Chapter 1

Performance Management System: Conceptual Framework

1.1 Overview

Performance Management is an integrated process that delivers organisational success by improving employee performance through developing individual and team competencies. Performance Management System is a process to Plan, Manage, Appraise and Monitor the employee performance and their performance can be rewarded or challenged to motivate them.

Performance Management starts with an individual work plan for the employee which defines what needs to be achieved. The plan is later followed by continuous monitoring and proper feedback. Later the achievement and accomplishments are discussed. Performance Management integrates the management practices, including the review of employee performance and performance standards to meet the set organisational goals.

Performance Management System prevents complaints, unnecessary expenses and unhealthy competition. Organisations spend abundance of money in Performance Management System to increase the effectiveness of sales, marketing and supply chain but appropriate results are not found. There is a lack of effective Performance Management System due to which organisations have little insight into their employee’s work, the skill gaps and learning needs that exist within the organisation, or how they perform in the organisation.

Ronnie Malcom defined that it is a systematic way to handle personal development of an employee. It focuses on managing the employee's performance which ultimately helps to achieve organisational goals.  

\(^1\)
Michael Armstrong defined that Performance Management System is about achieving organisational goals successfully by delivering proper skills in employees and improving their performance accordingly.²

Alex Aspromourgos defined that Performance Management is a predetermined set of policies to achieve the organisational goal by means of focusing individual goal.³

Institute of Manpower Studies Report, Performance Management System is a system where organisational goals are set and met through goal setting of individual employees.⁴

Therefore, it can be derived that the Performance Management System is about enhancing an employee's performance and competency. It involves planning, reviewing, and developing an employee's performance after identifying the critical dimensions.⁵

1.2 Objectives of Performance Management System

PMS seeks to create and foster a performance oriented and learning culture. It facilitates improvement in the performance of an individual. It provides a user friendly environment where superior subordinates work in the most comfort manner without any grievances and conflicts.

PMS aims to provide a sense of dedication and challenge to employees and their teams through role clarity. When authority and responsibility is clearly defined, they can work according to preset standards. Employees feel a sense of responsibility towards the company and consider organizational goal as its own objective.

PMS facilitates to prepare appraisal plan and reviews an employee’s performance through participatory process. By this each work plan is executed in predetermined time. It establishes
a linkage between performance and reward. An effective Performance Management System helps in deciding the appraisal of an employee. If the employee performs better than expected outcomes, he is rewarded and if not, he is punished. It justifies the activities taken and set a linkage between performance and reward.

PMS facilitates a planned process of managerial growth & development. It manages an employee’s performance which ultimately contributes to the achievement of objectives. It develops and optimizes human resources.

1.3 Relevance of Performance Management System

Performance Management System helps in aligning the mission, vision, strategy, and values of the organisation to the employee’s expectation.

An effective PMS defines the goals and individual expectation to help the employees to align their aim with organisational goal. It strengthens team work in the organisation.

Performance Management System gives opportunities to attract and retain talents in the organisation and assist in creating a robust talent pool. It provides opportunity for developmental activities like training, competency mapping and other development needs to enhance an employee’s performance.

It facilitates integrating organisational ethics and individual value system through counselling and helps employees to attain their full abilities and manage their work life balance. It provides opportunity to learn, develop the skills and assist management to validate their recruitment, selection and induction practices.
Performance Management System helps in creating a transparent, fair and hassle free system in organisation. It facilitates employee commitment and loyalty which results in low employee turnover and demonstrates employee’s commitment towards human resource activities.  

1.4 Historical Perspective of Performance Management System

Performance appraisal started at the time of Industrial Revolution in the late eighteenth century. It gradually gained prominence from scientific management perspective wherein, it was believed that each piece of work could be scientifically devised and the productivity of each worker could be measured with accuracy.

