



EXISTENCE OF PERFORMANCE MANAGEMENT CYCLE AT COMMERCIAL BANKS IN MADURAI DISTRICT

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Abstract

Performance Management should be line-driven rather than personnel department driven in order that it may be effective. The development of a Performance Management System should be a joint effort between line management, human resources-management and the employees. It would offer line managers and the employee-ownership of the system and ensure stronger commitment. Performance-Management is the systematic process by which the organisation involves its employees, as individuals and members a group, in improving organizational effectiveness in the accomplishment of organizational mission and goals. Performance-management is a holistic process bringing together many activities which collectively contribute to the effective management of individuals and teams in order to achieve high levels of organizational performance.

This study aimed to exhibit the existence of Performance Management Cycle at Banks and was descriptive in nature; structured, self-administered questionnaire, the relevant variables are drawn from the review of previous studies. The data has been collected from 639 employees from 282 banks of both private and public sector in Madurai District. The ANOVA Test, T test and Multiple Regression were used to analyze the data and the research reveals that the highly existing important stages of Performance Management Cycle at the private sector banks are Performance Measurement and Documentation whereas at the public sector banks, these are Performance Planning and Documentation. The important discriminate stages of Performance Management Cycle in private and public sector banks are existence of Performance Measurement and Documentation which are higher at private sector banks than that at public sector banks.

Key Words: *Performance Management, Organizational Effectiveness.*

Introduction

Today more and more organizations are relying on employees for success and competitiveness, consequently to find strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. In this respect, Performance Management and appraisal systems have come to play an indispensable role in helping organizations to reach their goals of productivity (Stevens & Joyce 2000). The impact of Human Resources (HR) practices on employees' commitment and performance depends on employees' perception and evaluation of these practices (Guest, 1999). Perceptions and attitude may mediate and moderate the relationship between HRM practices and employees' performance related behavior.

Performance Management is the essence of managing, and the primary 'vehicle' for getting the desired result through employees at all levels in the organization. The performance Management process provides an opportunity for the employee and the performance manager to discuss development goals and jointly create a plan for achieving those goals. Development plans should contribute to organizational goals and the professional growth of the employee. In the absence of such a system, staff members are unclear as to the employer's expectations regarding performance objectives and standards/targets, leading to low productivity, costly mistakes, stress, de-motivation, and conflict.

Performance Management

Performance-Management is strategic in that it is about broader issues and long term goals and integrated as it links various aspects of the business, people management, individuals and teams. According to Armstrong and Baron (1998) Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals. The term Performance Management gained its importance and popularity in the 1980's when the competitive pressures in the market place started rising. This is when organizations felt the need for introducing a comprehensive Performance Management process into their systems for improving productivity and performance effectiveness. Performance Management can be regarded as a continuous process of managing the performance of people to get desired results. Performance Management is beneficial to major stakeholders of an organization by clearly describing what is supposed to be done for attaining certain desired goals. However focus on Performance Management may be fruitless without the existence of effective implementation, proper organizational design and management system.

Literature Review

The mainstream HRM literature claims that Performance Management is a systematic process for improving organizational effectiveness through developing the performance of teams, most importantly that of individual workers. The fundamental



concern of Performance Management is it universally helps to be the alignment of individual employees with organizational objectives. However, it is argued, that this alignment is not to be imposed in a directive, top down manner. As one of the most widely-read HRM textbooks states, Performance Management is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements (Armstrong, 2009). A widely-held definition of Performance Management is: “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 Harte, 1997). The critical words in this narrative are ‘agreed’ and ‘shared’. The philosophy underpinning this mainstream perspective of Performance Management is of a mutuality of interest between employers and employees which assumes the voluntary nature of the agreement between the respective parties in the employment relationship (Torrington et al., 2011).

Armstrong (2009:628) elaborates the concerns of PM as

- Enabling expectations to be defined and agreed in terms of the role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviours (expected to be) and
- Providing opportunities for individuals to identify their own goals and develop their skills and competencies.

