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Managing Business Quality Using a Performance Management System

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Abstract

Purpose - The study's aim is to assess performance quality delivered through a performance management system. The case study first measures the effectiveness of the present performance management system of Bhushan Steel Ltd. (BSL), and then secondarily analyzes the employee training impact.

Research design, data, and methodology - A case study research approach using a survey was followed. The final sample size was 50, with a simple random sampling technique used. Primary data came from the company itself and the secondary from books, the Internet, journals, etc.

Results - BSL employee appraisals are used for many developmental aspects such as competence in the present job, improvements, performance development, and training needs. The results indicate that individual performance can improve if employees perceive the system as more transparent (i.e., not so confidential).

Conclusions - Overall, the BSL employees think that the company appraisal system is useful; however, to make it better the company has to improve many aspects including appraisals based on supervisor observations. The company could use a self-appraisal and a 360-appraisal approach to improve such assessments.

Keywords: Appraisal, Compensation, Career Development, Job Description, Performance, Strategy.

JEL Classifications: M30, M31, M54. L10.

1. Introduction

The study was carried out with the objective to measure the effectiveness of the present Performance Management System of Bhushan Steel Ltd. The secondary objective of the study was to analyze the training aspects of Bhushan Steel Ltd. Performance has many dimensions: (a) Output or result di-

mension - These are the Key Result Areas (KRAs). It describes the consequence of inputs in a summary form or a final or semi-final product form or service form. (b) Input dimension - It deals with the tasks and activities to be accomplished by the individual. (c) Time dimension - This is the time period that is given to perform the task. (d) Focus dimension - The focus can be on anything, may be quality or the cost or anything. (e) Quality dimension; and (f) Cost dimension

Employee performance management includes: (a) Planning work and setting expectations, (b) Continually monitoring performance, (c) Developing the capacity to perform, (d) Periodically rating performance in a summary fashion, and (e) Rewarding good performance.

1.1. Significance of the Study

Performance appraisal, also known as employee appraisal, is a method by which the job performance of an employee is evaluated (generally in terms of quality, quantity, cost and time). Performance appraisal is a part of career development.

Appraisals in comparison to the performance management are periodic activities whereas performance management is a continuous process. Appraisals are a part of performance management. If the management involves improvements, the moment we assess where we stand there is an appraisal taking place. Therefore appraisal has its own importance in performance management system, without some form of appraisal management becomes difficult.

It is always desired that performance management with performance appraisal should lead to increased performance. However, in most of the organizations, performance appraisals have led to decreased performance. This happens particularly when appraisals are linked to rewards and when fewer people are awarded than those expecting them. Those who are not rewarded get de-motivated. If those who expect to be rewarded exceed the number of those who actually get rewards, the net outcome of performance appraisal may be negative. Performance management systems with an appraisal component built into them should mean improved performance, more motivated people, and more competent people.

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1.2. Performance Management System in Bhushan Steel Ltd.

For an organization, the focus should not be just to have the best people; but also to retain them and get the best out of them.

In BSL, the operative performance management system consists of:

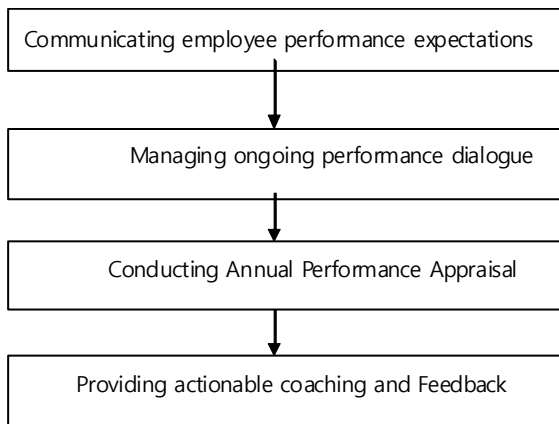
1. A process for communicating employee performance expectations, maintaining ongoing performance dialogue, and conducting annual performance appraisals;
2. A procedure for addressing employee performance that falls below expectations;
3. A procedure for encouraging and facilitating employee development;
4. Training in managing performance and administering the system; and
5. A procedure for resolving performance pay disputes.

1.3. The Process of Managing Performance

Supervisors and managers are responsible for managing the performance of their employees. Each company's policy shall specify how the four phases of performance management will be carried out. Companies shall adopt performance management practices that are consistent with the requirements of this policy and that best fit the nature of the work performed and the mission of the organization.