The approach became less popular after Hawthorne studies, which established the relationship between productivity and motivation. In 1950s merit rating came in existence and became popular, but the popularity soon changed in severe criticism. McGregor (1957) gave personality trait theory. He quoted that rather than analysing behaviour, the focus should be on personality. Soon Peter. F. Drucker gave new approach of Management by Objectives (MBO) approach which gained much popularity.

Much criticism has arisen during these approaches. Managers got tired and thought to revise the performance appraisal process in 1970 to eliminate the errors of subjectivity and inconsistency. With time, the concept of Performance Management (Beer and Ruh 1976) evolved and gained much popularity. It focussed on employee participation and two way communication, which removed the traditional approaches loopholes.

1.5 Managing Performance of an employee

The performance of an employee can be managed efficiently, if handled carefully. Firstly, manager and employee must understand what they expect from each other. The employee
must communicate with the supervisor as well as understand the expectations of supervisor. Supervisor also should understand the employee’s expectations. After mutual understanding, they would be able to meet each other expectation and set the bonding. Manager or supervisor should guide the subordinate on how to meet the targets and fulfil mutual expectations and duties.

Supervisor set key result areas against each employee’s performance. The end performance is compared with the key result areas. This process is executed in document form. Further managers discuss employee’s performance with their manager to give correct rating to the employees. Employee’s performance is measured which is followed by proper feedback. If the manager finds the employee’s performance below standard, he takes action either to improve him or against him and if the performance is par excellence, he is rewarded in terms of promotion or monetary terms. The employee is appreciated and motivated to work through challenging them. Developmental activities are proposed to support the employees. His strength and weakness are analysed accordingly.

The performance appraisal of an employee is recorded in files and retained for further use. When some employee’s record is needed, these files are reopened so that it can be used in the decision to hire or promote the employee. It is an organisational policy to maintain the confidentiality of the documents.

In this competitive and globalised world, it is very important to train and develop employee’s skill to survive in the industry. Each organisation must specify a trainer who gives the Performance Management training to an employee.

Every organisation has its grievance handling policy. It is a step by step process to reach from lower to higher authority. If the lower department does not response to his grievances, he may
reach to higher authorities to get justice. The Performance Management coordinator ensures that all activities are going in a proper manner and linked to each other.

1.6 Performance Appraisal to Performance Management

Managing employee performance is a major issue. It has come a long way from Performance Appraisal to Performance Management. Earlier employees and managers used to meet once in six months or a year. Now, Performance Management System review and check employee’s performance in short interval.

There are some reasons to change the era from Performance Appraisal to Performance Management.

Performance Appraisal emphasize on relative evaluation of individuals whereas Performance Management emphasize on team work in organisation.

In Performance Appraisal, the emphasis is on ratings and evaluation whereas in Performance Management it is on planning, managing, appraisal and monitoring.

In Performance Appraisal, the crucial component is reward and recognition whereas in Performance Management the integral part is performance standards.

Performance Appraisal identifies development need at the end of the year where Performance Management identifies the development needs in the beginning of the year.

1.7 Performance Management System

Performance Management System is a process to plan, manage, appraise and monitor the employee’s performance and their performance can be rewarded or challenged in order to motivate them.
Performance planning is a systematic way to set the criteria and standards which are expected to be fulfilled by the employee in a given period of time. This is the very first step where manager and subordinate jointly set their work plan. They identify the key result areas and the competencies needed to perform these activities. The employee understands his duties very clearly and prepares himself to work according to the expectations. Employee commitment is taken to work with full dedication as well.

A Performance Plan must have well defined performance goals and objectives. It includes job competencies required for employees and performance targets. It includes contingency plan and controlling techniques.

Performance Managing is to manage the performance of an individual. The employee’s work is checked and reviewed periodically. Corrective measures are taken so that right efforts are reinforced and strengthened. Improvement plans are prepared and loopholes are removed.\(^8\)

Performance Appraisal is one of the very important parts of Performance Management. Performance appraisal is a process of systematically evaluating performance and providing feedback upon which performance adjustments can be made.\(^9\)

Performance Monitoring eliminates expenses which are not required. It also removes wastage and errors, which may have occurred in general. It makes the organisation aware about optimum utilisation of resources. Proper monitoring and evaluation helps the organisation to take preventive measures and corrective actions, so that organisation can avoid the obstacles before it occurs.

