A Study of Performance Management System in HCL

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Abstract
The study aims to study and analyze Performance Management components and their usage in HCL. The study entailed detailed examination of the methods to measure and enhance performance management system against its objectives. Exploratory research followed by descriptive research has been used in the study. Non-probability convenience sampling has been used in the study. The sample size is 40. Primary data has been collected using two structured questionnaires. Depth interview method was used by which answers to the questionnaire were sought. As it is inferred that PMS system is important for any organization, the organizations must invest in specific technology oriented products and services, software and hardware to improve the performance. The companies must identify and develop unique retention strategies to retain the employees. Retention and innovation strategies are used to improve the performance of employees, so the focus must be directed towards improving the PMS.

Keywords: critical incidence, development, paired comparison, retention, self appraisal.

1. Introduction
1.1 The process of performance management
Performance management should be regarded as a flexible process, not as a ‘system’. The use of the term ‘system’ implies a rigid, standardized and bureaucratic approach, which is inconsistent with the concept of performance management as a flexible and evolutionary, albeit coherent, process that is applied by managers working with their teams in accordance with the circumstances in which they operate.

Performance management is a natural process of management. As defined by the total quality expert William Deming; it consists of these basic activities:
- **Plan** – decide what to do and how to do it.
- **Act** – carry out the work needed to implement the plan.
- **Monitor** – carry out continuous checks on what is being done and measure outcomes in order to assess progress in implementing the plan.
- **Review** – consider what has been achieved and, in the light of this, establish what more needs to be done and any corrective action required if performance is not in line with the plan.

1.2 Managing performance
Performance management is an ongoing communication process, undertaken in partnership between an employee and his or her immediate supervisor, which involves establishing clear expectations and understanding about the following:
- The employee’s essential job functions
- How the employee’s job contributes to the goals of the organization
- What it means, in concrete terms, to do the job well
- How job performance will be measured.
- What barriers hinder performance and how they can be minimized or eliminated?
- How the employee and the supervisor will work together to improve the employee’s performance.

You can manage the performance of your employees by:
- working with employees
- aligning employee goals
- setting performance incentives
- avoiding rating perils
- not ranking employees
- preparing for the appraisal
- recognizing success
- using cooperative communication
• using progressive discipline
• developing employees

1.3 Using performance management system data for HR decisions and performance improvements

The following categories of development decisions could be taken on the basis of the appraisal data:
• Organizing company training programmes;
• Sponsoring executives for external training;
• Job rotation;
• Career development;
• Potential development; and
• Delegation.

The following HR decisions could also be made on the basis of appraisal data:
• Performance rewards;
• Placement and transfers;
• Promotions;
• Change of duties.

2. Scope of the Study

Any organizations’ development is primarily based on its employees’ efficiency and attitude towards the organizational goal. The company and the employees are to be mutually benefited with the organization profit, which is possible only with an understanding management & dedicated staff, which require a proper blending of organizational goals with individual goals. Performance management helps the management of an organization to overcome this situation.

In connection to this, the performance of the employees is being analyzed which can indirectly influence the satisfaction of the employee and directly motivates them to work for the organizational development. The study helps to analyze the trends in performance management system in HCL industry and give appropriate suggestions to improvise the practices taken by it.

3. Literature Review

Sole (2009) presents a model for driving the implementation of a performance measurement system within public organizations and identifies the main factors influencing this process.

Lin (2012) show that safety culture has been strengthened as the result of the implementation of a SMS. Furthermore, the loyalty factor of organizational identity is found to positively and significantly predict the performance of SMS through safety culture.

Skarzauskiene (2010) based on the analysis and synthesis of the scientific literature a conceptual model of the relationship between cognitive intelligence competencies (such as systems thinking) and organization performance was developed. The theoretical model was supported by empirical evidence. Correlation and regression analyses revealed that systems’ thinking was associated with higher organization performance.

Agbejule (2011) although both uses of MAS are required, highest performance for flexibility value firms is achieved when high interactive and low diagnostic MAS use is employed. On the other hand, for control value firms, the study indicates that using both high diagnostic and interactive MAS creates a positive effect on performance.

Akhtar & Mittal (2015) A number of critical implementation issues are positively impacting different dimensions of the SPM system effectiveness. SPM managerial/implementation issues such as the use of SPM by top management, selection of right and adequate performance measures, SPM implementation by champions, the use of SPM as a strategic tool, quality and flow of data, incentive scheme aligned with SPM and good organizational acceptance of SPM are critical implementation issues of SPM which affect different dimensions, viz., strategic alignment, strategic monitoring, financial, customer, internal process and learning objectives of the enterprise.