The performance management process in BSL is the combination of all these individual processes at different levels:

1.4. PMS Model Followed by BSL



Source: BSL periodicals taken from the HR department

<Figure 1> Showing PMS model followed at BSL

Stage 1: Communicating employee performance expectations

At the beginning, supervisors meet with their employees, establish expectations regarding their employees' performance,

specify how employees' actual performance will be measured and their success determined, and impart to them an understanding of how meeting these expectations will contribute to the achievement of the company's mission

Stage 2: Maintaining ongoing performance dialogue

Employees are responsible for meeting their performance expectations and their progress towards meeting expectations is measured, reported, discussed, and documented throughout the work cycle. To meet or exceed their efforts to support the performance expectations, supervisors use appropriate technique. When there is a change in expectations during the course of the work cycle, supervisors also communicate these changes and modify work plans as necessary.

Stage 3: Conducting annual performance appraisal

Now at the end of the work cycle, supervisors evaluate employees' performance during the past year compared to their performance expectations. They use verifiable information collected and documented throughout the cycle to determine the extent to which actual performance has met the expectations defined in the work plan. The evaluation is documented by the H.O.D. on a standard form defined by the company. The company has different appraisal forms for different work forces like workers, staff and senior staff.

BSL uses a 5-level rating scale for reporting overall performance. Prior to discussing the completed performance appraisal with an employee, supervisor review the appraisal with the next level manager to ensure that ratings are appropriate and consistent. Then supervisor signs and date the completed appraisal indicating that the employee is reviewed on his/ her performance for the last year.

Stage 4: Providing actionable coaching and feedback

By using the appraisal form the company becomes aware of the performance of all the employees and their remarks which were given by their HODs.

1. Addressing poor performance: In case of the poor performance, the supervisor document the performance that falls short of expectations by preparing a corrective action plan or other documentation. The documentation specifies:

- The performance problem,
- The steps to be taken to improve performance, including the time frame of the improvement,
- The consequences of failure to improve, and
- A follow-up date.

Now these performance deficiencies that occur during the performance cycle are referred in the annual performance appraisal. In BSL, to overcome the poor performance, the company provides training to the employees.

1.5. Review of the BSL's Annual Performance Appraisal Form for Staff

This form is for the measurement of the performance of the staff employees. In BSL the appraisal is done on the basis of

the date of joining.

Performance dimensions on which the performance of the staff is measured are:

1. Job Knowledge
2. Job planning
3. Job Performance
4. Leadership and Followership
5. Attitudinal relation with seniors, juniors and colleagues
6. Communication and Presentation
7. Team Spirit
8. Ability to train persons
9. Ability to plan/ Execute new ideas
10. Punctuality and Discipline
11. Reliability and Willingness to take responsibility
12. Willingness to learn, accept, challenge, acknowledge mistake and to correct them
13. Environment and Safety consciousness
14. Special Achievements
15. Other quality

Ratings on the scale of 5 - These dimensions are then rated on the scale of 10, 8, 6, 4 and 2. After that all the scores get totaled.

Comments and training needs identified: The supervisor then gives his comment and writes down if there is any need of training or not.

Final rating: There is a final rating that is given on the basis of the grand total of the all ratings given on the individual performance dimension. The final rating lies on the scale of A to E.

Signature: After that HOD signs and dated the form.

1.6. Appraisal Technique Used in Bhushan Steel Limited

The annual appraisal in Bhushan Steel uses GRAPHIC RATING SCALE technique to identify the performance of the employees. In this method, an employee's quality and quantity of work is assessed in a graphic scale indicating different degrees of a particular trait. The factors taken into consideration include both the personal characteristics and characteristics related to the on-the-job performance of the employees. For example a trait like Job Knowledge may be judged on the range of average, above average, outstanding or unsatisfactory. Here the performance dimensions are measured on the scale of 10 to 2.

The need for Performance Ratings: Whatever may be the model used, final assessment (in the form of ratings or assignment of points), becomes very useful for development as well as administrative decisions. If appraisals do not result in such ratings or points being assigned to appraises on different KPAs (or objectives) and behavioral and managerial dimensions, it becomes difficult to know subsequently how well the individual is

progressing.

1.7. Using Performance Management System Data for HR Decisions and Performance Improvements

Effectiveness of performance appraisal system depends on how well the data generated by the system is utilized and to what extent the employees see the data is being utilized. Appraisal data can be applied for development decisions as well as for HR management. The following categories of development decisions could be taken on the basis of the appraisal data:

- i. Organizing company training programmes;
- ii. Sponsoring executives for external training;
- iii. Job rotation;
- iv. Career development;
- v. Potential development; and
- vi. Delegation.

The following HR decisions could also be made on the basis of appraisal data:

- i. Performance rewards;
- ii. Placement and transfers;
- iii. Promotions;
- iv. Change of duties.

In Bhushan Steel Ltd., the appraisal data is used for identifying the training needs. Basically they follow a system of "Appraisal Based Training". Here the company on one end identifies the areas of improvement and on the other hand develops the employees by giving them coaching towards their weaknesses.