Performance Management System should be flexible so that it can change with the environment. Performance monitoring allows changing or altering the present system if necessary. Corrective measures can be taken if required.\(^{10}\)
Feedback is given to the employee about his or her performance. Encouragement and promotions are given for good performance and punishments are given for poor performance in order to motivate the employees.

Coaching, counselling and support is given in case employee’s performance is not up to the mark or at required level. Superior takes an appropriate action and gives detailed reason to claim. If an employee is performing better than supervisor’s expectation or par excellence, the supervisor awards him in not only monetary terms but a word of thanks is also given to him.

1.8 Performance Appraisal

Performance appraisal is a systematic approach to evaluate the employee’s performance. It is an instrument that review and assess the employees performance as it is important to utilise each employee’s energy to attain the organisational goal. It is a significant tool to reward, refine and justice with the employee for his further skill development.

Performance appraisal evaluates the contribution of employee in achieving the organisational goal and individual goal simultaneously. It is a periodic rating of an employee’s performance and diagnosis of strength and weakness which hinders an employee’s growth and put efforts in order to improve it.

Performance appraisal starts with setting performance standard according to which employee’s performance will be compared. This step justifies the criteria against which employee’s performance will be measured. The set standards, should not be complicated or complex. It should be explained in easy terms.
Once the standards are set the next step is to define the standards. It is the duty of management to communicate it properly and ensure that it is clarified to them. After this the employees understand their role properly and fulfil their responsibility in a satisfactory manner.

Once the standards are defined, the employee’s performance is evaluated. It is a complex process to rate the performance of an employee in a given period of time. Different techniques are used to measure the performance. The careful selection of the technique is also a difficult task. This stage involves continuous supervision of employee’s performance.

The actual performance is compared to the set standards defined in previous steps. The loopholes are identified and detailed reason is claimed. The results remove their grievances and developmental programs are planned accordingly. The actual performance is compared to the desired performance which highlights the positive or negative aspects and the reasons behind it.

The findings of performance appraisal are being discussed with the employee. The management discusses the loopholes remained in his performance and detailed reasons are given to remove his grievances. Thus, it is to improve the performance of an employee. At last proper decision is taken regarding developmental activities, promotions, demotions etc.11

1.9 Popularly Espoused Methods of Performance Management System12

Considerable attention is to be given while choosing any performance appraisal technique. A pre-set performance criterion leads less biased and accurate performance appraisal. Length of service or any other factor except performance should be ignored while rating the performance.
Right job performance is recognised from the quality of task or the work assigned. Corrective measures or improvement plan are to be taken where low performance is identified. Each of the technique has its own strength and weakness. One technique is neither capable of achieving all the purpose nor evade all the pitfalls.

**Ranking Method**

This method comprises of ranks which are given to the employees according to their performance. In this method each employee is positioned according to his performance against another employee’s performance. This method is easy and simple but in practical it is not an easy task to relate employee’s traits to another employee. An employee works in a group so individual ranking cannot be given accurately.

**Forced Distribution Method**

In this method raters allocate different percentage to different categories of employees. For example top employees will be placed in top 10% scale, 15 %: Exceptional Performer, 20%: Very Good Performers, 30%: Average Performers, 20%: Satisfactory Performers, 15 %: Poor Performers.

The positive thing with this method is that rater’s subjectivity is removed. In recent time bias is becoming a big issue. This issue is eliminated in this method to a great extent but grading creates the problem. The employees, who consider themselves more capable and productive against the grades assigned to them, feel demotivated and reluctant to work later.

**Critical Incident Techniques**

In this method each employee is evaluated on the basis of some critical incidents, recorded is documents. The manager keeps a logbook of positive and negative incidents of each
employee. These records are being discussed while appraising an employee’s performance. The result depends upon the perception of rater also.