Performance Management encompasses all those aspects of human resources management that are designed to improve the efficiency and effectiveness of both the individual and the organization. Brown and Armstrong (1999) consider Performance Management to be anything that an organization does to improve its total performance. Performance Management assists organization in providing a basis for managing both organization and employee expectations. This is achieved by enabling individuals and organizations to clarify the nature of the psychological contract (Argyris 1960; Schein, 1970) between them. It also aims to provide a framework which facilitates the integration of corporate and individual objectives, beginning with the communication and integration of the organizations core values. Performance Management Systems aim to motivate established and clearly communicated expectations, and also, to provide a developmental process for the organization by setting guidelines that assist in establishing future needs and outcomes.

The Performance Management typically involves “the setting of performance objectives, the measurement of performance against these objectives, the identification of development support and a review process to develop performance and subsequent objectives” (Brewster, Carey, Dowling, Grobler, Holland & Warnich, 2003). The Performance Management System is a way of providing a measurement of the performance of the organization, the team and the individual through a variety of performance measurement techniques (Price, 2000). Bennett & Minty (cited in Nel, Gerber, Van Dyk, Haasbroek, Schultz, Sono & Warner, 2002) argue that there are ‘three major purposes of Performance Management:

- It is a process for strategy implementation
- It is a vehicle for culture change
- It provides input to other human resources systems, such as development and remuneration.

From the above definitions, the main purpose of Performance Management in organizations can be seen to enhance the achievements both of the organization and the individual. Performance Management systems are ‘concerned not only with what is achieved but also with how it is achieved’ (Price 2000). All effective generic Performance Management systems have certain specific components in common, without which the system would be ineffective. These are the principal steps that must be implemented to ensure the effective functioning of the system.

Developing Performance Management System

The clear and detailed employee performance objectives play a crucial role in helping companies to perform in accordance with their business plan and achieve their strategic goals. Performance objectives are a necessity in setting clear goals for employees. They also challenge staff members to achieve maximum results to promote business and make continuous improvements to meet the challenges and changing demands of the marketplace. Macky and Johnson (2000) suggest that a typical performance management system would include:

- The organization communicating its mission/strategies to its employees.
- The setting of individual performance targets to meet the employees’ individual team and ultimately the organization’s mission/strategies.
- The regular appraisal of these individuals against the agreed set targets.
- Use of the results for identification of development and/or for administrative decisions; and
- The continual review of the performance management system to ensure it continues to contribute to the organization’s performance, ideally through consultation with employees.



Fletcher (1996:118) suggests that the main building blocks of a performance management system approach include:

- Development of the organization's mission and objectives.
- Enhancing communication within the organization so that employees are not only aware of the objectives and the business plan, but also can contribute to their formulation.
- Clarifying individual responsibilities and accountabilities.
- Defining and measuring individual performance.
- Implementing appropriate reward strategies and
- Developing staff to improve performance, and their career progression further in the future.

Existence of Performance Cycle at the Banks

The level of existence of various stages in the Performance Management Cycle at the commercial banks is shown in the figure. The stages in the Performance Management start from planning to review.

The stages are presented in the given figure.

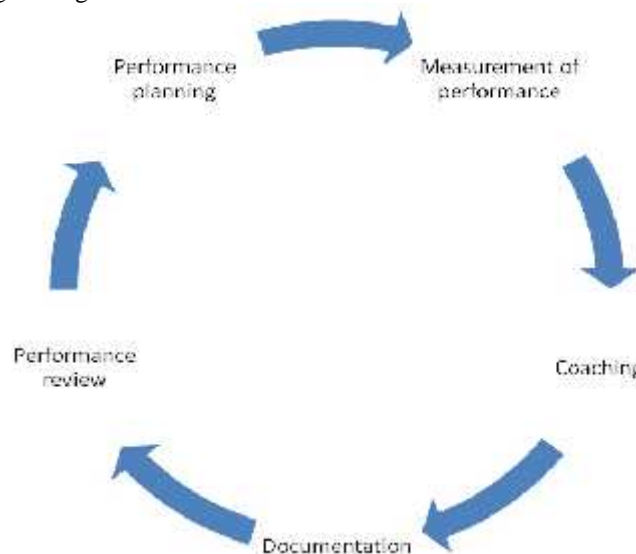


Figure 1: Performance Management Cycle

Objective

The objective of the study is to exhibit the existence of Performance Management Cycle at commercial banks in Madurai District.

