

RESEARCH ARTICLE

Performance Management System Effectiveness: A Comparative Study of Public & Private Sector

Nigam Rachna*, Mishra Snigdha

Institute for Technology and Management, Kharghar Navi Mumbai, Maharashtra, India.

*Corresponding Author: Email: rachnan@itm.edu

ABSTRACT

Performance Management System (PMS) is a process by which organizations ensure the alignment of their resources, systems and employees to their strategic goals and objectives. It also enables the organisations in allocation of resources as per the priority and needs which seek immediate attention. It is a set of activities which help the organisations to focus on the performance of a department, employee, processes etc., which result in building of a product, service, as well as many other areas of the enterprise. Performance Management is at the centre of employee management & development in most of the private sector organisations, as these organisations operate in an environment which is highly competitive and ever changing. It is needless to say that PMS in this kind of an environment is the only tool which aligns the individual goals with that of the organisations' and helps the organisations to sustain and grow. But the public sector organisations on the other hand are not able to implement PMS effectively and draw benefit out of it, due to their rigid and inorganic organisation systems. With this backdrop researchers in this article aim to compare the PMS existing in public & private sector organisations.

Keywords: *Performance Management System, Employee Satisfaction, Public Sector, Private Sector.*

Introduction

The term Performance management was originally coined by Dr. Aubrey Daneils in the late 1970s; the attempt was to describe a technology and to define a process for managing both behavior and results, as these are two critical elements which govern the performance. A formal definition of performance management, according to Daniels' is "a scientifically based, data-oriented management system. It consists of three primary elements-measurement, feedback and positive reinforcement."

Performance management has gained a lot of significance in the recent times. It is considered to be one of the most important HR processes and has gained a lot of attention from both researchers and practitioners because of its complexities and perceived associated problems. It has been observed that satisfaction of employees at their work place in an organisation is a lot dependent on the employer's performance management system. This poses a great challenge for managers to take care of the major dimensions of the performance management process like performance planning, feedback and coaching, performance review and outcomes (or consequences). The other aspect of the performance management is the problems faced

by the employees during the implementation of a performance management system in the organisation.

The ultimate goal of PMS is to achieve sustainable individual and organizational performance. The aim is also to create an enterprise, where the Employees are thriving for success. They should not just be satisfied and productive but also be engaged in creating the future for themselves and the organisation. It has been observed that employees who thrive for success demonstrate better overall performance, less burnout, more commitment to the organization and are also more satisfied with their jobs and work environment than their peers. Thus a good PMS will always focus and result in employee engagement and satisfaction and both are critical for any business. However, traditional performance reviews generally lead to lower employee satisfaction rather than improving the same. Therefore, it is very important that the organisations increase the effectiveness of their Performance Management System and generate new compensation and reward structures that increase collaboration and employee satisfaction.

Due to uncertainties and fierce competition prevailing in private sector, the organizations are employee centric and understand that there is a clear relationship between employees' efforts and organisational success. Therefore, there are more examples and instances of organizations from private sectors focussing on PMS, developing tools to manage measure and reward their employees. But in recent past even public sector organisations are taking a keen interest in developing and implementing PMS for their organisations. They are looking at it as an effective tool to bring about the radical changes in their otherwise rigid and sluggish system. As the private sector organizations have open door policies, two-way communication system, less rigid rules and regulations and thus create a better environment for effectiveness of PMS, while on the other hand the extreme bureaucratic system in the public sector hampers the smooth sailing of a Performance management system for them. With this backdrop the researchers felt the need to identify the differentiating factors in both public and private sectors and the reasons for being more effective in private sectors than in public sectors.

Literature Review

According to Gretchen, Spritzer & Chrestine paroth [1] in the article "Creating sustainable performance" if you give your employees the chance to learn and grow they will thrive for success and so will your organization. They also mentioned that it is imperative to create high performance, work culture and keep the employees happy, as happy employees are more productive than the unhappy ones in the long run. It has been observed that happy employees not only go beyond the call of the duty and give excellent results but also attract others to follow them. The only way to achieve the same is to give equal focus to the process and people management. It is needless to say that one of the most important tools for people management is the effective use of performance management system.

Performance management is a concept that focuses on understanding and action on the performance issues at various levels of organization which includes individuals, teams, departments and organization itself. The issues which are of central discussion in a Performance management system are leadership, decision making, motivation, encouraging innovation and risk taking to name few.

