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REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

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CONCEPTUAL FRAMEWORK OF PERFORMANCE MANAGEMENT: AN INDIAN PRESPECTIVE

DR. SATYAWAN BARODA READER **INSTITUTE OF MANAGEMENT STUDIES & RESEARCH** M. D. UNIVERSITY **ROHTAK**

CHHAVI SHARMA ASST. PROFESSOR DEPARTMENT OF BUSINESS MANAGEMENT SHRI RAM COLLEGE OF ENGINEERING & MANAGEMENT PALWAL

PREETI AGGARWAL ASST. PROFESSOR **DEPARTMENT OF BUSINESS MANAGEMENT** SHRI RAM COLLEGE OF ENGINEERING & MANAGEMENT PAIWAI

ABSTRACT

For achieving the strategic objective of sustained & speedy growth, managing human resource has featured as a vital requirement in all organizations. Performance management is a critical component for achieving and maintaining effectiveness of individuals and organizations. Performance management system is the entire gamut of activities from performance planning to performance enhancement. Presence of such a system in an organization provides opportunities to individuals and teams in the organization receive feedback about their performance. This paper provides a conceptual framework of performance management which is now believed to be used in some form or other in most organisations. We begin by defining performance management and objective of Performance management system. We then consider the performance management process by applying a critical lens to some of the main approaches set out thus far. Following this, we consider the Indian cases which are related to the performance management systems.

KEYWORDS

Performance, Performance management system, 360 degree feedback, Performance appraisal.

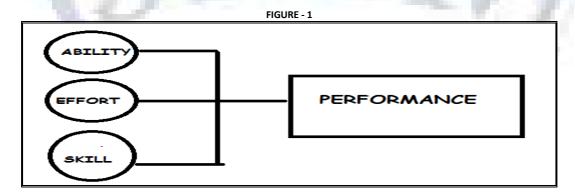
INTRODUCTION

Il managers monitor the way employees work & assess how this matches organisational needs. They form impressions about the relative value of employees to the organisation & seek to maximize the contribution of every individual. The evolution of the concept of performance management as a rnew HRM model reflect a change of emphasis in organisation away from command and control toward a facilitation model of leadership. This change has been accompanied by recognition of the importance to the employee & the institution of relating work performance to the strategic and overarching mission of the organisation as a whole. The performance management process provides opportunities for the employee & performance managers to discuss development goals and jointly create a plan for achieving those goals. Biocon limited, the Bangalore based company of India origin has experienced exponential growth in last decade and by the end of 2008, it had revenue of Rs.9.9 billion. The company had only 300 employees in 1994 & by December 2007, the employee strength was 3000. During this phase, the company faced the challenge of aligning the goals with that of the of its employees organisation & achieving this is the shortest possible time. Biocon decided that performance management was a dynamic tool to help it continue to grow at a fast pace. Since it maximize employee performance & keeps them motivated in the right direction.

Infact in a survey of employees conducted by Mercer, Human resources consulting, only a third of the 2600 respondents had received a formal performance evolution in the past year, and only 26 percent receive regular coaching from their managers on improving performance. Of those who said they would had a formal performance evaluation in the past twelve month, 62% expressed a strong sense of commitment to their organisation, compared to 49 % of employees who had not.[17]

WHAT IS PERFORMANCE

Performance is what is expected to be delivered by an individual or a set of individuals with in a time frame. What is expected to be delivered could be stated in terms of results or effort, tasks & quality, with specification of conditions under which it is to be delivered. [12] Performance depends up on the right combination of effort, ability and skill.



