



EFFICACY OF PERFORMANCE MANAGEMENT SYSTEM: AN EMPIRICAL STUDY AT ICICI BANK

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Abstract: *The era of 1998 saw the commercialization of the bank Commercialization of the bank gave rise to cut throat competition under the flagship of eminent leaders like Mr.K.V.Kamath and Ms. Sheikha Sharma etc wherein tremendous pressure, late hour working & performance driven bonus etc became a routine feature. This further paved way for human reforms and employee care leading to human capital management. H.R practitioner of Banks started moving towards futuristic trends wherein scientific recruitment replaced traditional recruitment. Besides this training also gained momentum. The field which witnessed the greatest transformation was the performance management system wherein the traditional performance appraisal system was taken over by multifaceted performance management system with feedback and continuous monitoring as inseparable part of it. Performance management system slowly gained importance as tool to increase employee productivity, and as an exercise for building employee retention due to which banks started investing heavily on it. Performance management system till today poses greatest challenge for their professional therefore aspect like efficacy of performance management system became an important aspect of researchers for study. This research papers is an attempt to minimize the research gap existing in the field of efficacy of performance management system. The study was undertaken in ICICI Bank Ahmedabad to identify the factors contributing to efficacy of performance management system.*

Keywords: *Performance Management System, Efficacy, Human Capital Management, Retention., Key result Area(KRA)*

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INTRODUCTION:

Neely (1998) defined performance management system as the systematic and ongoing process which allows for the continuous monitoring and evaluation of the employees against the predetermined targets enhancing organization effectiveness. Performance management system encompasses 5 steps namely planning, monitoring, developing, rating and rewarding..Performance management system information is used for competency mapping, monitoring, promotion, development, rating and rewarding etc .Performance Management is also built on the measurement of the performance and is more concerned with the total effectiveness of the organization as a group (Lebas 1995). The concept of the performance management is aimed to raise the standards in both public and private sectors while managing the performance of the individual employees. This is intertwined with human resource management such that a constant drive for results is inculcated among employees through more involvement and contribution from the human resources. This is primarily driven by establishing a culture that is based on measurement.

The performance appraisal is a vital element of the human resource management system. Aside from the distribution of rewards, developmental guidance given to the employees is based on the result of performance appraisal. Usually in the process of performance appraisal employees can express their perceptions and standpoint regarding their respective jobs, departments, managers and supervisors and of their organization general (Erdogan 2002). The ideal purpose of the appraisal is to present employees with worthwhile feedback that the latter can instantaneously use to improve respective performance. This may involve encouragement to carry on with their good performances and positive behaviors and suggestions on what aspects need to be changed. Managers can demonstrate to their subordinates the value of improving their performance and of development of skills for possible promotion, added responsibilities, and increase in monetary compensation and benefits (Walsh and Fisher2005).With the demanding needs of the time performance appraisal is now looked on not as one time affair but as an ongoing continuous process which thereby calls it performance management system. The banks are spending heavily on building the Performance management mechanism which would assist H.R practitioner in scientific recruitment, competency mapping, improving productivity per employee etc .



LITERATURE REVIEW

Performance management is methodology that links employee's accountabilities with the core performance areas. As per Payant(2006) performance management is a promise to employees from organizations to create clear accountabilities linked to key business drivers. According to Payant (2006), by implementing effective performance management, the company's top leadership team can measure strategic performance based upon management and business strategies that were agreed upon. This includes management's commitment to communicate effectively, It involve associates in managing their own performances, and to focus as much time on developing people as evaluating them (Randall, 2006). Performance management is a combination of theory and practice. It is widely used in public, nonprofit and private sector organizations to create information for planning, implementing and assessing policies and programs designed to address and solve problems. Many companies have used performance management with positive results. Elisabeth Fleuriot, president of Kellogg - France, used performance management to improve her organization's bottom line results. Hospital Corporation of America (HCA) Mid America Division, reduced turnover by 60 percent, and saved six million dollars a year while boosting associate job satisfaction through performance management. British Telecommunications Exact (BT) used performance management to drive clearer expectations at all levels (Rogers, 2005). These organizations have successfully used performance management as a tool to establish a focus on their organization's key priorities. By doing so, they have each created a competitive advantage for their Performance management is a continual process. The difference between performance management and performance appraisal is that performance appraisal is a one-time, yearend event during which a manager evaluates a direct report's performance management is an ongoing process.

As per Kotter and Heskett (1992) effective performance management system requires an equal participation of manager and associate. They identified certain factor that leads to effective performance management system which can be listed as follows.

- Mutually discussing and creating performance plan
- Monitoring and tracking performance on frequent basis
- Coaching and facilitating him with the right tools for increasing productivity
- Mapping the current performance with expected performance



- Discussing futuristic developmental plan.

As per the survey carried out by Rogers (2005) for twenty two companies the findings reported that companies with a strong performance management system realized revenue growth, stock price growth and income growth. On the contrary (Kotter and Heskett 1992) studied the organizations where there was no culture of performance management system. Thus the comparative analysis revealed that performance management system serves as vital component for increasing company profitability

Besides the implementation of performance management system the same has to be effective also to get a resultant benefit. Effective performance management system requires considerable effort and commitment from the human capital management practitioner as well as seniors of the organization (Holsinger & O'Neill, 2003). Majority of the failure reported was due to senior management support missing in the organization (Charan, 1999). With the committed senior executives present performance management system can propel (Rogers, Wellins, & Conner 2002). Additional benefits of effective performance management system further relates to increase in employee retention, 180% increase in internal promotions thereby reducing the turnover by approximately 82% (HR focus 2003)

RELEVANCE OF EFFICACY OF PERFORMANCE MANAGEMENT SYSTEM IN INDIAN COMMERCIAL BANKS

Commercialization of the banks have gone long way in giving the services at par with customer needs. With the cut throat competition edging up in the market every bank is gaining the momentum for building on human capital management. Adding on to the series of futuristic development visible traits like scientific recruitment, emphasis on training etc are seen. The period of 1980 saw the introduction of HRD concept laying emphasis on the futuristic orientation to the development of employees. One of the major transformations seen in banks was in the area of performance appraisal system which further gained a wider scope and was now termed as performance management system. Though the bank invested heavily on performance management model the resultant benefits were not accrued and till today it remains as one of the unanswered question. Therefore the study is undertaken in ICICI Bank to find out the efficacy level of performance management system implemented.



