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## A STUDY ON THE EFFECTIVENESS OF PERFORMANCE MANAGEMENT SYSTEM IN BHEL

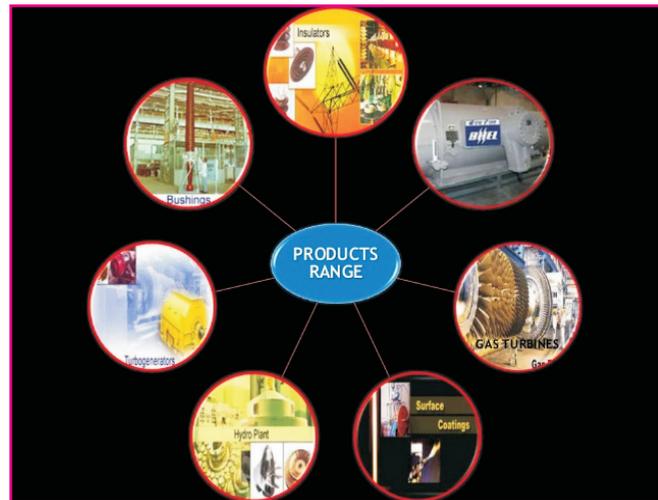
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### ABSTRACT

**T**he objective of the study is to analyze the awareness of the employees about the performance management system and to study the effectiveness of the performance management system of the study unit through employee perception in the BHEL, Trichy. The results of the study indicates that the employees of higher level management well aware whereas middle and lower level management employees have poor awareness of the overall performance management system of the study unit. The employees of higher level management perceive moderate satisfaction, whereas employee of middle and lower level perceived low satisfaction about the



overall performance management system of the study unit. Further, the study indicates there is a strong relationship between the awareness of the employees and their perception about performance management system. The results of the empirical analysis indicate that if the study unit creates higher awareness of performance management system, this can improve the perception of the employees about the performance management system of the study unit.

**KEYWORDS-** Performance management, Performance planning, Performance standard, Performance rating and Performance management and reward.

### INTRODUCTION :

The performance management is important for an organization, as it helps organizations, ensuring employees are working hard to contribute to achieving the organization's mission and objectives. Performance management sets expectations for employee performance and motivates employees to work hard in ways that is expected by the organization. Moreover, performance management system provides a complete and professional management process for organizations to assess the performance results of organizations and employees. Employee performance could be expected, assessed and encouraged. The importance of performance management system is on continuously improving organizational performance and this is achieved by improving individual employee performance. Therefore, improving employee performance by using a performance management system is a way to improve organizational performance.

The topic of performance management system would be interesting and meaningful for any organization because the performances of employees have a significant relationship with organizational performance. Also, understanding how performance management systems could help organizations setting up a better management system and finally improve employee performance and organizational performance.

The Performance management facilitates improvement of the quality of relationships amongst the members of the organization by encouraging sharing of expectations and building a climate of openness and mutuality. The significance of performance management has grown in recent times because most of the organizations are giving a lot of importance to employee development and talent management. The contemporary organizations are working towards grooming the competencies of the employees for maintaining a leadership in the competitive market and performing outstandingly.

In India, the performance management has attracted the attention of many organizations in general and Heavy Electrical Equipment industry in particular where high technologies are involved and in the near future its importance will still grow as it will become more integrated with the processes like talent management, career management, pay based on performance, development and talent management in the Heavy Electrical Equipment industry.

The BHEL has been the solid bedrock of India's Heavy Electrical Equipment industry since its evolution in 1964. Amidst the arduous external economic and business environment, BHEL continued to face challenges, but, throughout the year, the company demonstrated an exceptional resilience to these headwinds. From managing growth to managing slowdown, the company has steadily strengthened its inherent competitiveness as reflected from sustained market leadership, continued focus on innovation and project execution performance. Recent policy initiatives taken by the Government such as allocation of coal blocks through e-auction, rationalization of fuel prices, expeditious clearance of projects and boost to Defence and Transportation sector etc. are likely to improve business environment and provide momentum to existing and upcoming projects.

The overall business scenario is improving. Green shoots in the economy and the recent 'Make in India' initiative by the Government of India have potential to take Indian Industry into a new phase of growth. The company will continue to build on its strengths through a focus on Capability Enhancement, Project Execution, Cost Competitiveness and Quality, Diversification, Engineering and Technology and People Development as envisaged in BHEL's six point agenda. In present highly competitive environment, the effective performance management system is paramount important to sustain in the highly competitive market. Therefore, in this study an attempt has been made by researcher to analyze the effectiveness of the performance management system of the BHEL through perception of the employees.