1.8. Training in BSL

In BSL, the Performance management system has Training as an important part for the growth and the development of the person as an employee as well as an individual. Training in BSL starts from the identification of its need in the company and for that the company uses tools called Training matrix and Annual training calendar.

Induction / Orientation: This is the training that is mandatory for each employee to take when they enter in the organization. This training is about the culture of the company, its safety measures and other expectations that company has from its employees. It is a manufacturing industry, and safety is one of the major things that they take care of, so that no one get hurt or injured. Safety training is given to each employee when they join in the company.

Appraisal based training: This is the training given to the employees who are presently working in the company. When their performance is measured, they are assessed and the training is given on the identified weaknesses. That is why it is called appraisal based training because this training is given after doing the appraisal and it is basically meant to develop the

employees. Appraisal data is used to develop the employees and Bhushan Steel do it through identifying its employees training needs, and organize company's training programmes.

1.9. Training Needs Analysis

The training need analysis is done on the basis of the annual appraisal of the employees. The supervisor is the person who always works with his employees; he knows their strengths and weaknesses. So, while filling the appraisal form, if he thinks that any employee is lacking somewhere due to any problem like communication, motivation or any other technical thing, he identifies a training need for that employee in his/ her appraisal form.

The training sessions are identified through the training matrix and the training calendar of the company.

Steps involved in making the Annual Training Calendar are:-

STEP 1: HR department send a Training matrix to the H.O.D. of every department. This matrix consists of the names of the employees of the concerned department and the Head of the Department fill that matrix with respect to the employees' technical and non-technical abilities. This training matrix is then send back to the HR department.

STEP 2: Now the data is collected by the HR department.

STEP 3: Costing is the main factor that affects the training needs of a company. The next step is to calculate the cost of the prescribed training. After getting approval from head of the HR department, further moves are taken.

STEP 4: As the cost of the training is approved, the Annual Training Calendar is prepared. In which the training sessions are bifurcated into the 12 months period.

1.10. Training Interventions

TYPES OF TRAINING: The training in BSL is divided into two parts i.e. Technical and Non-Technical

Technical Training includes:

1. ISO/ TS – 16949 Awareness
2. ISO – 14001 Awareness
3. OHSAS 18001 Awareness
4. MSA (Measurement System Analysis)
5. Control plan
6. PFMEA (Potential Failure Mode Effect Analysis)
7. House Keeping
8. Mistake Proofing/ Problem Solving
9. Kaizen
10. Process Control
11. Safety & Environment

All these training topics are technical in nature. ISO and OHSAS Awareness Trainings are given to make the employees aware about the standards that BSL follow, to make sure that all the daily processes in the company are in accordance to the standards defined. SPC, MSA and Control plan are the trainings given to maintain the Quality. PFMEA is a training that deals

with the shut down of the machines and all other technical problems. Mistake proofing, Kaizen, Internal Auditing and Process Control are given to maintain the continuous improvement. Safety & Environment training is given for the employees' safety and to make them aware about the working environment of the company.

Non-Technical Training includes:

1. Communication
2. Management Effectiveness
3. Motivation
4. Leadership
5. General Awareness
6. General management
7. Discipline
8. Time management
9. Latest Technology Upgrade

Non-Technical Training is given by the company not only to improve the quality of the work of the employee; but also to boost the morale and the satisfaction level of the employees.

DURATION OF THE TRAINING: The trainings in BSL are of short durations. When employee joins the organization, his/ her training which is called Induction training is of one week. All the other technical and non-technical trainings are of one, two or three days.

TRAINING FACULTY: If the trainer is not enough educated about the technicalities of the job, the training would be useless. So the faculty for the training is either the person who has good knowledge about the subject or the person who has expertise in the field of the topic of the training. For most of the topics company hire external faculty and for some topics they have internal faculty.

MODES OF TRAINING: Training in BSL is both On-job and Off-job.

EVALUATION AND FEEDBACK: The evaluation of training in BSL is done in the following way:

STEP 1: Trainees fill the Training Feedback Form

First of all when the training is completed the trainees fill their Training Feedback Form. In this form they are asked to fill different questions on the effectiveness of the session they attended.

STEP 2: Sending Training Effectiveness Evaluation Sheet to HOD

This feedback form is then submitted by HR department. After three months this form is sent by HR person along with a sheet i.e. Training Effectiveness Evaluation Sheet to the H.O.D. of the concerned department.

STEP 3: Taking Remarks by the HOD on the effectiveness of the employee

Now HOD give their remarks on the scale of effectiveness i.e. Is the employee utilizing his/her training very effectively or there is any improvement? If there is no improvement, Is the retraining required?

These are the steps that the company follow to evaluate the effectiveness of the training that they give to their employees.

