

Overview of Performance Management Systems and their Application in Manufacturing Sectors in Tamilnadu, India

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Abstract—Fast growing trends in globalization and increased flexibility in economic and trade policies across the world has led to massive evolution and expansion of industrialization at an incredibly fast pace. Specifically, of all the Asian countries, China and India take precedence in the rates at which industries flourish and expand. In a country like India with relatively a good availability of natural resources and human personnel, several foreign nations are keen to invest and setup industries that would harness the innate potential of the country. This also brings out a salient point that not just the establishment of industries but their stability and sustenance determine the actual advantages of such industries and therefore the impact and growth on the nation's economy. In order to assess the capabilities and performance of such industries, a need for generic processes and systems is felt and as a result of this search, performance management systems in the industries demonstrate themselves as an essential and proven tool in this context.

Keywords: Performance management system (PMS), key performance indicators(KPI), key result areas(KRA)

1. INTRODUCTION

With several economic policies liberalized, industrialization has set off to a tremendous growth in India starting early 1950s. Industrial growth significantly improved the national economy on par with agriculture. Among industries, manufacturing sectors registered steep growth in particular. Manufacturing sector covered an entire range of products including food, beverages, textiles, paper, rubber, electrical, transport etc., At this juncture, Ahluwalia's alternative perspective on the economic slowdown pinpointed productivity to be one of the most important and major sources of economic growth in developing countries (Ahluwalia 1992. p. 101). This perspective came as a tumbling bolt to all the conceived ideologies erstwhile that placed mobilization of resources and increase in investments as the core principles. As per Ahluwalia's philosophy, productivity improvements were successfully established as an intellectual way to address industrial growth with limited resources. Thus it has led to the analysis of productivity related factors in the growth of industries and set the stage for introduction of

performance based management systems in organizations and industrial sectors.

2. LITERATURE REVIEW

Upon analysis of several literary works that exist on performance management systems, it is evident that PMS is indispensable to measure the growth of the industries which in turn directly influence the economic growth of the country. Hence this article places a comprehensive study on performance management systems and their importance in industries at its centerpiece. It lays down the overview on performance management systems (PMS) and elaborates the fundamental components encompassed within it. The article finally indicates the best industrial practices and provides suggestions as to how the shortfalls in PMS applicability in the industries chosen for sample study, either as a whole system or in specific processes, can be improved and stabilized.

3. RESEARCH METHODOLOGY

Since it would be appropriate to understand the relationship of PMS in flourishing and booming segments, manufacturing industries are considered to be one of the best samples to conduct the study. Across India, Tamil Nadu is the second most industrialized state with its GDP accounting for more than 4.28 trillion (Indian Rupees). Looking closer, it is evident that Coimbatore, popularly known as "Manchester of South India", has a major role to play in the rise of GDP in Tamil Nadu. This has triggered the idea of conducting extensive study and survey on PMS applicability status and its effectiveness across selective industries in Coimbatore which houses as many as 50,000 industrial units of varying sizes and capacities. It is a descriptive research design with qualitative assessments. The total sample frame is 10% of manufacturing units in Coimbatore with around 16 manufacturing units being taken for study. Snowball sampling is applied and one-on-one personal interviews with HR managers led to other significant facts which are discussed appropriately in the following sections.

Overview of Performance Management Systems

It has been largely discussed and proven that the performance of a business or an enterprise or an industry depends upon several factors like the strength of the work force, clarity of organizational goals and vigor of processes that facilitate the accomplishment of such goals through the required workforce. Some of these parameters include cost/man hour, project review, productivity, customer satisfaction, to name a few. While these are quantifiable parameters, there are other qualitative processes required to ensure establishment of right organizational goals, communication of goals to employees operating in all levels, achieving budget and cost targets, delivering production targets on time etc.,. It also aims to assess the performance and productivity of an organization, region wise, division wise, employee wise, resource wise or even products and services wise as well. It also outlines a set of best practices and processes to ensure as to how well the organizational resources are inclined to organizational objectives. Performance management systems are also designed to constantly improve and nurture capabilities of individuals and organizational teams to deliver best results. Upon application of performance management systems, an organization can enjoy several benefits. Some of them are as follows,

1. Increased financial growth and gain
2. Effective and efficient workforce
3. Transparent and friendly management control.

It is also stated as “a process for establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving success” (Weiss and Hartle, 1997). Hence it is strongly understood that PMS is a very clearly defined set of processes that bring in all the managers and employees together, wherein managers are responsible to develop the employees by enabling them to grow individually through contribution towards the organizational goals.

4. COMPREHENSIVE STUDY ON CURRENT TRENDS IN MANUFACTURING SECTORS

As described earlier, some of the prominent manufacturing units in Coimbatore are taken for sample study. Most of the manufacturing units follow almost similar procedures for performance management with subtle differences. A summary of all salient points observed across each stage of the performance cycle in these manufacturing units is given below.

5. ANALYSIS

Performance planning

The study has taken into account various approaches by which performance planning is conducted in the sample companies.