**Checklists**

In this method, some statements are described. Each statement carries a value attached with it. Different weights are given in front of the statements. A checklist is made for each job and values, attached with it. It is widely used method to appraise the performance but it is more expensive and subjectivity problem arises in this method.

**Management by Objectives**

This method comprises of a superior and subordinate who work together for the completion of common goals. Manager and employee set goals to achieve their target. Key Result Areas are identified and performance standards are defined in terms of quality, time and productivity.

Departmental heads and top management decide the departmental work plan. Departmental head then communicates the departmental goals with employees of concerned department. Departmental head see the gap between observed performance and desired performance. Department conduct appraisal interview and give feedback to overall performance.

Management by objectives aligns and links organisational and individual goals. It can easily be applied. It boosts high morale, confidence and measures the results other than personality factors. It is complex and time consuming process as well. Not only this, it is expensive and lengthy process also.\(^{13}\)
Assessment Centres

An assessment centre consist different techniques. Multiple observers and experts evaluate the behaviour on pre based standards. Many exercises are used to judge the behaviour. Simulation techniques are also applied.

Behaviourally Anchored Rating Scale

It measures the performance by using a rating scale. Specific behaviours are placed on rating scale. Efficiency or inefficiency in behaviour is measured by human resource professionals. Experts rate the critical incidents and assign them on scale.

Behavioural anchored rating scale is used for each dimension. It measures an employee’s performance by job standards properly however; it takes a lot of time to prepare scales. There are different BARS for different jobs.

360 Degree Appraisal

360 degree appraisal is a multiple rating approach. Multiple rating provides more reliable information. It is an approach where multiple feedbacks are taken however, it is very time consuming and expensive. Politics involves in this approach and there is a risk of confidentiality as well.

Earlier the organisations used to take report from a single source which was not reliable as personal biasness would arise while appraising an employee’s performance. According to 360 degree, the employee’s information is gathered by various sources which are presented through a diagram given below:
Figure 1.9.1

- Manager Appraisal
- Team Appraisal
- Peer Appraisal
- Customer Appraisal
- Self Appraisal
- 360 Degree Feedback
Manager Participation

It is an old method to appraise the performance where the performance of an employee is judged by the manager. Some employees complain about the rating errors. Errors or deficiency in performance appraisal may occur due to span of control. There may be more subordinates working under one manager. The manager may not consider the overall performance of an employee. He may be unable to keep the record of all employees. Thus, it can be concluded that it is not an appropriate method to appraise the performance.

Peer Participation

Peer Appraisal means, peer also participate in employee’s performance appraisal. Colleagues are well known about their fellow’s performance, their strength and weakness. Peer Appraisal is useful as they may give reliable information compared to the manager but peers may give inappropriate information also, due to the competitive spirit among them.
Self Appraisal

Self Appraisal can be defined as an employee involvement or participation in review process. A self appraisal form is being filled by the employee himself before giving performance interview, it is important as employee can analyze his strengths and weaknesses. Some critics opine that self-appraisal is worthless as employee will always give good rating to himself and expect the results as well accordingly. They advice that self appraisal is more beneficial in development decision. Thus, it is a valuable method for the organization.

Subordinate Appraisal

Subordinate appraisal has been widely used. The performance is analyzed by the subordinates. The subordinate who spends most of the time with superior can give appropriate rating to the manager. Some managers find it inappropriate to be judged by those employees, whom they judge however, it is a very helpful tool in development decisions.

Team Appraisal

The employee is judged by the team with whom he or she is working. It is the extension of the peer appraisal. Team appraisal is also considered as a good source of appraisal.