2. Literature Review

The study elucidates performance management and the six key elements it requires: leaders, managers, accountability systems, performance budgeting, measuring and monitoring, and evaluation. It also indicates some of the major concerns evaluators have raised regarding the validity of knowledge produced within performance-management approaches that do not rely on evaluations (David & Nielsen, 2013).

The results highlighted significant differences between the SMEs holding both the ISO 9000 and 14000 certifications and those holding only the 9000 ISO certification. Each group was shown to have distinct motivations and resources and to have implemented different types of initiatives to address environmental concerns. Each group was positively correlated with different facets of organizational performance (Roy, Boiral, & Paillé, 2013).

Mert(2011) investigates the employees' perception of the outcomes and detriments of an effective performance appraisal system. According to the findings of the study, the perceptions of employees toward the performance appraisal system have an effect on their thoughts of their own appraisals. Besides, it was determined that women perceive the performance appraisal system as more effective than men and the employees who work as a manager have a more sensitive perception toward the detriments of performance appraisal systems than who do not.

Dhiman & Singh(2007) says that politics is a bane of administrative systems such as performance appraisals. It not only debilitates the system's credibility in the eyes of various stakeholders, but also adversely affects the employees' morale and the organizational effectiveness. It also focuses on the assessors' perspective and conceptualizes their perceptions of politics in appraisals (PAPS). It has been argued that PAPS constitutes the assessors' perception about political behaviors of other stakeholders—reviewers, assesses, and fellow appraisers—and shapes their own perceptions. These perceptions will be influenced by certain contextual factors in which appraisals are conducted. Focus has also been on four such factors: ambiguity about policies, procedures, performance standards, criteria, etc., assessors' accountability with respect to appraisals, assessors' and assesses' instrumentality linked to appraisal and organizational support in terms of assessors' training to conduct better appraisals. Paper also Contributes to appraisal literature and informs managers about mitigating appraisal politics.

Greenberg (1986) studied 217 private sector middle managers and asked them on an open-ended questionnaire what single factor made a recent performance evaluation fair or unfair. Factor analysis of the results indicated that soliciting employee input, two-way performance interview communication, and the ability to challenge or rebut the performance ratings account for a significant proportion of the variance in perceived efficacy of the performance appraisal system.

3. Research Methodology

Research objectives: The primary objective is to measure the effectiveness of the present Performance Management System of Bhushan Steel Ltd. The secondary objective of the study is to analyze the training aspects of Bhushan Steel Ltd.

Research Design: Descriptive research design has been followed in which the Questionnaire Survey has been done.

Sample Size: The sample size taken was 50. The population size was 72.

Sampling Technique: Simple random sampling.

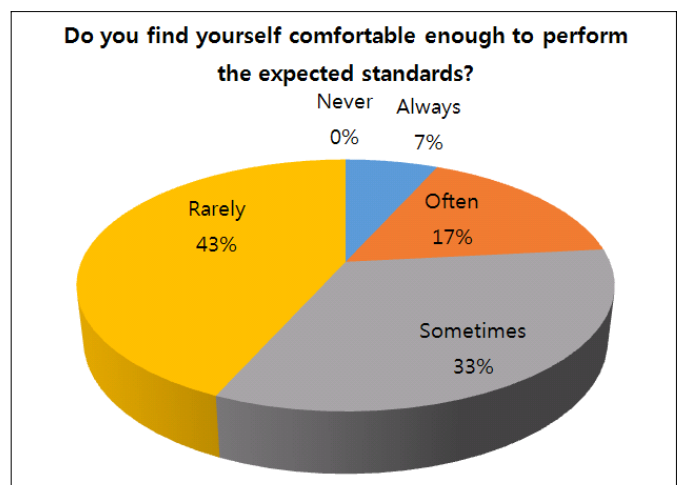
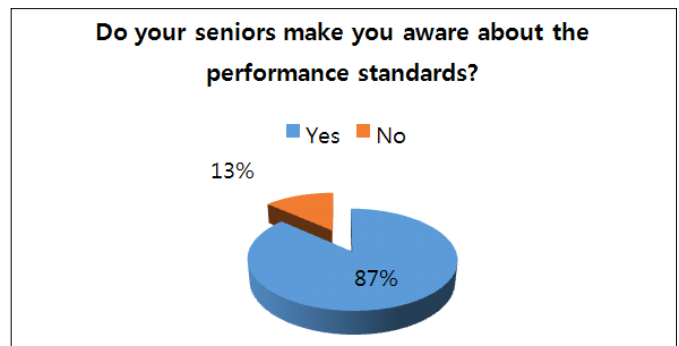
Data Collection: The data has been collected from both the primary and secondary sources. The primary data is collected from the company itself and the secondary sources for the data collection were books, internet, journals etc.

Period of the study: From May to July 2012

Data Analysis Technique: MS-Excel is used as a technique to analyse the findings of the data collected through the questionnaire.