Methodology

The present study focuses on the profile of banks and the bankers view on the existence of Performance Management cycle, it is descriptive in nature. The included data of the present study is drawn from a number of commercial banks at various blocks in Madurai district and Madurai city. All the 282 commercial banks in the district are included for the present study. From each branch, three employees consisting of one manager, one assistant manager/supervisor; and the clerks are purposely selected to study the existence of performance management Cycle, in the banks. Hence, the number of sample size of the study came to 846 bank employees. The applied sampling procedure of the study is purposive sampling. The present study is completely based on the primary data, through questionnaire. The questionnaire consists of four important parts. The first part covers the profile of the banks and the level of existence of performance management cycle at banks. The variables related to the existence Performance Management Cycle in banks are too many, the present study confine to 28 variables. The respondents are asked to rate these 28 variables on a five point scale according to the order of existence at their banks. A pilot study was conducted among the fifty bank managers in Madurai city. For analyzing the data collected during the investigation, the following statistical tools were T-test, ANOVA and Multiple Regression.

Analysis and Discussion

The existence of Performance Management Cycle at the commercial banks is the prerequisite for the successful implementation of Performance Management practices at the banks. The existence of Performance Management Cycle is



examined with the help of existence of Performance Planning, Measurement of Performance, Coaching, Documentation and Performance Review.

Existence of Important Stages in Performance Management Cycle at Banks

The level of existence of important stages in Performance Management Cycle has been measured by the mean scores of Performance Planning, Performance Measurement, Coaching, Documentation and Performance Review. The score of each important stage has been computed with the mean scores of the variables in each important stage. The mean of existence of ISPMC at public and private sector banks has been computed separately along with its 't' statistics. The results are illustrated in Table 1.

Table1: Existence of ISPMC in Banks

S. No	Variables in ISPMC	Mean scores in banks		't' statistics
		Private sector	Public sector	
1.	Performance planning	3.8324	3.2532	2.0117*
2.	Performance measurement	3.8909	3.1726	2.7388*
3.	Coaching	3.5522	3.0736	1.4546
4.	Documentation	3.8769	3.2226	2.4089*
5.	Performance review	3.7551	3.1796	1.8911

*Significant at five per cent level.

The existing ISPMC private sector banks the Performance Measurement and Documentation mean scores are 3.8909 and 3.8789 respectively. In the case of public sector banks, these are Performance Planning and Documentation since their mean scores are 3.2532 and 3.2226 respectively. Regarding the level of existence of ISPMC, a significant difference among the public and private sector banks has been noticed in the case of three out of five variables it since their respective 't' statistics are significant at five per cent level.

Association between the Profile of Banks and the Level of Consistence of ISPMC

The profile of banks may be associated with the level of existence of ISPMC, the present study has made an attempt to examine it with the help of one-way analysis of variance. The included profile variables are nature of banks, number of employees in banks, number of departments in branch, annual transactions, and number of customers in branch and years of establishment of branch. The results are shown in Table 2.

Table 2: Association between Profile Variables and the Existence of ISPMC

S. No	Profile variables	Performance Planning	Performance Measurement	Coaching	Documentation	Performance Review
1.	Nature of banks	2.6788*	2.1173	2.3886	2.6562*	2.8869*
2.	Number of employees	2.7088*	2.6672*	2.8045*	2.5117	2.9033*
3.	Number of departments	2.8417*	2.9776*	2.4509	2.8548*	2.3696
4.	Annual transactions	2.4541*	2.3441	2.1172	2.0888	2.5089
5.	Number of customers	2.6568*	2.1172	2.3844*	2.6082*	2.0996
6.	Years of establishment	2.7039*	2.8141*	2.9088*	2.5894*	2.6674*

*Significant at five per cent level.

