

# IMPACT OF PERFORMANCE MANAGEMENT ON ORGANIZATIONAL DEVELOPMENT

With specific reference to software companies in Chennai

- Dr. B.Sudha and Ms. Nisha.R

Performance management are the set of activities and processes that concentrates on the key areas of employee performance aligns with the goals of the organization. The process of progression towards the goals of an enterprise is based on the integration of the goals set by the particular organization with the goals of an individual employee. The very existence of performance management is to accomplish the goals of both the organization and the employees.

Performance management creates a work environment where people within the organization are motivated to perform well to the best of their abilities. This could be achieved by making the job clear and make the communication barrier free. The newly recruited employees need adequate orientation when they are new entrants, communication of the policies and the strength's of the organization enables them to understand the organization and work effectively towards the goals of the enterprise.

Employee workshop, training and development programs enrich the minds of people working within the organization and enable them to work towards the higher standards of the organization. Career development opportunities play a dominant role in molding an employee's attitude towards the work. The sense of commitment towards the organization increases as the employee feels the sense of individual develop opportunities within the organization.

Compensation programs in the form of rewards and contributions from the management also increases the employee commitment towards the organization. Recognition of employee in terms of services done, contribution towards goals, and recognition of the effort are some of the best practices of companies engaged in rewarding employees. This study was undertaken to evaluate the impact of performance management on Organizational Development with specific reference to selected software companies.

**Key Terms:** Employee Engagement, Rewards, Employee Satisfaction, Appraisal System, Employee Standards

## NEED FOR THE STUDY

Due to the financial crisis in the current pandemic situation the organizations have undergone lot of changes. The administration framework of any organization is a constant procedure subject to changes based on the human resources in the organization structure and conveying the activity parts and duties, execution desires, goals and setting the needs, desires objectives between the administrator and subordinates is an ongoing activity in performance management.. Performance Management is the channel that provides goal clarity and also assists to improve the business processes through various methods and mechanism. Some of these mechanisms are stated in this study.

## OBJECTIVES OF THE STUDY

1. To study the impact of performance management on employee engagement
2. To evaluate the effective adoption of performance management and its relation to employee satisfaction
3. To study the impact of performance management and employee retention within the organization

## HYPOTHESIS

The study was conducted to test the validity of the following Null hypothesis relating to the evaluation of the various tools related to improving performance management

**H<sub>0</sub>:** There is no significant relationship between age of the respondents and their satisfaction level in the training provided by the organization after appraisal.

**H<sub>1</sub>:** There is a significant relationship between age of the respondents and their satisfaction level in the training provided by the organization after appraisal.

**H<sub>0</sub>:** There is no significant relationship between the educational qualification of the respondents and their satisfaction level in the tools and materials provided by the organization.

**H<sub>1</sub>:** There is a significant relationship between the educational qualification of the respondents and their satisfaction level in the tools and materials provided by the organization.

**H<sub>0</sub>:** The satisfaction level of the employees with the present appraisal system is not dependent on the age of the employee.

**H<sub>1</sub>:** The satisfaction level of the employees with the present appraisal system is dependent on the age of the employee

**H<sub>0</sub>:** The satisfaction level of the employees and their alignment with the goals of the organization is not dependent on the age of the employee.

**H<sub>1</sub>:** The satisfaction level of the employees and their alignment with the goals of the organization is dependent on the age of the employee.

**H<sub>0</sub>:** The satisfaction level of the employees with the communication of standards of performance is not dependent on the age of the employee.

**H<sub>1</sub>:** The satisfaction level of the employees with the communication of standards of performance is dependent on the age of the employee.

**H<sub>0</sub>:** There is no significant association between employee's position in the management and employee's comfort zone in contributing ideas and opinions in the workplace.

**H<sub>1</sub>:** There is a significant association between employee's position in the management and employee's comfort zone in contributing ideas and opinions in the workplace.

## **RESEARCH METHODOLOGY**

The data was collected using a questionnaire the profile of employees of selected software companies were dealt in section 1 section 2 contained Likerts five point scale for various tools applied and its effectiveness.

## **DATA ANALYSIS**

Primary data was collected through the structured questionnaire given to the employees of software companies. The statistical tools that were used in the study are one way ANOVA, Fried Man Test, Correlation, Chi Square Test.