Customer Appraisal

Customer involvement or participation in appraisal process is called Customer Appraisal. Customer appraisal is used where the companies give more weigthage to Total Quality Management.
Relevance of 360 degree: In traditional performance appraisal system, manager was the only source, from whom employee’s report could be taken. Manager did not have much team force therefore; it was possible to consider each employee. In today’s scenario, members of a team are scattered therefore, it is not possible to stay in contact with them. It becomes important to take employee’s information from other sources. Various researches have revealed that feedback from multiple sources is more reliable.

1.10 Common Rating Errors

Common rating errors are those errors which occur while appraising an employee’s performance. Some of the common rating errors are mentioned below:

Halo Effect

If a particular quality of an employee affects the whole evaluation of an employee, it is called halo effect. For example, a soft spoken person may be given higher rating on performance and productivity. This quality may create injustice to other employees.

Horn Effect

If one negative trait of an employee influences the whole performance, it is considered as horn effect. For example, a hard spoken person is rated low in performance and productivity besides his superior performance. Rating should be given on the basis of his performance rather than behavioural aspect.

Central Tendency
When average rating is given in place of excellent or poor performance, this type of error in performance rating is called central tendency. For example, average rating is given for excellent performance to an employee and average rating is given for poor performance to another employee.

**Strict Rating**

Some Raters are very strict. They are very rigid while assigning the ratings. Instead of giving excellent rating, they give average rating. For example, poor rating is given for average performance. This type of error is called strict rating.

**Lenient Rating**

Some Raters are naturally generous. This error is opposite of strict rating. Instead of giving accurate rating, they give excellent rating. For example, excellent rating is given for average performance. It is called lenient rating.

**Status Effect**

When status affects the rating, it is called status effect. High rating is given to high esteemed people and low rating is given to low esteemed. It is called status effect.

**Spill Over Effect**

When past appraisal rating affects the recent rating, it is called spill over. For example, an employee is rated average for excellent performance because of his past poor performance.

**Initial Impression**

When initial impression of an employee affects the whole performance, it is called initial impression error.
Latest Behaviour

When an employee’s performance is appraised or rated on the basis of his latest behaviour, it is called latest behaviour error. For example, an employee is rated excellent for the yearly assessment because he performed very well in last one month.

Contrast Error

When an employee is rated on the basis of certain behavioural aspect, it is called contrast behaviour.

Sympathy Effect

When an employee’s performance is influenced by sympathy factor, it is called sympathy effect.
1.11 Staff Development Activities

Earlier performance appraisal system was being used by the organisations. The Organisations felt that Performance Appraisal System needed improvements. Larsen and turbo stated that Performance Appraisal System is not capable to achieve development objectives until it is not aligned with counselling, career planning. Some of development activities are given below.  

Training

Training is learning new skill, knowledge and experience. Each organisation wants to improve employee’s skill. Training is a systematised process through which employee learn new skills and knowledge. Training helps to improve employee performance in a specific area.

Proper training is important for all employees at managerial and operating level. Training aims to enhance employee’s skills in organisational area which ultimately leads to organisational efficiency and help the organisation to survive in the globalised world. It assists the organisation to fulfil its employee requirement.

Training can be given to increase the morale or motivate the employee. Research shows that 51% training expenditure is done on employee training, 22% on executives and 27% on managers.

The aim of the training is to achieve organisational goal ultimately. Training is a systematic approach where the training need is assessed in the beginning. After identifying the need, training program is designed. Training program is implemented and the results are evaluated.
Counselling

Performance counselling is a process to help an employee to understand his profile related performance and its result in specific time. It assists him/her for preparing action plans to improve his effectiveness.

Counselling is the relationship between counsellor and counselee which aims to improve employee’s performance. The purpose of counselling is development of an employee by realising him his potential, strengths and weakness through giving proper feedback about his behaviour and competence. It creates a friendly environment and develops action plans for his further improvements.

For effective counselling, the counsellor should create a climate of openness and mutuality. The counsellor should include employee participation in review process as well as in goal setting. A counsellor requires communication, influencing and helping. Counsellor essentially requires communicating with the counselee. He influences the counselee in many ways, as he assists or helps the counselee.