A definition of performance management given by the Second Administrative Reforms Commission

is as follows. "Performance management is the systematic process by which the organization involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of organizational mission and goals".

According to Choong, Kwee Keong [2], it is very important to identify the required factors that can be considered necessary in conceptualizing the features of an efficient and effective performance management system (PMS) that is appropriate in the modern organizational setting. PMS can turn into a disaster if fundamentals of PMS, in particular the precise meaning and application of the features i.e. data, measuring attributes consisting of measures, metrics and indicators, and methods of measurement remain unclear.

It is evident that the process of performance management starts when an employee joins the system and ends when he/she leaves the organization. . It sets a ground for rewarding excellence by aligning individual employee goals with the organization's goals and it also helps the employee and the organization to understand the importance of a specific job in realization of organisational outcomes. The organisations define results, actions and behaviours to set clear performance expectations, which in turn helps the employees to understand their role and deliverables. It also helps in performance problem diagnosis at an early stage through regular feedback and coaching. It allows organisations to take timely corrective actions in the problem areas pertaining to employees, systems and organisations.

The above analysis suggests that an organisation carries out all the above activities to get good business results and organisational excellence. The bottom-line is the measure of success in any organization and most government and commercial organization thrive to manage the same. They have to include customers, stakeholders, and employees in their growth process. As per Wilma Foot [3] the main difference between the public and private sector is that for public sector organization, there is hardly any consequence of time lost and money is not a matter of concern. Therefore, they experience no pressures and also there is no incentive or reason for them to perform. Patrick Gallagher [3] further substantiated that there are issues of morale, absence of 'authentic' leadership, industrial relations, and politics that inhibit movement and action in the public sector. The public sector appears to be answerable to more bodies than the private sector, which results in delayed decisions

there. But the globalization, privatization and divestment policies are putting a pressure on public sector and they are looking at PMS to gain employee involvement & engagement, which otherwise is a difficult proposition in public sector. Through a good PMS, which has built in mechanism to ensure growth, autonomy, recognition, rewards for the employees, the public sector is trying to gain maximum employee involvement resulting in greater employee satisfaction. Haines and St-Onge [4] further said that three contextual variables – culture, climate and the strategic integration of human resource management is the key to more positive performance management outcomes. It has been observed that private organizations show these elements positively supporting their performance management system and thus exhibit greater employee involvement and engagement. While in Public sector the traditional culture, climate and poorly developed Human Resource System makes it difficult for the PMS to work efficiently.

Tatiana Zatseva [5] discussed that there exists the crucial difference between performance measurement systems in public and private sector in India, especially in the question of specific indicators. Private companies tend to measure both tangible and intangible outcome of activities. The main indicators considered are level of customer satisfaction, level of efficiency, quality and quantity of characteristics, timeliness and costs of operations. While in public sector organizations main indicators are level of collected experience which is measured in terms of seniority and skills and knowledge. In public sector the employees are expected to develop their skills and knowledge continuously to fulfill their job requirements. Professionalism, creativity, organizational and management skills are valued the most important among performance measurement indicators. These indicators are static by their origin and do not guarantee any result. The effectiveness and performance of public sector employees and success of public sector organizations as a whole totally rely on the skills and qualification of the people working there. But the sad state of the situation is that these important quantitative measures of performance say nothing about the quality of the service and work.

With the above backdrop, this article aims to compare the performance management systems in Indian public and private organizations. The focus is also to ascertain the effectiveness of Performance management system used in Public and Private Sector Company in India.

To conclude, performance management is all about striking a harmonious alignment between individual and organizational goals and the same can be regarded as a proactive system of managing employee performance for greater tangible and intangible gains for the organisation.

Objective of Study

- This paper aims at comparative study of performance management systems in Indian public and private sector organizations.
- To ascertain the effectiveness of Performance Appraisal methodology used in Public Sector and Private Sector organisations in India.

Methodology

The research was carried out using a combination of primary and secondary data. The process consists of collecting data from the employees of public and private sector organizations to measure the satisfaction level derived from Performance Management System. The primary data was collected using interviews and a self-administered questionnaire while the articles, magazines, reports, journals, and newspapers and internet were the source of secondary information.