In some companies, Key Performance Indicators (KPIs) and Key Results Areas (KRAs) are defined during this phase to accelerate employee growth. As an example, a KPI for an employee which indicates individual weightage of 6 could be calibrated as 4 for his departmental objectives, 1 for cross functional objectives and 1 for overall organizational objectives. In some companies, competency profile is defined for every employee, which provides the roadmap of objectives to be accomplished by the employee before the end of the review period.

Based on the understanding of such observations in performance planning phase across companies, following results were derived.

1. Around 90% of the companies have their performance planning to commence in February and end by March of the current financial year so as to enable the management phase to start by April. During this phase, companies set their goals and objectives for the current financial year.
2. Only a very less, as low as 10 percentage of companies have their performance planning in November while few other companies conduct planning in December to March of the upcoming year to set goals and objectives for the calendar year.
3. Certain companies are quite different in timing their planning window which falls between February to April or March to May etc.,
4. Most of the companies involve the employees in a discussion that outlines the set of goals and expectations on them for the upcoming performance time window. Some companies also include approvals from senior managers to define and assign tasks upfront that are aligned with the desired objectives.
5. Few companies complete their planning through other resources like ERP, inhouse tools, customized PMP tools etc.,
6. Out of the entire sample, only 1 company includes policy deployment in planning phase.
7. One of the companies adopt linkage matrix involving senior HR managers. It was also found out that about 60 percent of the companies apply top down approach for planning while the rest resorted to verbal discussions involving employees, first level and second level managers and other senior department heads for planning.

6. PERFORMANCE MONITORING

This section discusses the approaches applied in various companies to effect performance monitoring phase. Some companies track Key Performance Indicators (KPIs) adherence by the employees. In certain companies, monitoring discussions involve the entire department instead of the concerned employee alone depending upon the criticality and significance of the undertaken tasks.

1. About 80 percent of the companies rely on monthly progress review meetings to monitor the development and performance.
2. On the other hand, around 20 percent of the companies stick to quarterly progress reviews.
3. It was also seen that almost 75 percent of the companies conduct one on one meeting while applying the performance monitoring process.
4. It was found that there is 1 company which relies on intranet for monitoring while another 1 company through peer monitoring.

7. PERFORMANCE ASSESSMENT

In most of the companies, one on one discussion with the employee is done and the appraisal output is discussed. This rating is reviewed by the Human Resource department for further compensation and bonus benefits.

Based on the understanding of such observations in performance assessment phase across companies, following results were derived.

1. Assessment is done using appraisal forms in 90 percent of the companies.
2. Portals are used only by 2 companies for appraisals.
3. In 60 percent of the companies, one on one discussion with immediate superiors for appraisals conducted.
4. It was found that only 3 companies to be using a proper rating system to assess employees while the rest were not having any rating system in place.
5. Out of the 3 companies that utilize 360 degree appraisal, one company employs ballot box system to gather 360 degree feedback from all concerned stakeholders.
6. In all companies, the final appraisal form is duly signed by the employee indicating acceptance and conformance.
7. 2 companies are piloting on new software systems for conducting assessments.
8. About 25 percent of the companies provide information on training to employees after the assessment is complete.

8. FEEDBACK AND COUNSELING

Feedback and counseling sessions are used to address the needs of low performing and demotivated employees in almost all companies. Based on the understanding of such observations in feedback and counseling phase across companies, following results were derived.

1. All companies involve HR managers during counseling of employees.
2. In 2 companies, repeated under performers have been terminated out of service without any further trainings or warnings.

3. About 25 percent of the companies have options like grievance mails through which employees can record their disagreements or opinions about the appraisals.
4. Portals are extensively used to drive the complete feedback and counseling aspects of performance management in 2 companies.

9. COMPENSATION AND REWARDS

Many companies provide opportunities to employees to reach out to superiors in case of dissatisfaction of compensation awarded to them after assessment and feedback.

Based on the understanding of such observations in compensation and rewards phase across companies, following results were derived.

1. Percentage system is used in 6 companies for compensation. Organization performance, department performance and individual performance are measured with x%, y% and z% respectively.
2. All companies have the practice of recognizing outperformers with performance awards.
3. 6 companies were found to delegate their employees to other locations, offshore or onsite for advanced training and development.
4. 1 company provides the option of internal movement around other multiple units within their group of companies, in recognition of the employee performance to further expand their exposure.

10. CONCLUSION

In a nutshell, performance management systems across companies were found to be too much varied in style and execution despite having similar nature of business operations. It is a welcoming fact that almost all companies embrace the performance management philosophy and institutionalized it in their organizations in best known ways. As a striking point, performance planning phase needs first and foremost attention and to be allowed to stabilize in order to reap fullest advantages of applying performance management systems. Since it is the predecessor for the rest of the phases in performance management cycle, planning phase requires further stabilization and to be brought on par with industrial practices. In addition to this, employees should be educated further on the importance and advantages of performance management systems and to be encouraged to approach and take advantage of the performance management systems, with right mindsets, for the growth of themselves and thereby the organization.

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11. APPENDIX

1. **PMS**- Performance Management System
2. **KPI** - Key Performance Indicator
3. **KRA** - Key Results Area
4. **ERP** –Enterprise Resource Planning