Counselling session is only effective when counselee is interested in it. Counselee should check whether it makes counselee dependent. If he is dependent, his misunderstanding must be clarified. The counselee should realise himself. Employee must understand the purpose of counselling.¹⁹

Promotion

According to Mangaraj Sujata “Promotion may be defined as an upward advancement of an employee in an organisation”.
Promotion is an advancement of the job either in monetary terms or in the terms of responsibilities. Promotion increases the sense of belongingness towards the organisations. Promotion is a way to appreciate an employee’s work. Promotions motivate the employees to work hard. It starts from the bottom and reach to higher level. Horizontal promotions help in increment of pay, responsibilities and designations whereas vertical promotions help in increment of pay, responsibilities and type of job.

**Career Planning**

“It is an umbrella term that handles many training and assignment experience that move people ahead in their vacations”. Career planning focuses on individual career development and increase the potential of an employee for the achievement of organisational goal ultimately. The most important thing in career development program is proper selection of an employee. On the time of selection process, identifying an individual long term potential is vital. Proper selection of a trainer is also equally important, who is responsible for the growth of an employee.

Timely performance appraisal in reviewing process is also very useful. It is a key element to recognise the strength and weakness. Shortcomings and training needs are also analysed in appraising an employee. The opportunity to analyse its own performance through peer or other sources is also useful in self development.

Many career development programs fail due to late identification of potential managers. It can be identified through job rotations effectively. It is of greater importance to recognise the appropriate potential ability for advancement. Thus, the check points should be designed considering various aspects.
1.12 Competency Performance Management System

“Competency is a characteristic, required for completion of a task” Earlier managers focussed on what to achieve rather than how to achieve. In the current scenario, competencies are considered the basic thing to meet the targets.

A Competency Performance Management System is very useful in an organisation. It focuses on developmental aspects. Many organisations are using Competency based Performance Management System as it helps to utilise human resource to the optimum level.

In Competency Performance Management System, the core positions are identified firstly. After identifying the core positions, the skills are recognised which is followed by competency assessment. Once competencies are assessed, desired employees are trained for the required competency development. Further competencies are reflected in performance appraisal. According to the appraisal, competency expectations are set. At last feedback and counselling is facilitated.

Five competency models are used in organisations.

**Competence Assessment:** In competence assessment employees are interviewed about the job performance. Exemplary and average performers are asked about the dimensions of job performance.

**Modified Competence Assessment:** Employees are not interviewed in this model but written and recording methods are used to know the critical behaviour.

**Generic Model Overlay Method:** A prepared competency model is overlaid on a job.
**Customised Generic Model:** Generic competencies that fully characterize the high and average employees are identified and interpreted accordingly.

**Flexible Competency Model:** Different sources are included in this model. Future competencies are identified.

Thus, Competency Performance Management System helps in employee’s skill development. Not only this, it creates mutual understanding between manager and employees towards the achievement of goals. It facilitates development of an employee.21
1.13 Online Performance Management System

With IT revolution, maximum utilisation of human resource is one of the major challenge. Changing market conditions, technological changes and changes in laws brings trouble for an organisation.

Online Performance Management System offers several benefits. It leads focussed and aligned goals. It facilitates instant accessibility of employee’s performance as it is very easy to fetch an employee’s data in seconds. It helps to get quick feedback in decision making.

Development needs are automatically fed in performance plan of an individual. It provides transparency of the system. Fewer grievances arise due to transparency.

Cement industry is using Online Performance Management System. Every organisation has set its own online Performance Management System. It benefits the organisation as paper work is removed. Personal biasness, which is a major problem in organisation, is solved due to transparency of the system. It checks the progress reports quickly and goal setting is also done efficiently.
1.14 Ethical Considerations in Performance Management System

Organisations are planning a crucial role over years and have great influence on our lives. Lack of ethics or unethical behaviour can harm its sales. Today’s consumer is educated and aware of all ethical values. For example child labour is banned, smoking is injurious. Unethical behaviour can put the organisation survival on risk. Dave Kinnear defined “Ethics as a process whereby we choose between competing moral and economic value”.