Performance can be managed better if the nature of inputs required to be put in case be envisaged without mistake, planned properly & Implemented. Performance equation says that any individual's performance is a function of three sets of factors: ability or competence to perform various tasks or work effort to carry out the tasks & the organisational support one gets to carry out these tasks. If any one of these is less the performance is bound to be poor. In this equation performance is output & work effort is the input & the ability and organisational support are the intervening variable. If inputs (ability, work effort or motivational and organisational support) are inadequate the performance is also likely to be inadequate. The Table-1 highlights the factors which influence performance of an employee. [13]

FACTORS THAT INFLUENCE PERFORMANCE

TARIF - 1

TABLE 1					
MOTIVATION	ENVIRONMENT	ABILITY			
Career Ambition	equipment	technical Skill			
employee Conflict	Job design	Interpersonal			
Frustration	economic Conditions	problem Solving			
Fairness/Satisfaction	Unions	Analytical			
goals/Expectation	rules & Policies	communication			
	management Support	Physical Limitations			
	Laws & Regulations				

Performance is a result of both ability and efforts. A highly capable individual may need to put in only marginal effort to give high performance where as another individual with low ability may need to put in a lot of effort to produce even an average level of output. If only output is rewarded highly capable employees may get a lot of leisure time in addition to reward where as those putting in high efforts may get consistently low ratings. Performance on different functions should be assessed generally in terms of effort put in by the individual in relation to his capability.

WHAT IS PERFORMANCE MANAGEMENT

Performance management never just means with a subordinate, once or twice a year to "review your performance". It means setting goals that make sense in terms of the company's strategic aims. It means daily or weekly interactions to ensure continuous improvement in the employee's capacity & performance. [3] And it means ensuring that the employee has the training he or she needs to perform the job. It is a process of creating a work environment in which people can perform to the best of their abilities. [9] Performance management takes a life cycle view of employee performance & sees an integrated process which is linked to the attainment of corporate goals, business processes while at the same time helping the individual to attain his career goals & group goals effectively. Employee performance management includes:-

- **Planning**
- Monitoring
- Developing
- Rating

The aim of performance management as a business process is to align corporate goals with the individual objectives, ensures individual readiness to achieve objectives and evaluate & reward individual performance in terms of those objectives.

Performance management system includes-

- Development of clear job description
- 2. Selection of the right people.
- 3. Negotiate requirements & accomplishment based performance standard, outcomes & measures.
- 4. Provide effective orientation, education & training.
- 5. Provide on going coaching & feedback.
- Carry out quarterly performance development discussions. 6.
- 7. Design effective compensation & recognition system to reward people for the contribution.
- Ensure promotional/career development opportunities.

A process that consolidated goal setting, performance appraisal & development in to a single, common system, the aim of which is to ensure that the employee performance is supporting the company's strategic aims.

OBJECTIVES AND ASPECTS OF PMS

The main objective of performance management is continuous improvements in performance with a view to attaining organizational goals. The performance improvements need to be seen in terms of achievement of the objectives and goals of the organization. The PMS process has two clear objectives:

- Evaluating & assessing the readiness of an individual to accept higher responsibilities
- To apprise the individuals of their current competency level and need to improve by giving them feedback
- To link it with compensation, rewards and career development.

b. THE DEVELOPMENT OBJECTIVE

- Counselling & coaching of the subordinates to improve their performance & upgrade their competencies
- To motivate subordinates through recognition and support
- To build rapport between superior and subordinate
- To diagnose individual & organizational competencies, so that actions can be taken on problem areas
- To define the training requirements based on individual competencies.

(B) ORGANIZATIONAL BENEFITS OF PMS

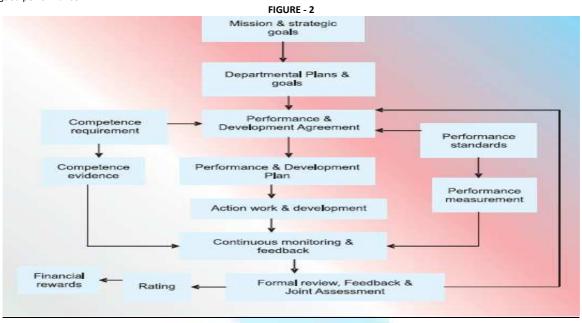
The PMS process helps organizations to:

- Serve as the primary vehicle for implementing organisational goals and strategies (cascaded from top to bottom throughout the organisation).
- Align and integrate the objectives and Key Performance Indicators (KPI's) of the organization vertically and horizontally through all job categories and levels, including management. In this way the entire system works together in pointing towards the critical bottom line MEASURES, with bottom line RESULTS following as a matter of course ("What gets measured gets done").
- Facilitate continuous performance improvement, organisation development and culture change.
- Achieve quality, efficiency and effectiveness, i.e. to meet the citizens' needs as precisely, quickly and economically as possible.
- Ensure clarity regarding work expectations and performance standards, reducing job holder anxiety/stress, resource wastage and conflict.
- Continually enhance employee competence through identification of output-related training and development needs and strategies.
- Reduce Line Manager reluctance and fear to do Performance Appraisals with their staff.
- Facilitate performance-based remuneration and rewards, so that employees can see and experience a clear link between their performance and the rewards they receive.

(C) PROCESSES OF PMS

Performance management is a cyclical process which includes the following elements:

- Planning work & setting expectations
- Monitoring performance
- Developing the capacity to perform
- Rating performance
- Rewarding good performance

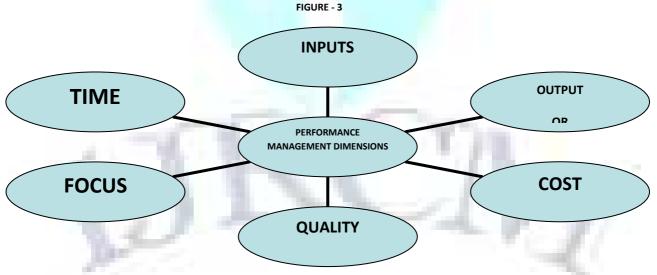


IDENTIFYING PERFORMANCE DIMENSION

Dimensions are an aspect of performance that determines effective job performance. An increasingly popular approach to identifying performance dimensions focus on competencies, the observable characteristics people bring with them in order to perform the job successfully. [15] Defining competencies as underlying and unseen characteristics leads to the same difficulties associated with defining & measuring performance as personality traits. The set of competencies associated with a job is often referred to as a competency model. Management experts point out that what is measured should be directly tied to what the business is trying to achieve. [7] Because measurement should be viewed as a management tool, not a measurement exercises. Many organisations are now identifying performance dimensions based on their strategic objectives. For example southwest Washington Medical center links corporate strategic goals to employee performance goals. This approach makes sure that every one is working together towards common goals [6]

(A) DIMENSION OF PERFORMANCE MANAGEMENT

Performance management involves thinking through various facts of performance, identifying critical dimensions of performance, planning, reviewing & developing & enhancing performance & related competencies.



Normally all performance management starts with this final targeted performance. It is to achieve this performance output that performance activities need to be planned. Performance activities are the inputs to be given by the individual. The input dimensions deals with the activities or tasks to be accomplished by the individual. Performance can be managed better if the nature of inputs required to be put in can be envisaged with out mistake, planned properly & implemented. The time period for performance is important. Time for information technology organisation is limited to a quarter or a three-month period. Time may become the target. In the context of organisation performance of an individual in organisational setting may therefore be defined as the output delivered by an individual in relation to a given role during a particular period of time under the set of circumstances operating at that point of time. Thus in order to manage performance one has to have an idea of the expected level of performance, under what circumstances, the kind of support needed, the previous performance level of the individual or similar individual, under similar circumstances etc. The focus of performance can be on many other dimensions. It could be on quality or on cost or financial dimension. An important issue to be understood in performance management is input-output relationship. Performance management consists of the following-

- Defining performance taking in to account all the complexities (KPAs, tasks, etc.)
- Planning performance both in terms of the inputs, output, condition under which these are to take place, etc.(objectives, activities& targets etc)
- $\label{lem:measuring performance} \mbox{ Measuring performance \& understanding the limitation in measuring performance.} \\$
- Analysing performance & understanding what caused or contributed to it.
- Developing capabilities to perform or the capabilities to give inputs, possess competencies to convert the inputs in to desired outputs.
- Monitoring it & reviewing it.
- Recognising various dimensions of performance $\&\ rewarding\ it\ where\ appropriate.$