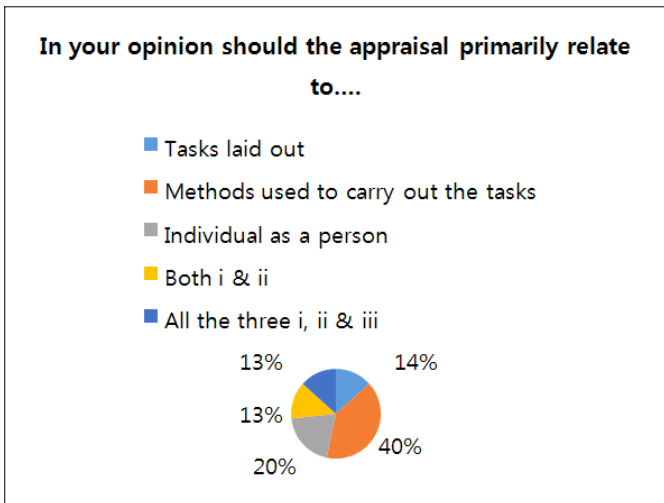
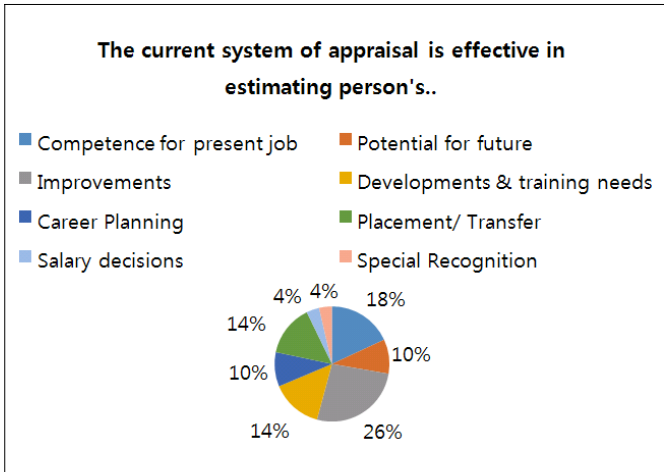
4. Data Analysis and Interpretations

The two graphs below deal with the fact that, Are the employees well communicated about their expected standards by their supervisors?



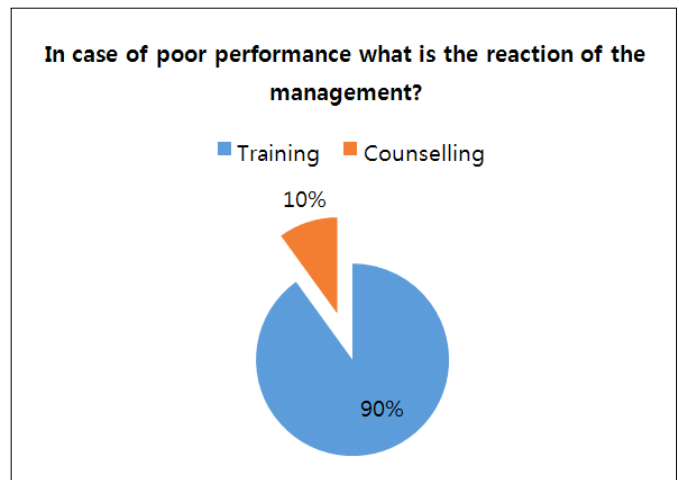
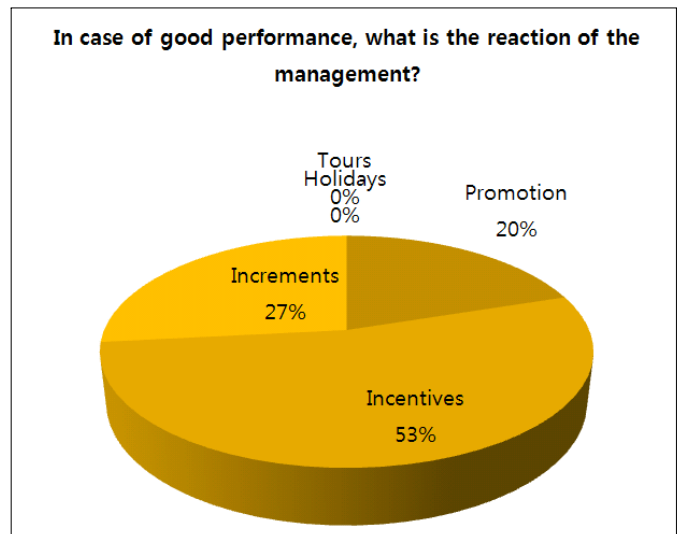
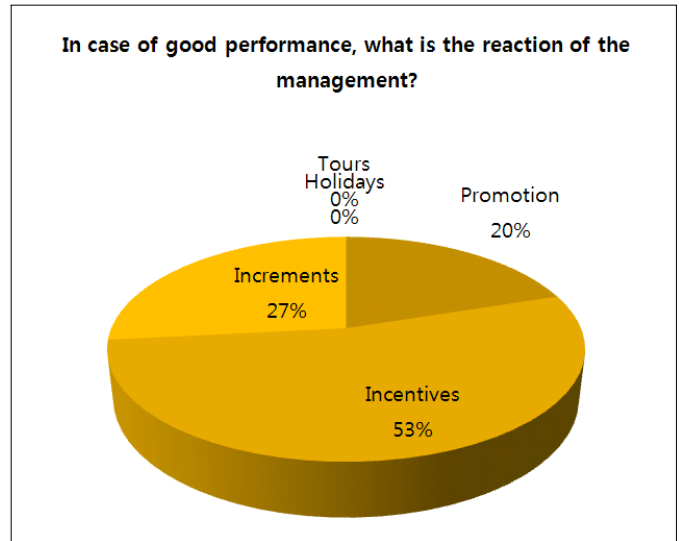
Result: The result shows that the employees are aware enough about their standards as 87% of the respondents have said "Yes" and only 13% of the respondents have said "No". But when it comes to perform the expected standards, the employees have varied responses. The "Always" part is only 7% whereas "Sometimes" and "Rarely" have a big space of 33% and 43% respectively.