The sample size was 92 and a questionnaire consisting of 26 elements was floated throughout the organization in order to measure the satisfaction level of employees from their PMS system. Out of the various questions and their responses only 4 responses have been captured below by the researchers because they are the significant ones for the analysis. The questionnaire covered the following prospects which are directly and indirectly related to performance management system:

Organization Structure

Review process of their PMS

Career development plan

Administration process of PMS

Relation of PMS with organization goal

Satisfaction from PMS

Data Analysis

Demographics

A Gender

Gender	Male	Female
	46%	54%

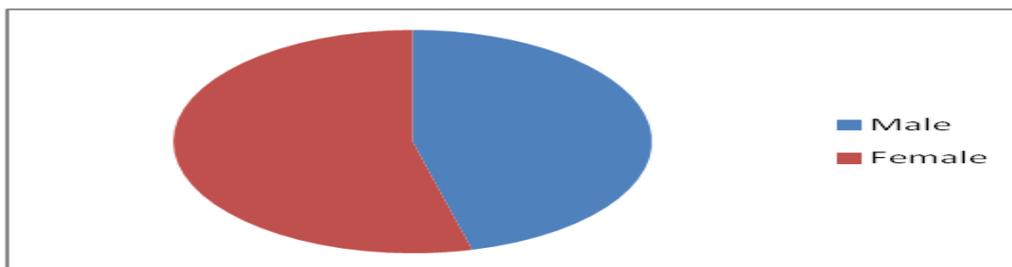


Figure 1: Gender analysis

Type of Organizations

Type of organization	Public	Private
	53%	47%

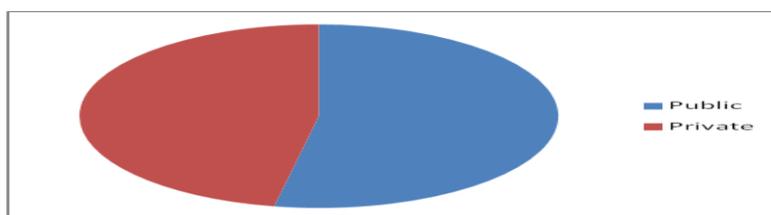


Figure 2: Type of organization

The above two figures (1 & 2) present the demographic distribution of data. Figure 1 explains that out of total 92 respondents 46% were males and remaining 54% were female and figure 2 depicts that 53% of respondents were from public sector while 47% respondents were from private sector.

Descriptive Analysis

Q-1 Does your organization have a complex organizational structure?

Organization	Disagree	Neutral	Agree
Public Sector	60%	0%	40%
private Sector	49%	12%	39%

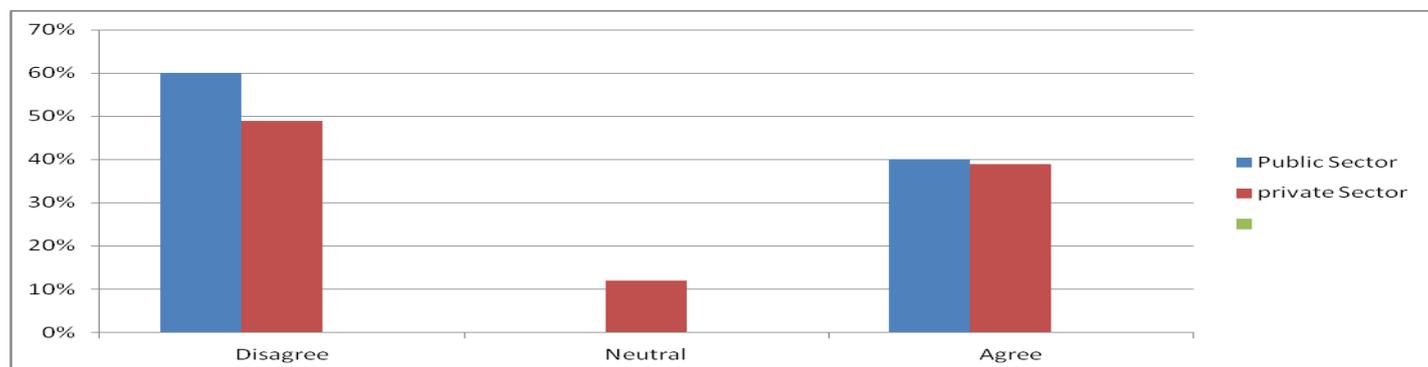


Figure 3: Descriptive analysis

Figure 3, depicts that most of the employees from public and private sector organizations do not feel that their organization structure is very complex in nature. The response from Public sector employees were clearly bifurcated between agree and disagree with respect to their organization

structure complexities, while 12% of employees from private sector also have neutral point of view on the above. This shows that they did not want to give any indication due to various insecurities and uncertainties, which may be around them.