WHY PERFORMANCE MANAGEMENT

If one were to spend several days in Toyota's Lexington, Kentucky, Camry Plant, the absence of "appraisal" as most of us know it would soon be apparent. Supervisors don't sit down with individual employees to fill out from & appraise them. Instead, teams of employee monitor their own results, continuously adjusting how they do things to align those results with the work team's standards & with the plant's overall quality and productivity needs. The fact that managers are emphasizing such a performance management approach reflects several things.

- Total quality- It reflects the TQM concepts advocated by management experts like W. Edwards Deming. Deming argued that an employee's performance is more a function of things like training, communication tools & supervision than of his or her motivation. Performance management emphasis on the integrated nature of goal setting. Appraisal & development reflects these assumptions.
- Appraisal issues- It reflects the fact that traditional performance appraisals are often not just useless but tense and counter productive.[11]
- Strategic Focus- Performance management recognises that in today's globally competitive environment, every employee's competencies & efforts must focus on helping the company achieve its strategic goals. The basic idea is that management & each worker & work team should continuously monitor performance relative to goals & continuously improve results. Each employee & team must continuously improve performance from one period to the next.[4]

THE BUILDING BLOCKS OF AN EFFECTIVE PERFORMACE MANAGEMENT PROCESS

- Direction sharing means communicating the organisation higher level goals throughout the organisation and then translating these in to do able departmental goals.
- Role clarification means clarifying each employee's role in terms of his or her day to day work.
- Goal setting & planning means translating organisational & departmental Goals in to specific goals for each employee. c)
- d) Goal alignment means having a process in place that allows any managers to see the link between an employee's goal & those of the department & organisation.
- Ongoing performance monitoring- includes using computer based systems that measures & then e-mail progress & exception reports based on the person progress towards performance goals.
- Ongoing feedback includes face to face & computer based feedback regarding progress toward goals.
- Coaching & support should be an integral part of the feedback progress.
- h) Performance assessment is just one element in the performance management progress. The focus in performance management should be on planning & influencing how the employee's performance produces improved company results.
- Reward recognition & compensation all play a role in providing the consequences needed to keep the employee's goal-directed performance on track.
- Workflow, process control & return on investment management means making sure that the employee's performance is linked in a meaningful way via i) goal setting to the company's overall measurable performance.

CREATING THE TOTAL PERFORMANCE PROCESS

Performance management starts at the end & works back. Perhaps the best way to illustrate how to crate a total performance management process is to look at how one company, TRW did so. With over 100,000 employees in 36 countries on 5 continents, administering employee appraisal & managing performance is a complicated process in a company like TRW. [5]

Several years ago, the firm was deeply in debt.TRW's top management knew it had to take steps to make the firm more competitive & performance driven. At the time, most of the firm's far flung departments used their own paper-based appraisal systems. Top management decided that a company wide performance management system was a top priority. Top management identified a special team & charged it with creating a "One company, One system" performance

The team consisted of several information technology experts & key HR representatives from the business units. The team and its team meetings were entirely web-based & virtual. Their aim was to quickly develop a performance management system that was consistent in that employees in TRW's entire far-flung organisation could use the same system. It also had to be comprehensive in that it consolidated the various components of performance management in to a single common system. For TRW, these components include goal setting, performance appraisal, professional development & succession planning. The team created an online system, one in which most TRW employees & supervisor worldwide could in put & review their data electronically. To facilitate filling in the online form's pages, the team created a wizard that leads the user from step to step.

In practice, either the employee or manager can trigger the performance management process by completing the appraisal & sending it to the other. Once the employee finishes the online form, system –generated e-mail notifies the manager that the form is ready for review. The new performance management system has produced many benefits. It focuses everyone's attention on goal-oriented performance, it identifies development needs, and it gives managers instant access to employee performance data. The result is an integrated, goal-oriented employee development & appraisal performance process.