The two graphs below deal with the opinion of the employees regarding the appraisal system, that On what basis their performance is assessed?



Result: Mainly the appraisal data is being used for Improvements (26%) and identifying the employee's Competence for the present job (18%).

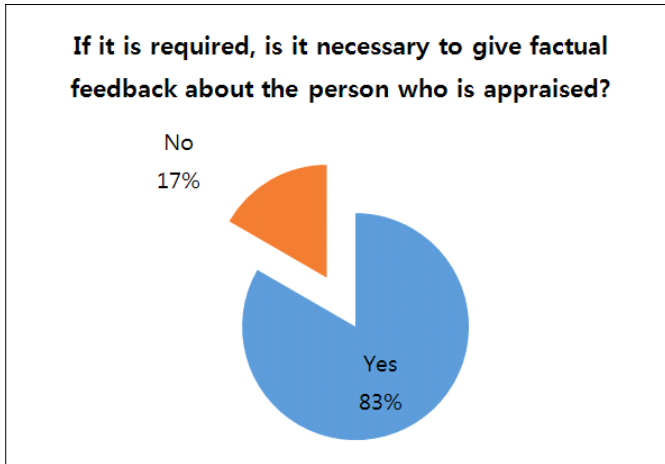
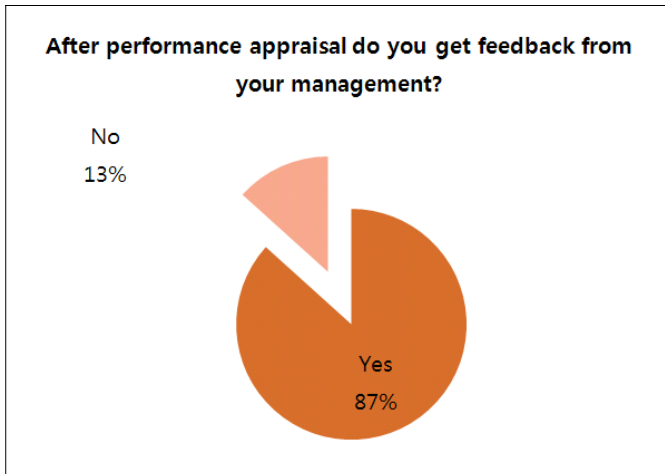
The two graphs below first analyze the reward policy of the company, and then we found What company do to address the poor performance?



Result: The clear reactions of the management towards the good performance are Incentives (53%), and Increments and