STATEMENT OF THE PROBLEM

The present research intends to answer the following problem

Is the performance management system effective in ICICI bank?

What are the various factors contributing to efficacy of performance management?

Which is the major and least factor contributing to performance management efficacy?

The various objectives related to the problem statement are as follows:

OBJECTIVES

To study the level of effectiveness of performance management system in ICICI bank

To Study the factors contributing to the effectiveness of performance management system

To study the variation in the level of effectiveness of performance management system

among the various designation groups and tenure of employees

RESEARCH PLAN

Sampling Design	Descriptive
Sample Size	30
Sampling Technique	Convenience
Sampling Unit	Employees Of ICICI BANK
Data Collection	Primary –Questionnaire Secondary: Research papers ,Journals

Data Analysis and Interpretation

Variables	Strongly disagree	disagree	neutral	agree	strongly agree
The navigation path given to operate online PMS is clear	3	5	4	13	5
All the factors facilitating and hindering performance are taken into consideration while appraising the performance	3	2	10	12	3
The Performance goals set by the appraiser for you are in alignment with your career aspirations.	1	1	11	13	4
The goals set are always mutually agreed upon.	1	4	13	9	3



You are satisfied with the weightings given against each activity that you are supposed to perform in the specified period	0	2	11	15	2
The deadlines set to complete and submit the performance document are sufficient	1	0	5	16	8
The manager/ HOD assist you in getting clear idea of the tasks to be Performed.	0	4	5	10	11
Your final rating is based not only on your competencies and KRAs but also on several other factors like your corporate Image and interpersonal relation with the rater.	0	3	5	10	12
Managers and employees trust the appraisal process	1	2	18	7	2
your doubts/ queries are addressed by the PMS administrator while operating online PMS?	3	5	4	15	3
The process is used mainly for improving the future performance along with reviewing the present performance.	0	4	12	10	4
You feel free to express to your appraiser, your disagreement regarding the appraisal decision.	3	10	3	9	5
You always get proper updates from your HR regarding your case.	3	7	11	5	4
The rewards (Compensation) are based on valid criteria.	6	7	8	6	3
Goals are revised based on changing business needs of the organization	0	3	2	5	20
Your Job Description clearly defines KRAs on which your performance is rated.	0	2	6	12	10



Your Manager provides you with continuous feed back to help you achieve your goals	1	2	12	10	5
Total	26	63	140	177	104
Mean	1.529411765	3.705882	8.235294	10.41176	6.117647059

From the mean value we can say that most of the employees are agree. Therefore we can say that performance management system in ICICI BANK is effective

Sr no.	Variables	Mean
1	The navigation path given to operate online PMS is clear	2.966667
2	All the factors facilitating and hindering performance are taken into consideration while appraising the performance	3.366667
3	The Performance goals set by the appraiser for you are in alignment with your career aspirations.	3.6
4	The goals set are always mutually agreed upon.	3.3
5	You are satisfied with the weightings given against each activity that you are supposed to perform in the specified period	3.566667
6	The deadlines set to complete and submit the performance document are sufficient	4
7	The manager/ HOD assist you in getting clear idea of the tasks to be Performed.	3.933333
8	Your final rating is based not only on your competencies and KRAs but also on several other factors like your corporate Image and interpersonal relation with the rater.	4.066667
9	Managers and employees trust the appraisal process	3.233333
10	your doubts/ queries are addressed by the PMS administrator while operating online PMS?	1.166667
11	The process is used mainly for improving the future performance along with reviewing the present performance.	3.466667
12	You feel free to express to your appraiser, your disagreement regarding the appraisal decision.	3.1



13	You always get proper updates from your HR regarding your case.	3
14	The rewards (Compensation) are based on valid criteria.	2.766667
15	Goals are revised based on changing business needs of the organization	4.4
16	Your Job Description clearly defines KRAs on which your performance is rated.	4
17	Your Manager provides you with continuous feed back to help you achieve your goals	3.5

From the table we can say that variable 15,16,8,6 are important with compare to the other variables. therefore we can statistically say that in ICICI bank The major contributing factors for effectiveness of performance management system efficacy are:: sufficient deadlines for target completion which can be termed as realistic goals, ratings to be determined by KRA, flexible goals, clarity of goals and KRA needed for it

Anova Test

H1: There is a significant difference in opinion regarding the effectiveness of performance management system among the employees of different designation.

H2: There is a significant difference in opinion regarding the effectiveness of performance management system among the employees of different tenure group.

Factor	Dependent variable	p	Level of significance
Designation	Perception regarding PMS	0.869	0.05
Tenure	Perception regarding PMS	0.151	0.05

From the output we can say that there is no significant difference in the efficacy of PMS among the various designation and tenure groups.

Conclusion:

The study concluded that the efficacy of performance management system was there in ICICI BANK. The effectiveness of performance management system was contributed by



clarity of goals, clear job description, flexible goals, broader mapping of the performance rather than only job.

LIMITATION AND FUTURE SCOPE:

The sample size was very small so the result cannot be generalized. Future research should be taken with large sample and different private banks should be done. Comparative analysis among the various service groups should also be taken.

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