When we can say that the system is working well-----The following are the criteria for the system to work well:

- Line mangers take it seriously & the performance plans are completed on time for 80 percent of the cases in any given year.
- Line mangers spend adequate time in performance planning and review discussions. Adequate time may mean about one day or 8 to 10 hours per employee per year of which 4 hours should be individual time.
- The performance plans achieve the objectives of clarifying goals, roles & time frame & performance standard for each department & individual.
- The performance review discussions conducted are of quality & 80 percent of the employees look forward to these with enthusiasm & treat them as learning opportunities.
- Organisational support is planned in the form of removing bottlenecks, arranging training programmes, job –rotation & the like after performance planning
- A performance culture is generated in the organisation & the performance management system is a part of it & may even be one of the reasons for its generation.

INDIAN CASES RELATED TO PERFORMANCE MANAGEMENT

PERFORMANCE MANAGEMENT SYSTEM AT TITAN

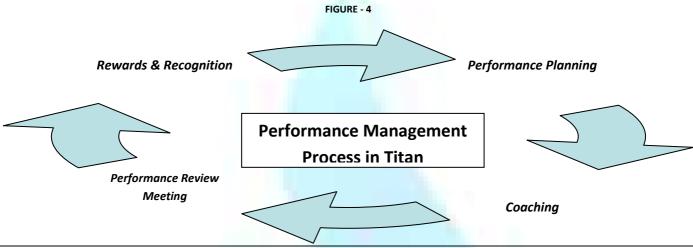
BUSINESS SCENARIO

Titan strongly believes that the success of Performance management system shall depend on how the whole HRM processor or are in place in the organisation. We have nurtured a culture, where every employee targets right first time & every time as a way of life. Our recruitment process it self acts as important support for the success of Performance management system in Titan.

OBJECTIVES OF PERFORMANCE MANAGEMENT SYSTEM IN TITAN

- To create role clarity & clarify performance expectations & measure at individual, group & organisational levels.
- To provide job guidance, feedback & counselling to build strength & areas of improvement so as to bridge the gap between performance & expectations.
- To build a positive work relationship between the appraiser & the appraisee through a two way dialoguing communication process.
- To identify the training & development needs of employees.
- To unleash the creative capabilities of our employees.
- To encourage superior performance measuring strech goals.
- To promote a performance culture as a Titan culture of excellence.

PERFORMANCE MANAGEMENT SYSTEM PROCESS IN TITAN



In Titan, performance management is both a process & a system. It is a process of creating a work environment in which people are able to perform to the best of their abilities. The Performance management system is a whole work system that begins when a job is defined as needed. It ends when an employee leaves the organisation. In Titan a lot of importance given to performance review discussion. [14]

PERFORMANCE MANAGEMENT SYSTEM IN INFOSYS

Infosys believes in meritocracy & has built a high performance work culture among its workforce. In order to align the performance of employees with the business goals of Infosys, regular driven appraisals are conducted. Infosys has 3 tracks for performance management:

TRACK-1

It deals with performance reviews based on tasks & feedback on personality/technical competencies. Infosys is moving to a role based structure & competencies for each of the roles, with standard expected levels of behaviours have been identified. Individuals are given expected levels of behaviours having been identified. Traning needs are derived based on the tasks evaluation & competency feedback. Track 1 is primarily used for junior & middle management of Infosys.

It is the senior management appraisal. People in managerial roles undergo this annually. Here the employee fills up a self appraisal form & carries it forward to a panel discussion. The panel includes the head of department, the immediate supervisor of the appraisee as well as senior person from another department.

TRACK-3

360 degree appraisal constitutes the third track. This has happening over the last 3 years, for all department & practice units. Levels covered include the head of delivery, head of department, practice units, all the people who report to the heads & all others holding leadership positions in the organisation. The feedback from 360 degree appraisal is used as developmental inputs & leaders of Infosys are helped in converting these feedbacks in to personal development plan.