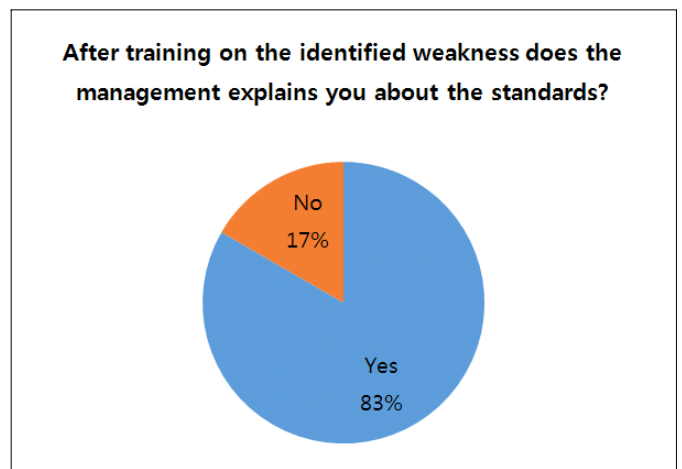
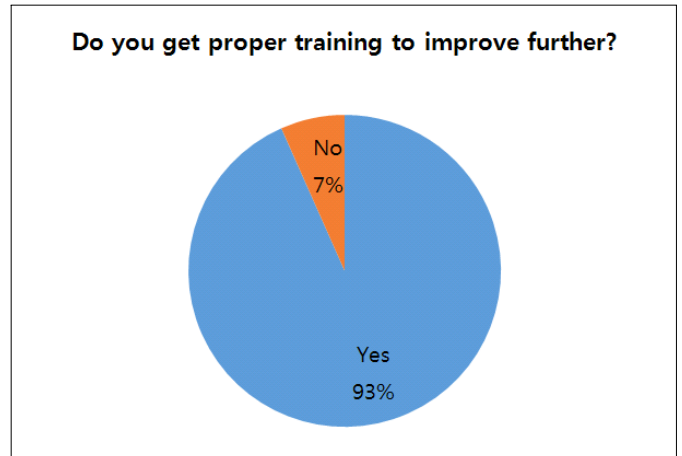
Promotions are the other rewards. The second graph depicts the reaction of the management towards the poor performance identified by the appraisal exercise. Training (90%) is the main thing that is carried out to work on their faults and improve further.

The two graphs below try to analyze the necessity of feedback to the employees, and Is the management sincere in giving feedback to its employees?



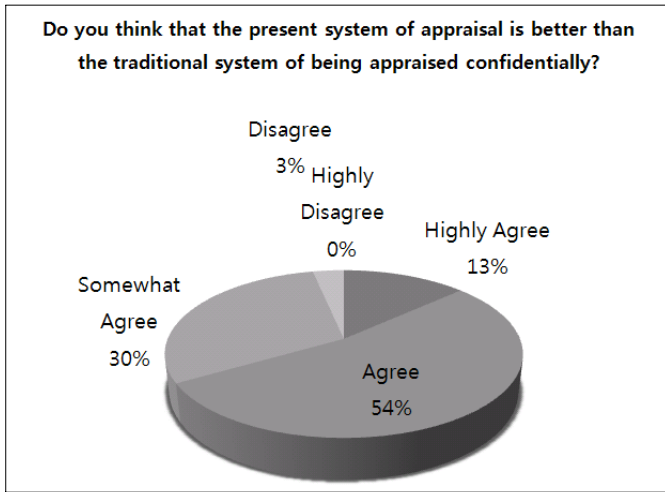
Result: These graphs are depicting that BSL has a sound feedback mechanism. The respondents also agree with the factual feedback mechanism, they think it should be used in the companies.

The graphs below try to give the information about the appraisal based training in the company.



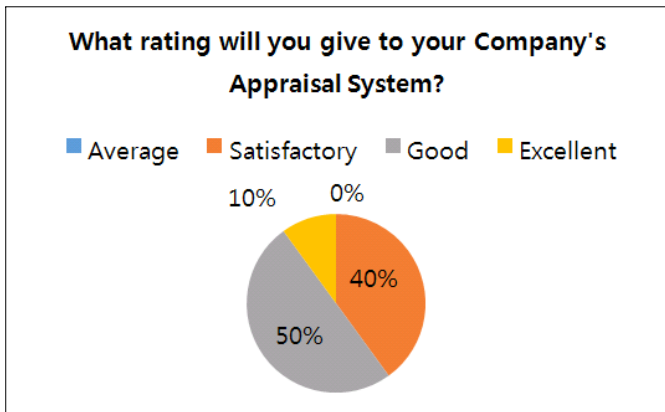
Result: The organization give appraisal based training, employees agree towards the reaction of the company to work on the employees weaknesses. To work on their weaknesses they get proper training and after that they are again communicated about the expectations that they need to fulfill in a given time period.

The graph below tries to analyze the better system of appraisal.



Result: The employees of BSL, think that the appraisal system should be open. They are against the confidentiality of the appraisal exercise.

The graph below tries to explain the views of the BSL employees towards the appraisal system in their company.



Result: The employees of BSL think that the appraisal system in their company is good or satisfactory enough. But it needs some improvements to be the excellent system.

5. Results

Bhushan Steel Limited is a large organization and to firmly operate this big organization everything should be pre-planned and effectively executed. People work in this organization because of its name and its value in the market. Bhushan Steel has a big name and its high industry clientele. The Performance Management cycle in any company starts with a clear view of expectations. To gain these expectations employees define their

KPA's. These KPA's help them in achieving their job goals in a proper way. After analyzing the graphs obtained by the survey in Bhushan Steel Limited, I got a view of the company's performance management system.