Regarding the level of existence of Performance Planning, all the six profile variables are significantly associated since their respective 't' statistics are significant at five per cent level. Regarding the view of Performance Measurement, the significant association is seen in the case of number of employees in the branch and the number of departments in the branch whereas regarding the view on Coaching, the significantly associating profile variables are number of employees, number customers in the branch and years of establishment of the branch. The significantly associating profile variables regarding their view on Documentation are nature of banks, number of departments in the branch, number of customers in the branch and years of establishment of the branch whereas in the case of performance review, these profile variables are nature of banks, number of employees in the branch and years of establishment of the branch.



Discriminate ISPMC in Public and Private Sector Banks

The level of existence of ISPMC at public and private sector banks may be differing from each other. It is essential to identify the important discriminate ISPMC among the two group of banks for some policy implication with the help of two group discriminate analysis. Initially, the mean differences in ISPMC among the two group of banks and its statistical significance were computed separately. The discriminate power of each ISPMC was estimated with the help of Wilks Lambda. The results are illustrated in Table 3.

Table 3: Mean Difference and Discriminate Power of ISPMC in Public and Private Sector Banks

S. No	ISPMC	'F' statistics in				
		Private Sector	Public Sector	Mean Differences	't' Statistics	Wilks Lambda
1.	Performance Planning	3.8324	3.2532	0.5792	2.0117*	0.1173
2.	Performance Measurement	3.8909	3.1726	0.7183	2.7388*	0.1418
3.	Coaching	3.5522	3.0736	0.4736	1.4546	0.1996
4.	Documentation	3.8769	3.2226	0.6543	2.4089*	0.1082
5.	Performance Review	3.7551	3.1796	0.5755	1.8911	0.2033

*Significant at five per cent level.

The significant mean differences are noticed in the case of existence of Performance Planning, Performance Measurement and Documentation since their respective 't' statistics are significant at five per cent level. The higher mean differences are noticed in the case of performance Measurement and Documentation since their mean differences are 0.7183 and 0.6543 respectively. A higher discriminate power is noticed in the case of documentation and performances planning since its Wilks Lambda co-efficients are 0.1082 and 0.1173 respectively. The significant ISPMC have been included to estimate the two group discriminate function. The unstandardized procedure was administered to estimate the function. The estimated two group function is:

$$Z = 0.4971 + 0.1509 X_1 + 0.1997 X_2 + 0.2144 X_4$$

The relative contribution of each ISPMC to the total discriminate score is computed by the product of discriminate co-efficient and the mean differences of the respective ISPMC. The results are given in Table 4.

Table 4: Relative Contribution of ISPMC in Total Discriminate Score (TDS)

S. No	ISPMC	Discriminate co-efficient	Mean differences	Product	Relative Cumulative in TDS
1.	Performance Planning	0.1509	0.5792	0.0874	23.55
2.	Performance Measurement	0.1997	0.7183	0.1434	38.64
3.	Documentation	0.2144	0.6543	0.1403	37.81
	Total			0.3711	100.00

Per cent of cases correctly classified: 76.93

Higher discriminate co-efficients are noticed in the case of Documentation and Performance Measurement since their co-efficients are 0.2144 and 0.1997 respectively. It shows the relative importance of the above said two ISPMC in the discriminate function. The higher relative contribution of ISPM to the total discriminate score is noticed in the case of Performance Measurement and Documentation since their relative contributions are 38.64 and 37.81 per cent respectively. The estimated two group discriminate analysis correctly classifies the cases to an extent of 76.90 per cent. The analysis reveals that the important discriminate ISPMC among the public and private sector banks are performance measurement and documentation which are higher in private sector banks than that in public sector banks.

Conclusion

The highly existing important stages of Performance Management Cycle at the private sector banks are Performance Measurement and Documentation whereas at the public sector banks, these are Performance Planning and Documentation. Regarding the level of existence of stages of Performance Management Cycle, the significant difference among the private and public sector banks has been noticed in the case of existence of Performance Planning, Performance Measurement and Documentation. The significantly associating important profile variables with the level of existence of stages of Performance Management Cycle are number of employees in branch and year of establishment of branch. The important discriminant



stages of Performance Management Cycle in private and public sector banks are existence of Performance Measurement and Documentation which are higher at private sector banks than that at public sector banks.

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