These, of course, are space to enter strengths as well as areas of improvement by each of the respondents.[18] All feedback across the organisation is obtained & each person's report provides a comparison of his/her item-wise scores, Vis a Vis the company average. In addition to this, Peer feedback for the management council has been institutionalised. However the concern today lies in having a scalable model for MC, given the variety of the functional background of the people.

Next Steps

- Identifying low performers & helping them come out with personal improvement plans. a)
- h) Having moved to a role based structure & the performance management to a role-based process; training is getting linked to this.
- Strengthening the objective setting process for each employee & linking them to organisational business goals are currently being actively pursued. c)

These activities will undoubtedly establish a strong performance work ethics in Infosys.

PERFORMANCE MANAGEMENT SYSTEM IN BPCL

Bharat Petroleum Corporation Limited is an oil major engaged in refining & marketing the full range of petroleum products in India. Prior to 1999, the company had a performance appraisal system, which focused largely on personality & behavioural traits. Triggers for the new system came from-

- People's aspirations for a transparent & open system. a)
- Changing business environment & market competition & focus on performance & results.
- Sustaining Organisational transformation process undertaken by the company after restructuring. c)

The performance management system was developed based on the following principles.

- **Business Driven** 1.
- Team work 2.
- 3. Communication
- 4. Development
- Transparency
- Consistency

The specific aims of the system were to-

Create awareness of corporate & business goals.

- Translate such goals in to tangible objectives & measures for teams & individual.
- Identify competencies.
- Foster development of each & every management staff.
- Establish process of continuous feedback on performance.

Components of the system:-

- Performance against predefined targets with a weight age of 70%.
- Corporate value with a weight age of 14 %.
- Critical attributes with a weight age of 16%.

Challenges in Implementation & stabilisation of the system:-

All major HR initiatives require settling in time so also performance management systems. The HR department is carefully monitoring the system so that it achieves its deserved objectives. There was positive outcome in the very first year of its implementation viz-

- Discussion amongst team members & appraiser/ appraisee brought about role clarity.
- Business plans are being converted in to performance measures & incorporated in to individual performance plans.
- Overlapping roles in terms of two or more individual having similar accountabilities are being identified.
- Staffs are voluntarily seeking value added jobs with stretch targets.

The system also surfaced area of concern-

- Leadership ability in setting challenging goals.
- Ability to give negative feedback on behavioural aspects.
- Timeliness in completing the entire process
- Tendency to overrate, since the system is open.

While the system is owned & managed by the respective user department, the HR department monitors it on overall basis.

4. PERFORMANCE MANAGEMENT SYSTEM IN INDIAN CIVIL SERVICE

The ACR system followed in the public sector has become ritualized & is not saving any purpose. The only feedback was in the case of poor performance rating. Sensing that such a system is not suited to the requirements of modern India, the government of India has introduced a new system of performance appraisal for civil service officers. The new system which is at the early stages of its introduction has objectives such as being a tool for career planning & development. In addition to measuring performance achievement. [16]

Every officer has to develop an annual work plan & has to discuss it with the supervisor. The supervision also has to give mid-year feedback & conduct the final evaluation in an open manner. All officers will have access to their final performance scores, thus removing the curtain of confidentiality. A year after its adoption by the Indian Administrative services the Government of India has extended the system to all Groups-A Central services.

5. PERFORMANCE MANAGEMENT SYSTEM IN APTECH LIMITED

The global learning solutions company, Aptech's Comprehensive performance management system, Oasis, was introduced in 2002. [1] Initially all employees were appraised on the basis of their activities and later for their achievement in terms of present targets on 5 point scale. The shift to Oasis was to include performance linked reward management & career growth to the traditional assessment of achievement.

The system has three components.