Q-2: Are there quantified targets to measure performance?

Organization	Disagree	Neutral	Agree
Public Sector	55%	14%	31%
Private Sector	28%	12%	60%

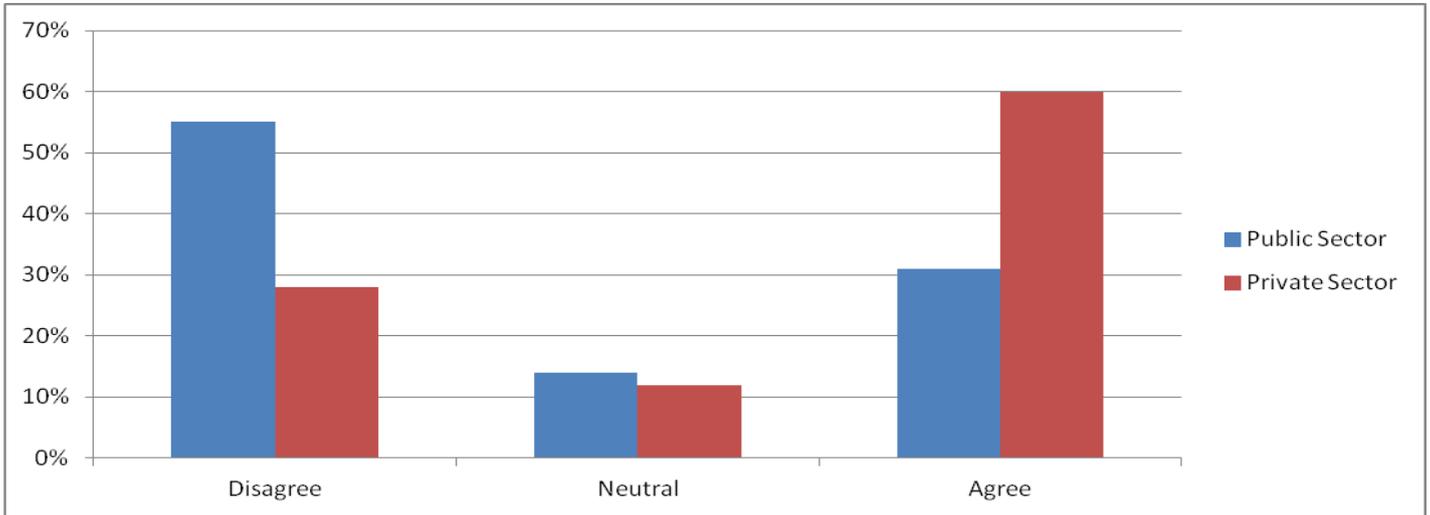


Figure 4: Descriptive analysis

The statistics from figure 4 indicate that the work-related targets are well defined in the private sector, whereas the same remains unclear to

most of the employees in the public sector organization.

Q-3: Is PMS Linked with Career Development in your organization?

Organization	Disagree	Neutral	Agree
Public Sector	64%	14%	11%
Private Sector	19%	12%	69%