An Ethical workplace provides consumer loyalty and respect towards policies and strategies, less labour turnover, satisfied customers, personal sacrifices, and higher employee loyalty. Ultimately productivity, loyalty, commitment, and performance are increased.

Ethical Performance Management System can be said as a process of planning, managing, appraising, and monitoring employee’s performance on the ground of fairness and transparency to attain organisational and individual objective in a way that it creates loyalty, commitment among employees and consumers.

An ethical workplace helps to build a better society. It fosters teamwork, loyalty, and commitment. It increases sales and reduces labour turnover. It maintains legal requirements and retains talent pool.

Ethical Issues in Performance Management System

Employees are always attracted to rewards. They follow the actions which give reward and ignore the behaviour that is penalised. Some of the considered ethical issues are as follows:

Malpractices: Unethical, illegal practices come under malpractices. Some managers anyhow want to achieve their targets. In this case they cause trouble to their employees. Employee follows the manager’s instructions and thinks that they have the support of managers.
**Moral Mazes:** Misuse of resources and misuse of authority are the ethical issues that arise on daily basis. Managers save themselves and put the employees on risk.

**Value Conflict:** Each employee has some values and expectations. Sometimes, workload makes employee helpless. They compromise their personal standards.

**Superior-Subordinate Conflict:** Many subordinate complains that their managers take the credit of their work; it is also an ethical issue.

**Employee Engagement** Employee pretends that they are truly engaged in their work but actually they do only that amount of work which is needed to continue the job.

**Managerial Favouritism** Manager favours only those employees whom they think or consider trustworthy. Manager rewards and promotes the employees on the basis of favouritism. Rest of employees feel dejected and start avoiding the work.

**Peer Pressure** Peer pressure is also very significant. One employee raise the standard and all the employees are expected to perform like him.

**Workplace Politics** Workplace politics is a big issue coming from many years. It creates stressful environment. The workplace gets spoiled by politics.

**1.15 Issues of Performance Management System**

With globalisation, the paradigm of competition has changed tremendously to fast-paced, it is creating many problems. It is difficult to link compensation and reward system to Performance Management. Performance Management System finds problem in aligning and measuring individual and organisational goals. It is a challenge for Performance Management System to identify competencies and making its best use. Proper implementation of Performance
Management System is also a major issue. Creating a supportive culture in Performance Management System is also equally important for an organisation.

A Performance Management System may have all the essential parts which a system should possess, but still employees are not connected to the organization. This is becoming a big problem in organizations. Studies reveal that employees in India must connect to their superior and establish an emotional connection with their superiors or peers at work.

Building trust in employees towards the organization is essential and a big challenge nowadays. The main problem lies in companies is that employees do not trust on the transparency and validity of system. The problem lies in the perception of employee. Employees, who are engaged, work with full passion and feel connected to its company.

Employees actively disengaged always complain about their company. They do not trust on their company. They set their mind that they are always being biased and claim subjectivity. Employees who are not-engaged put their time on work but do not show energy and passion.

Employees expect their performance appraisal to be fair and transparent. Companies must review that workers understand the appraisal process. Employees may think that their input is better than their colleague but colleague’s appraisal is better than him. This creates stress and employee gets reluctant to work.\(^2^2\)

Therefore, if company really wants to get trustworthy employees, it has to make the employees understand how the performance is measured. Human being is emotional and its confidence and morale goes high if he is satisfied emotionally.

The company’s leader, manager must be competent enough that it can take the employees in confidence about the validity of Performance Management System. The Performance
Management System should be transparent that it does not leave any stone unturned. The company’s reward and compensation policy must be quite fair to satisfy the employee’s doubt.
References


22. Luthra, P. & Jain, M. “All systems for evaluating and rewarding employees fail if workers question those systems' credibility”