- Objective Assessment
- Subjective Impression
- Sharing

Overall assessment through Oasis is used for rewarding employees as well as planning their growth in the organisation. [8]

IDENTIFYING THE CAUSES OF PERFORMANCE PROBLEMS

Performance can be the result of many factors, some of which are beyond the worker's control. In most work situations, through, supervisors tend to blame the worker when they observe poor performance; while workers tend to blame external factors of performance deficiencies accurately that mangers determine the causes can influence how performance is evaluated. [2] Secondly, casual determination can be unspoken & underlying sources of conflict between supervision & their workers. Thirdly, the cause affects the type of remedy selected; what is thought to be the cause of performance problem determines; what is done about it.

A major inclusive version of the causes of performance embraces three factors.

- Ability
- Motivation
- Situational

The ability factor reflects the worker's talents & skills including characteristics such as intelligence, interpersonal skill & job knowledge.

Motivation can be affected by a number of external factors (such as rewards & Punishment) it is up to the workers to determine how much effort to exert on any given task.

Situational factors include a wide array of organisational characteristics that can positively or negatively influence performance.

Situational factors to consider in determining the causes of performance problems-

- a) Poor coordination of work activities among workers.
- b) Inadequate information or instructions needed to perform a job.
- c) Low quality materials.
- d) Lack of necessary equipment.
- e) Inability to obtain raw materials, parts or suppliers.
- f) Inadequate financial resources.
- g) Poor supervision.
- h) Uncooperative co-workers & poor relations among people.
- i) Inadequate training
- j) Insufficient time to produce the quantity or quality of work required.
- k) Equipment breakdown.
- A poor work environment.

CHALLENGES OF PERFORMANCE MANAGEMENT

Many organisation lack formal or structured mechanism to ensure that individuals at all levels of an organisation hierarchy are focused on activities & tasks which directly relates to the higher level corporate goals & strategies. Though individuals are focused on the right objectives & activities, the environment & tools necessary to successfully achieve the desired results may not be available or easily accessible. Lack of any consistent approach & process for evaluating & rewarding the performance results in relation to attainment of organisational objectives. [10]

Now the challenges how to manage the performance of your employees you have to get right person in a organisation to mange your business. The challenge should be to create a performance culture where you can provide opportunity for enhance performance; where optimum performance become a way life. Most

companies have sophisticated systems that provide frequent feedback to employees & allow them to provide feedback on their managers. At HCL technology, employees not only review their managers, these appraisals are posted on the company intranet so everyone can review the employee assessment. Parameter includes performance strategic vision, ability to communicate, problem solving skill & responsiveness.

There are some organisations, facing performance management as challenge

- As the organisation are ruled as per hierarchy bases people (Subordinates) do not open about their boss.
- Verteran kind of managers.
- Power & politics exists in organisation.
- Majorly vertical (Top to Down) communication exists.

Other major challenges are -

- Cascading corporate goals to individual goals.
- b) Linking performance management with other existing corporate performance measurement system.
- Quantifying the targets measuring them. c)
- d) Elimination of duplication in key result areas(KRAs)
- Minimising the overlaps while maintaining the links between KRAs. e)
- f) Having action plans for all group falling under normal curve.
- Communicating the results-at various business conditions.
- Training the evaluator-appraisers, reviewers. h)
- i) Methodology to follow for rewarding.
- j) Succession planning process to be linked to this.

CONCLUSION

Performance Management is a term used to improve team performance, based on the principles of measurement, appraisal, action and monitoring. However, it can be manifest in very different forms depending on whether the aim is to further improve good performers, or deal with underperformance. Performance Management can also apply to individuals, teams, groups or organisations. Performance management essentially about measuring, monitoring and enhancing the performance of staff, as a contributor to overall organisation performance. It involves goal setting, performance appraisal, and reward system that align member work behaviour with business strategy, employee involvement, and workplace technology. Performance management interventions traditionally are implemented by the human resources department with in organisations, whose managers have special training in these areas. Because of the breadth and depth of knowledge required to carry out these kinds of change programs successfully, practitioners tend to specialize in one part of the human resources functions, such as performance appraisal or compensation.

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