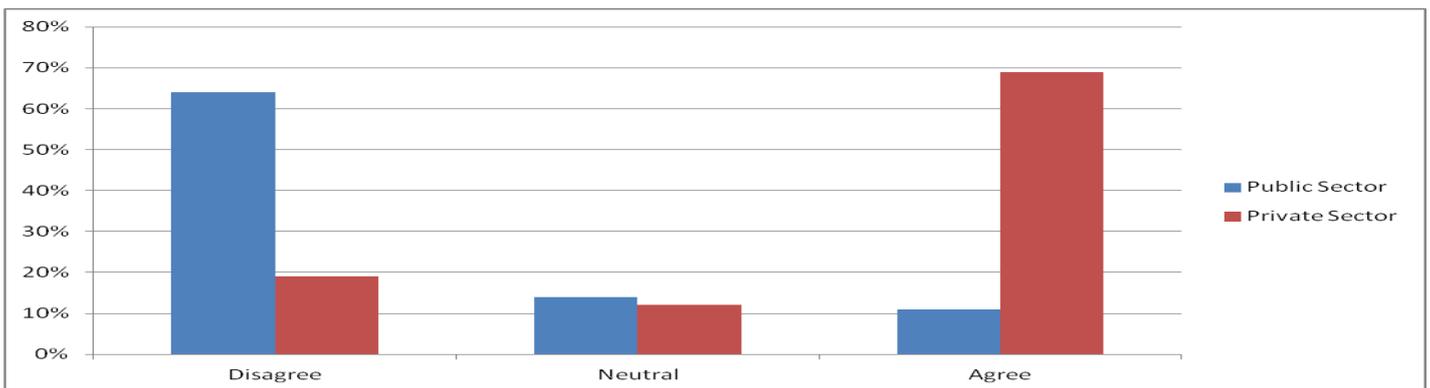


Figure 5: Descriptive analysis

Figure 5 indicates the correlation of PMS with the career development plans of the employees. It is interesting to know that 69% from the private sector agree to the above said linkage while only 11%

from the public sector feel positively about it. This clearly reveals that as public sector organizations follow a bureaucratic system, there is less scope for a defined PMS system and therefore the related career development plans for the employees.

Q-4 Are you satisfied with Performance Management System in your organization?

Organization	Disagree	Neutral	Agree
Public Sector	59%	18%	23%
Private Sector	14%	6%	80%

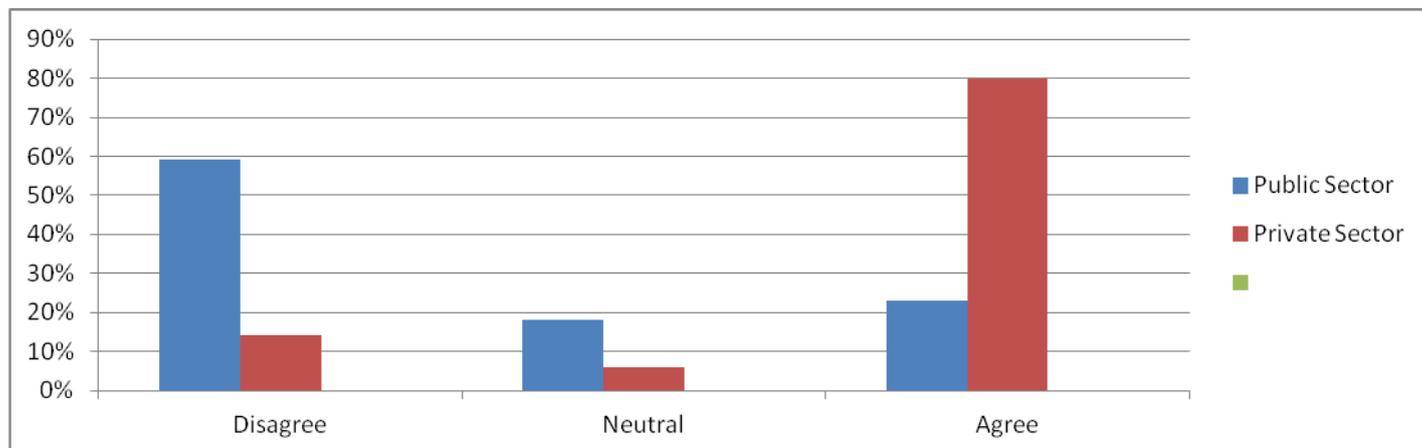


Figure 6: Descriptive analysis

The data from figure 6 speak a lot on effectiveness of PMS in private sector. This is because, 80% employees from private sector indicate that they are satisfied with the PMS at

their organization, while 23% of employees from public sector agreed to the above.

Regression Analysis and Curve Fitting

Table 1: Summary and parameter estimates, dependent variable: The organization structure of my organization is very complex

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.498	22.263	1	90	.000	4.478	-.478
Exponential	.478	19.530	1	90	.000	4.848	-.166

The independent variable is Satisfaction level from PMS.