## **SCOPE OF THE STUDY**

Today's global environment is evolving at a very fast pace, it is important for an organization to evaluate and understand the benefits of performance management. Therefore, the organization has to give prime importance managing employee's performance.

1. This study helps to find the skills and knowledge gaps of employees. This could be improved trainings, coaching and mentoring systems.

2. The analysis helps to study how performance management improves the satisfaction levels and provides new opportunities to employees for their growth and development .
3. The study also helps to evaluate employees who perform bad through performance reviews which could enable organizations to raise their skills levels objectively and quantifies the learning needs through individual development plans.

## **REVIEW OF LITERATURE**

Kumar, Ramendran, & Kadiresan (2012) shows that a company with no compensation planning results in a poor working environment. Kumar & Arora (2012) states that 27 percent of employees, compensation were the primary reason for leaving the company.

James & Mathew (2012) in their studies on employee retention in IT sector emphasizes on following retention strategies: reward and recognition, Training and development opportunities, career planning, flexible work time, performance appraisal, financial support, mentoring and coaching sessions etc.

Mehta et al. (2014) suggest that it is better to retain a well-trained employee rather than wasting the training cost and starting the induction process once again. Cloutier et al. (2015) in their studies gives a similar view that Das (1996) has given that training and development are a kind of motivational tool for employee retention by raising the commitment of employees towards the company

According to B. L. Das & Baruah (2013) job satisfaction is achieved when the expectation of employees which he brings with him at the time of joining the organization matches with the reality.

## **LIMITATIONS OF THE STUDY**

The study is restricted to selected software companies

Lack of cooperation among employees and the current pandemic situation was a limiting factor

Employee's openness to answer certain questions was also another limitation

## ANALYSIS AND INTERPRETATION

Data Analysis and interpretation are considered to be one of the important steps in the research process. The main objective of the data analysis is to examine, organize, classify and group data for studying the impact of performance management on organizational effectiveness. After collection of data with the necessary tools and techniques the next step is to interpret data to arrive at a solution to the problem.

## PERFORMANCE MANAGEMENT – ANALYSIS AND INTERPRETATION

### TESTING OF HYPOTHESES

#### 1. ANALYSIS OF VARIANCE

ANOVA is used to determine whether there are any statistically significant relationships between a dependent variable and independent variable.

#### Age \* Training provided after appraisal: CROSS-TABULATION

Age	Training provided after appraisal				Total
	Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	
20 - 30	3	5	16	13	37
30 - 40	3	3	3	1	10
40 and Above	0	0	3	0	3
Total	6	8	22	14	50

**Source:** Primary Data

**H<sub>0</sub>:** There is no significant relationship between age of the respondents and their satisfaction level in the training provided by the organization after appraisal.

**H<sub>1</sub>:** There is a significant relationship between age of the respondents and their satisfaction level in the training provided by the organization after appraisal.

**ANOVA: Satisfaction Level of Employees in Training Provided after Appraisal**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.788	2	2.894	3.444	0.04
Within Groups	39.492	47	0.84		
Total		49			

**Source:** Computed Data

**Interpretation:** In the table, as the p value is 0.04 which is less than 0.05, the null hypothesis is rejected. It signifies that there is a significant relationship between the age of the respondents and their satisfaction level in the training provided by the organization after appraisal.

**Age \* Present Appraisal System: CROSS-TABULATION**

Age	Present Appraisal System				Total
	Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	
20 - 30	5	4	21	7	37
30 - 40	3	0	0	3	7
40 and Above	0	0	1	2	0
Total	6	5	5	26	14

**Source:** Primary Data

**H<sub>0</sub>:** There is no significant relationship between age of the respondents and their satisfaction level in the present appraisal system of the organization.

**H<sub>1</sub>:** There is a significant relationship between age of the respondents and their satisfaction level in the present appraisal system of the organization.

**ANOVA: Satisfaction Level of Employees in Training Provided after Appraisal**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.538	2	3.269	4.736	0.013
Within Groups	32.442	47	0.69		
Total	38.98	49			

**Source:** Computed Data

**Interpretation:** In the table, as the p value is 0.013 which is less than 0.05, the null hypothesis is rejected. It signifies that there is a significant relationship between the age of the respondents and their satisfaction level in the present appraisal system of the organization.