Certain interpretations are done on the basis of the data:

- The first and the foremost thing in the Performance Management System is to set the expectations for the employees, and decide on the KPA's of the employees. In Bhushan Steel, the company explains their standards and expectations to their employees. But to perform on those expectations the employees should first define their KPA's with the help of their bosses. If the KPA's are well defined and well executed the expectations would easy to be gained. Here in the employees and their bosses should start again to think over the KPA's of the employees, so that they perform according to their expectations.

- In Bhushan Steel, the appraisal is not only related to one thing but it takes all the measures into the consideration. Methods that are used by the employees to perform the tasks have greater weight age in the appraisal exercise but the supervisors also take care of the nature of the tasks as well as how employee as an individual is effective in performing its tasks.

The data collected from the appraisal exercise in BSL, is used for many developmental aspects like competence for the present job, Improvements, Developments and Training needs etc. But here Career Planning, Potential for future etc. are the scopes that are not mainly considered.

- From appraisal we get the idea of the good and the poor performance. In BSL if the employee is good in its performance, then there are rewards like incentives, increments and promotions. But if the employee is not performing well, the management of BSL only has the provision of the training. Training is one thing that is important, but company should also focus on the counseling of the employees because some times it's not the physical factor that is hammering the performance of the employees but it could be the mental stress or the mental dissatisfaction.

- Every employee thinks that feedback is necessary. The feedback should take front seat in case of development of the employees. In BSL, feedback is there but it's not continuous in nature. There is not definite interval in which the feedback should be given. The feedback in BSL is given after the training program. But the feedback is necessary at every stage. The factual feedback gives the employees an insight of their doings that they could not see by themselves.

- BSL always try to maintain the quality at every aspect. For that they are always dedicated towards there training programmes. After training, they always make sure that the employees do not repeat the mistake.

- The employee should know that who is deciding on his performance, on what criteria he is being measured and what benefits he will be getting for the good performance. The BSL's employees think that the appraisal system should not be much confidential; there are certain things which should be known to the employees.

Overall the employees of BSL think that the appraisal system in the company is good or we can say satisfactory, but to make the system excellent the company has to improve on many levels of the Performance Management System.

6. Conclusions

Bhushan Steel Limited being an old and established company has well laid management system. To maintain the management throughout they have given prime importance to the human resource.

The performance of the employees are measured on the annual basis, on this analysis the training needs of the company are identified. The measurement of the performance is done on the annual basis but the performance of the employee is recorded by his/her supervisor on each movement. Supervisor is the person who is responsible for the measurement of the employees' performance on the regular basis and so he is the main member of the appraisal system of the BSL.

The employees in BSL are all well aware of the PMS of the company and they find that PMS is necessary for every organization. Appraisal exercise is the necessary tool to measure the employees' worth of the performance. The appraisal exercise in BSL is on the good side but there are still some improvements which are required.

There are still some areas of concern:

1. Everything should not be left in the hand of the supervisor because the appraisal system has failed to provide for a process whereby the biases of the supervisor can be eliminated through a review process.
2. Performance Review Planning does not provide a platform for free and frank exchange of ideas and feedback.
3. The supervisor sometimes is not able to assess each factors of the appraisal form.
4. Training is the only thing for the poor performance, there is a less provision of any kind of counseling to the employees.
5. The appraisal form is not discussed with the appraisee.

7. Recommendations

Keeping in view the strengths and weaknesses of the PMS of the BSL, the following points are suggested to improve on the present system of performance management system.

1. More performance dimensions: Apart from individual performance, rating should also be based on factors like nature of job, performance of departments, individual competencies, career related aspects etc.

2. Intervals of appraisal exercise: The appraisal exercise in BSL is based on annual performance; it is according to the joining date of the employee. The appraisal exercise in BSL is an ongoing process; it creates a very difficult time to the company. So, the company can do the appraisal yearly irrespective to the joining date of the employees. The appraisal can be done at same time for all the employees. On the other hand, the appraisal exercise should be done twice in a year so that the performance can be measured with some fineness.

3. Communication between employees and supervisors: The company has lack of communication between their employees. There should be an open environment in which the employees can communicate with their bosses easily. These points can be taken care by the company:

- There should be encouragement of free exchange of ideas.
- The key performance areas, tasks, targets and special relevant factors should be clear to the appraiser and appraisee.
- The training needs should be discussed with the appraisee.
- The particular training that the appraisee may need must also be discussed.
- Necessary coaching and counselling must be provided from time to time.

4. Other appraisal techniques: The Company's appraisal exercise is based on the observation of the supervisor. The company can use the Self-Appraisal and the 360-Degree appraisal system, to improve their system.

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