they have a direct bearing on the motivation and performance of the employees. In Pakistan, despite the fact that government is still the largest employer, the real wages of the government servants have continuously declined over time; the top five grades are the worst-affected. Despite periodic revision of salaries, the successive pay commissions have failed to acknowledge some very obvious anomalies in the basic pay and allowances structures. These anomalies not only harm the interests of the employees, their cost to the national exchequer is also quite significant. The paper aims to provide greater awareness of the weaknesses of the existing salary structures so that they can be reformed. It makes strong recommendations on the revision of the existing patterns of remuneration, to the advantage of both the employer and the employee.
Bentley Macleod and James M Malcomson (1989) analyzed the market equilibrium. Perfect equilibria exist with any division between firm and employee of the gains from employment and with unfilled vacancies and unemployed workers occurring together. A renegotiation proofness criterion ensures that all workers are employed, but any division of the gains is still possible. Restrictions on beliefs that result in a Walrasian outcome, and in an efficiency wage outcome, are explored.

2.2 Summary

It could be seen clearly from the above discussion that many studies have analyzed the performance management, performance analysis, and performance appraisal both at the national level and at the international level. But none of the studies deals with Tamil Nadu SIPCOT industrial region. It is a research gap; in order to fulfill the research gap, the present study is undertaken.
End Notes