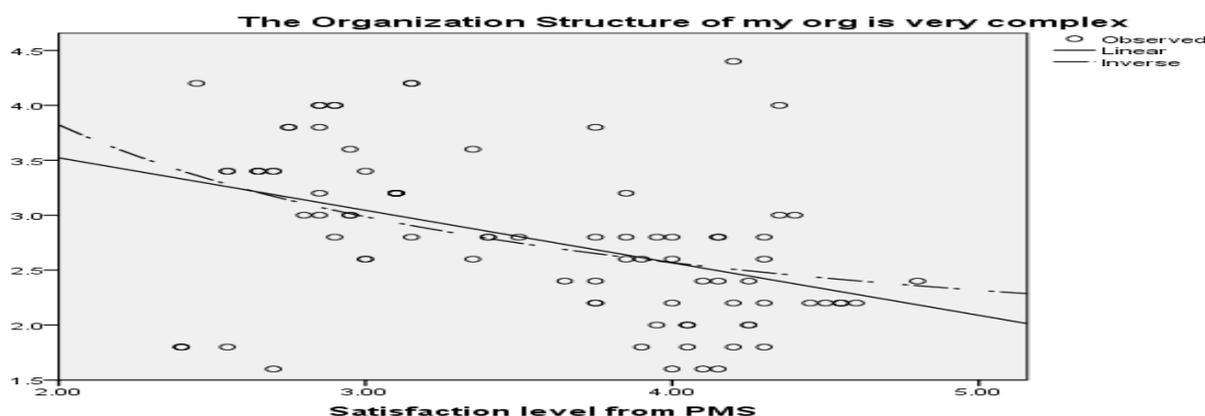


Figure 7: Summary and parameter estimates, dependent variable: The organization structure of my organization is very complex

Table 2: Summary and Parameter Estimates, Dependent Variable: There are quantified targets to define performance

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.719	230.386	1	90	.000	-1.051	1.160
Exponential	.662	176.487	1	90	.000	.692	.405

The independent variable is Satisfaction level from PMS.

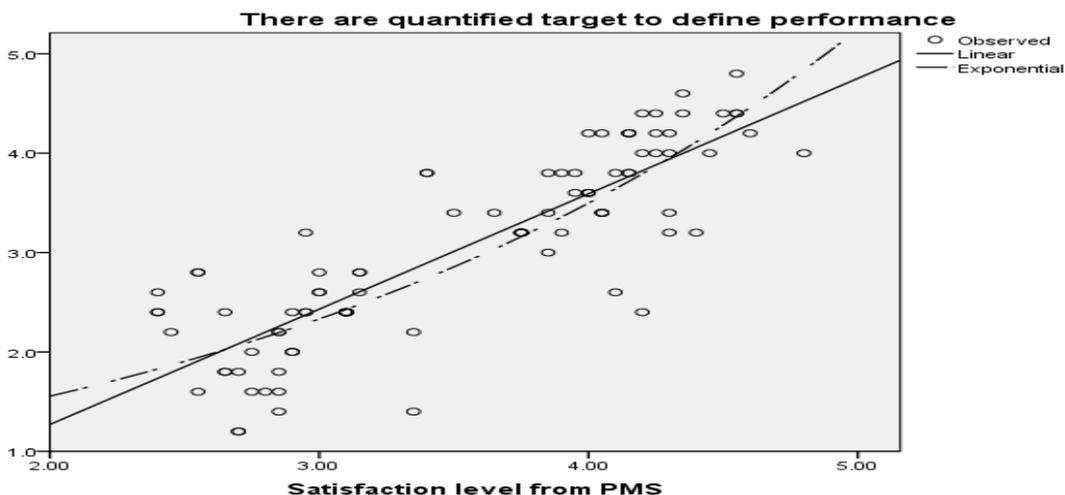


Figure 8: Summary and Parameter Estimates, Dependent Variable: There are quantified targets to define performance

Table 3: Summary and parameter estimates dependent variable: The performance appraisal process in my organizations is linked with carrier development

Equation	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.373	53.609	1	90	.000	.486	.706
Exponential	.378	54.687	1	90	.000	1.171	.254

The independent variable is Satisfaction level from PMS.