Thorpe & Beasley (2004) shows that research in the performance management field, unlike other more mainstream management research, is likely to be “hard” and “applied” (on the main cognitive dimensions – Becher) and convergent and urban (on the main dimensions in relation to its social organization – Gibbons).

Waal (2002) As most practicing managers know, measures drive management behavior, especially if they are reinforced by reward systems. It means building new performance management systems in parallel with new management structures and redefining responsibility boundaries. The study deals with the key measurement issues, tackles the organization problems concerned with aligning strategy and behaviors, and describes the way organizations can obtain a world-class performance management process.

Ilkay & Aslan (2012) showed no statistically significant difference between certified and non-certified companies in terms of performance. Certification showed no direct effect on performance. Also it has been claimed that the quality practices of certified companies was higher than those of non-certified companies, according to results it is showing a statistically significant difference, in the 0.01 level of significance. However, higher quality
practice does not necessarily mean higher performance. Motivations for certification also affect performance; it was found that companies that are internally motivated for certification have partially higher performance than companies externally motivated.

Cheng & Thompson (2006) Critical success factors which would help to ensure a successful performance management system include: corporate engagement from various parts of an organization in the review exercises; desire to focus on performance improvement and avoidance of blaming; and strong data management systems.

Gomez-Mejia (1990) the role of performance appraisal and reward systems in enhancing employee performance is discussed. A model is presented which argues that feedback is a powerful instrument in performance enhancement. Performance appraisal should provide a clear and realistic indication of the work that must be accomplished, performance expectations, and feedback on performance against expectations.

4. Research Methodology
4.1 Objectives
- To study the existing system prevailing with regard to performance management system in HCL.
- To focus on the challenges prevailing in the retention of such highly skilled effective employees.
- To provide some meaningful suggestions to the organizations as well as the industry to improve, modify and change the existing systems of performance management.

4.2 Research Design
Exploratory research followed by descriptive research has been used in the study. Descriptive studies are undertaken in many circumstances. When the researcher is interested in knowing the characteristics of certain groups such as age, sex, educational level, occupation or income, a descriptive study is necessary. Descriptive studies are well-structured. It tends to be signed and its approach cannot be changed every now and then. It is, therefore necessary that the research give sufficient thought to framing research questions and deciding the types of data to be collected for their purpose.

4.3 Sampling Technique
Non-probability convenience sampling has been used in the study. Convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it. It is most often used during the exploratory phase and is perhaps the best way of getting some basic information quickly and efficiently.

4.4 Sample Size
The study has been carried out by collecting information from HCL by using simple random sampling. The sample size is 40.

4.5 Data Collection Tools
In the study data has been collected using primary and secondary methods of data collection. Primary data has been collected using two structured questionnaires. Depth interview method has been used. Secondary data has been collected from journals, articles; research magazines and working papers available in the organization and from Internet.