**Educational Qualification \* Needed Tools and Materials Provided by Organization:  
CROSS-TABULATION**

Educational Qualification	Needed tools and Materials Provided by the Organization				Total
	Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	
UG	3	3	16	4	26
PG	0	0	10	7	17
Others	0	2	4	1	7
Total	3	5	30	12	50

**Source:** Primary Data

**H<sub>0</sub>:** There is no significant relationship between the educational qualification of the respondents and their satisfaction level in the tools and materials provided by the organization.

**H<sub>1</sub>:** There is a significant relationship between the educational qualification of the respondents and their satisfaction level in the tools and materials provided by the organization.

### ANOVA: Satisfaction Level of Employees in Tools and Materials Provided by the Organization

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.967	2	1.983	3.727	0.031
Within Groups	25.013	47	0.532		
Total	28.98	49			

**Source:** Computed Data

**Interpretation:** In the table, as the p value is 0.031 which is less than 0.05, the null hypothesis is rejected. It signifies that there is a significant relationship between the educational qualification of the respondents and their satisfaction level in the tools and materials provided by the organization.

## 2. CHI-SQUARE TESTS

The Chi-Square Test of Independence is a non-parametric test. It determines whether there is an association between categorical variables (i.e., whether the variables are independent or related).

### Age \* Present Appraisal System: CROSS-TABULATION

Age	Present Appraisal System				Total
	Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	
20 - 30	5	4	21	7	37
30 - 40	3	0	0	3	7
40 and Above	0	0	1	2	0
Total	6	5	5	26	14

**Source:** Primary Data



**H<sub>0</sub>:** The satisfaction level of the employees with the present appraisal system is not dependent on the age of the employee.

**H<sub>1</sub>:** The satisfaction level of the employees with the present appraisal system is dependent on the age of the employee.

### Chi-square Test: Satisfaction Level of Employees in the Present Appraisal System

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.860a	6	0.031
Likelihood Ratio	14.752	6	0.022
Linear-by-Linear Association	2.108	1	0.147

**Source:** Computed Data

**Interpretation:** In the table, as the p value is 0.031 which is less than 0.05, the null hypothesis is rejected. It signifies that the satisfaction level of the employees with the present appraisal system is dependent on the age of the employee.

### Gender \* Employee Alignment in Company Goals: CROSS-TABULATION

Gender	Employee Alignment				Total
	Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	
Male	3	4	15	9	31
Female	2	4	2	11	19
Total	5	8	17	20	50

**Source:** Primary Data

**H<sub>0</sub>:** The satisfaction level of the employees and their alignment with the goals of the organization is not dependent on the age of the employee.

**H<sub>1</sub>:** The satisfaction level of the employees and their alignment with the goals of the organization is dependent on the age of the employee.

### Chi-square Test: Employee Alignment with the Company Goal

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.917a	3	0.048
Likelihood Ratio	8.745	3	0.033
Linear-by-Linear Association	0.436	1	0.509

**Source:** Computed Data

**Interpretation:** In the table, as the p value is 0.048 which is less than 0.05, the null hypothesis is rejected. It signifies that the satisfaction level of the employees and their alignment with the goals of the organization is dependent on the age of the employee.

### CONCLUSION

Performance management is a process of collecting data necessary for evaluating the performance of employees within an organization. All companies ranging from small business to huge multinationals need to measure performance. Even though many organizations are primarily focusing on financial incentives as a means to improve performance, many companies use multiple performance appraisal tools to evaluate employee performance. There has been a complete revolution in performance measurement. Today, one of the major challenges for organizations is matching and aligning performance measures with the company's business goals and strategy and corporate culture. The next challenges are regarding choosing the right types and number of measures, the balance between the type of appraisal techniques and the costs of introducing the chosen techniques, and deploying those techniques to achieve higher results.

Digitalization and technology help companies to track, collect, analyze, evaluate, and, as a result, better understand their employees' productivity. A good performance management system can provide compensation, employee career trajectory, hiring decisions, company goals, performance reviews and improve an organizations human capital management.

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