Figure 9: Summary and parameter estimates dependent variable: The performance appraisal process in my organizations is linked with carrier development

Correlation Matrix

CORRELATIONAL MATRIX								
		The Organization Structure of my org is very complex	There are quantified target to define performance	my organization is linked with career development	Satisfaction level from PMS	Type of Organization	There is high Frequency of transfer	process in my organization is excellent
The Organization Structure of my org is very complex	Pearson Correlation	1	-.536	-.315	-.445	.038	-.016	.215
	Sig. (2-tailed)		.000	.002	.000	.721	.878	.040
	N	92	92	92	92	92	92	92
There are quantified target to define performance	Pearson Correlation	-.536	1	.561	.848	.217	-.108	-.035
	Sig. (2-tailed)	.000		.000	.000	.038	.308	.742
	N	92	92	92	92	92	92	92
The PA process in my organization is linked with career development	Pearson Correlation	-.315	.561	1	.611	.021	-.052	-.161
	Sig. (2-tailed)	.002	.000		.000	.840	.624	.126
	N	92	92	92	92	92	92	92
Satisfaction level from PMS	Pearson Correlation	-.445	.848	.611	1	.196	-.112	.051
	Sig. (2-tailed)	.000	.000	.000		.061	.289	.631
	N	92	92	92	92	92	92	92
Type of Organization	Pearson Correlation	.038	.217	.021	.196	1	-.279	.637
	Sig. (2-tailed)	.721	.038	.840	.061		.007	.000
	N	92	92	92	92	92	92	92
There is high Frequency of transfer	Pearson Correlation	-.016	-.108	-.052	-.112	-.279	1	-.030
	Sig. (2-tailed)	.878	.308	.624	.289	.007		.778
	N	92	92	92	92	92	92	92
Review of PA process in my organization is excellent	Pearson Correlation	.215	-.035	-.161	.051	.637	-.030	1
	Sig. (2-tailed)	.040	.742	.126	.631	.000	.778	
	N	92	92	92	92	92	92	92

From the Regression Analysis, Curve Fitting and Correlation Matrix it is observed that

- The linkage of Performance appraisal system with career development has a positive relation with Satisfaction from PMS. R^2 value= .378, Correlation Value is .611 which is highly significant
- The impact of having Quantified targets and satisfaction level from PMS is also positively correlate with each other R^2 value= .718, Correlation Value is .848 which is highly significant

Conclusion

As per Hvidman and Anderson [6], the private sector organisations have always believed that the employees efforts are instrumental in organisational success. Therefore, there are more examples and instances of organisations from

References

1. Spreitzer Gretchen, Porath Christine (2012) Creating Sustainable Performance, Harvard Business Review.90 (1/2):92-99.
2. Choong Kwee Keong (2013) Understanding the features of performance measurement system: a literature review, Measuring Business Excellence, 17(4):102-121.
3. Wilma Foot, Patrick Gallagher (2007) Firing

private sectors focussing on PMS, developing tools to manage, measure and reward their employees.

After conducting the analytical research, it is observed that the private sector is much more advanced and aware of the latest and best in class performance management practices [7-9].

The employees of these private sector organizations have full knowledge of the performance management activities and methods prevailing in their respective organizations. The satisfaction levels of the employees of private sector are much more than that of the employees of public sector organizations.

Performance Management is taken very seriously and is conducted accurately and systematically in private sector whereas, it is treated as a mere formality in public sector organization.

- off... Performance management - public sector v private sector. Personnel Today, 34-34, 1p.
4. Haines Victor Y, St. Onge Sylvie (2012) Performance management effectiveness: Practices or context? , International Journal of Human Resource Management, 23(6):1158-1175.
5. Tatiana Zaytseva (2001) Performance

- management system of Public and Private sector organizations in Russia: comparative research, The 9th NISPAcee Annual Conference: "Government, Market and the Civil Sector: The search for a productive partnership.
6. Hvidman Ulrik, Andersen Simon Calmar (2014) Impact of Performance Management in Public and Private Organizations., *Journal of Public Administration Research & Theory*, 24(1):35-58
 7. Armstrong M, Baron A (2005) *Managing Performance: Performance management in Action*. London, CIPD.
 8. Mishra Geeta, Farooqi Rahela (2013) Exploring Employee Satisfaction With Performance Management and the Challenges Faced in Context of IT Industry, *Compensation & Benefits Review*, 45(6):329-339.
 9. Mosely Eric (2013) The Power of the Crowd sourced Performance Review, *Compensation & Benefits Review*, 45(6):320-323. 4.