5. Data Analysis
The components of performance management system in HCL are as follows:
- When and how are the Key Result Areas (KRAs) for an employee identified? How are the changes in KRAs handled if the business requirements change?
  In HCL KRAs are set annually first. After which KRAs are set biannually, quarterly, monthly and then weekly. The KRAs are set by team leaders. Team meetings are called on by team leaders to transfer the KRAs. It is set usually in the month of July-August.
- What are the components / phases of performance management system?
  Various components of PMS in HCL are goal setting, 360 degree feedback mechanism, ranking of employees, behavioral charter, and performance appraisal. Performance improvement is a part of performance management system in HCL.
- How many meetings are scheduled in a year to discuss employee performance?
  Frequency of meetings in HCL is at least once a year.
- Which technique is adopted for carrying out performance appraisal? Is it different for senior level managers?
  In HCL at least one meeting is scheduled which is mandatory and more can be done as per wishes of the appraiser and appraisee. One on one interviews are conducted. Appraisal period in HCL starts from November to December every year. Appraisal booklets are sent to regional manager, who further give it to deputy manager, team leader and other managers, who distributes it to their team members and executives. It is a job of regional manager to see the forms are duly received by every employee in his region, and their past performance is checked.
• Does the company use tools to reduce biasness in the PMS?
  For reducing biasness they have 360 degree feedback mechanism which helps them taking the feedback of an employee from everyone who is closely related to him taking cumulative effect of it. Other tool used by HCL is continuous observations, the immediate supervisor observe the performance and behavior of employees over a period of time.
• What all processes are part of your PMS?
  Coaching, training & development plan and succession planning are part of performance management in HCL as well as Wipro. HCL has coaching, training & development, career management and development plan, succession planning.
• How are the Training and Development (T&D) needs captured through the process of performance appraisal?
  After conducting appraisal, if some employee is appraised below average and in face to face meeting after analyzing the causes for not achieving it, some training need is sensed then training in that particular field is provided. Another method of development of an employee includes taking up some aptitude tests like potential qualitative assessment at the areas of improvement. Employees performing below performance are tried to train as the organization tries to avoid termination. For gauging on potential, HCL conducts personality tests. These tests help in understanding the hidden potential of the employees which can be worked on through training and development.
• How succession planning is done in your organization?
  HCL do succession planning for 3-5 years into future and beyond that. They do it through MDP.
• What is the most important aspect of PMS?
  HCL feels that retention of employees is of utmost importance since from joining employees are trained to be part of the business, it involves a huge cost if there is change in staff on frequent basis, and therefore HCL align its performance management system functions with retention strategy of the organization. But at the same time, performance management also focuses on assessment of training and development needs and promotions decision for retaining the employees.
• Which rating scale is used by the company? Is there any standard approach for rating the employee?
  HCL rates its employees on level basis. There are 3 levels: L1, L2, and L3. After providing rating to the employees, it is normalized and after the process of normalization it is distributed on bell curve.
• Is promotion part of the PMS? How are incentives and promotions linked to the PMS outcome? What are the criteria for promotion? What percentage (%) of the eligible population is allowed for promotions every year?
  In HCL, promotion is part of performance management system. After assessing the performance leadership quality, number of years of services, achievement and his/her rating are inputs for the promotion.

5.1 PMS fact sheet

<table>
<thead>
<tr>
<th>Phases of PMS</th>
<th>Performance Appraisal Year</th>
<th>Objective Setting</th>
<th>Performance Review Period</th>
<th>Training &amp; Development</th>
<th>Salary Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCL</td>
<td>1st June-30th May</td>
<td>Existing employees: July-August New Joinees: Within 30-45 days of joining</td>
<td>Annual: April – March Training calendar is released every month (40 hrs training is compulsory for every employee during a span of 1 yr)</td>
<td>By Oct</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: showing a few parameters of PMS

<table>
<thead>
<tr>
<th>Parameters</th>
<th>HCL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of KRAs</td>
<td>Biannually, quarterly, weekly, daily</td>
</tr>
<tr>
<td>No. of meetings</td>
<td>At least once a year</td>
</tr>
<tr>
<td>Tools used for reducing biasness</td>
<td>360 degree feedback, continuous observation</td>
</tr>
<tr>
<td>Part of PMS</td>
<td>Succession planning, coaching, T &amp; D</td>
</tr>
<tr>
<td>Assessment of T &amp; D needs</td>
<td>MDP</td>
</tr>
<tr>
<td>Rating scales</td>
<td>Level basis</td>
</tr>
<tr>
<td>Succession Planning</td>
<td>By the suggestion of managers</td>
</tr>
<tr>
<td>Strategy linkage</td>
<td>Retention strategy, T &amp; D</td>
</tr>
<tr>
<td>percentage promotions</td>
<td>(8-10)%</td>
</tr>
</tbody>
</table>

6. Findings

- Self appraisal is an important tool which is used extensively in the company.
- For reducing the biasness in PMS 360 degree feedback and continuous observations are used mostly.
Training of the employees is an important part of PMS.
Retention of the employees is of utmost importance while making policies regarding PMS in the company.
There is a trend of linking performance with promotion in the company.

7. Recommendations
Following are the recommendations for improving the overall PMS in the company studied:
- Innovative policies should be formulated to retain and train more employees which would match their satisfaction level.
- 360 degree appraisal is an effective tool which has to be effectively enhanced in the organizations.
- Ranking of various factors helps to reduce biases in performance appraisal systems so organizations must use this standard tool for measurement.

8. Conclusions
As it is inferred that PMS system is important for any organization, the organizations must invest in specific technology oriented products and services, software and hardware to improve the performance. The companies must identify and develop unique retention strategies to retain the employees. An established formal communication networking with an informal focus would give the organizations an additional competitive advantage. Retention and innovation strategies are used to improve the performance of employees, so the focus must be directed towards improving the PMS.

References