## RESEARCH METHODOLOGY

Among the BHEL's manufacturing divisions in India, BHEL, Tiruchirappalli is a prominent one which has seen a formidable growth in capacity, capability, turnover and profitability over the years. Product diversification has resulted in the development of new products enabling the BHEL to absorb modern technologies. Such innovations result in continuous updating of manufacturing facilities to serve the customers in a more comprehensive way and for improving quality and productivity. Nearly 13,000 employees are working in Tiruchirappalli complex. Behind each one of these activities lies the commitment and dedication of the employees, technical experts, process engineers, skilled and unskilled workers whose contribution have attributed to penning this success. However, the company faces many challenges to improve its performance, which is possible only the better implementation of employee friendly performance management system.

Therefore, the present study has been conceptualized in order to analyze the effectiveness of performance management system of the BHEL Tiruchirappalli. The population of the study constitutes employees of the BHEL High Pressure Boiler Plant located at Tiruchirappalli, Tamilnadu. Hence, the employees of BHEL, Tiruchirappalli are selected as respondents for examining the effectiveness of performance management system. The study has made use of the Case study Method and Survey Method of research to achieve the set objectives.

### SAMPLE SIZE DETERMINATION

The employees are classified as top level, middle level and lower level management. The executives, supervisors and artisans belong to top level, middle level and lower level management respectively. There are 12864 employees are working of which, 2108 employees are top level, 4492 employees are middle level and 6264 employees are lower level management.

As per the sample size determination formula, a sample of 374 employees is sufficient to represent the whole population in the study unit, which constitutes 2.91 per cent of the total population. Therefore, 2.91 per cent of each category is drawn on the basis of stratified random sampling method. Thus a total sample consists of 61 Higher level, 131 Middle level and 182 Lower level employees of the study unit.

### DATA COLLECTION

The data required to carry out the objectives of the study were collected both from the primary and secondary sources. The questionnaire was administered to the sample respondents to collect the required primary data. The sources of secondary data were literature available in libraries in the form of books, journals and magazines. Besides the above mentioned literature, annual reports and published and web sites of the sample unit were also referred to.

### RESULT AND DISCUSSION

#### AWARENESS ON PERFORMANCE MANAGEMENT SYSTEM

The overall awareness of the respondents about a performance management system of the study unit is shown in table 1.

**TABLE 1**  
**OVERALL AWARENESS ON PERFORMANCE MANAGEMENT SYSTEM**

Categories of the respondents	Mean Score	Mean Score (%)
Higher Level Management (N=61)	28.04	70.10
Middle Level Management (N=131)	18.97	47.43
Lower Level Management (N=182)	09.82	24.55
Overall Average (N=374)	15.99	33.99

Source: Primary Data

Table 1 reveals that the overall awareness mean score obtained by the total sample respondents for performance management system of the study units was 33.99 per cent. Among the total respondents, the respondents of higher level management have secured the highest mean score of 70.10 per cent. The respondents of middle and lower level management have obtained a mean score of 47.43 per cent and 24.55 per cent respectively. Therefore, it can be inferred from the table that the employees of higher level management well aware whereas middle and lower level management employees have poor awareness of the overall performance management system of the study unit.

#### AWARENESS ON PERFORMANCE MANAGEMENT SYSTEM

The level of awareness of the respondents about the overall performance management system of the study unit is shown in table 2.

**TABLE 2**  
**OVERALL LEVEL OF AWARENESS ON PERFORMANCE MANAGEMENT SYSTEM**

Category of the Respondents	No. of Respondents			
	Low	Moderate	High	Total
Higher Level Management	12 (06.49)	16 (13.22)	33 (48.53)	61 (16.31)
Middle Level Management	45 (24.32)	68 (56.20)	18 (26.47)	131 (35.03)
Lower Level Management	128 (69.19)	37 (30.58)	17 (25.00)	182 (48.66)
Total	185 (100.00)	121 (100.00)	68 (100.00)	374 (100.00)

Source: Primary data, Note: Figure in the bracket is percentage of total

It can be seen from the table 2 that out of 374 respondents, 185 respondents (49.47 per cent), 121 respondents (32.35 per cent) and 68 respondents (18.18 per cent) revealed low, moderate and high level of awareness about the overall performance management system. In case of the respondents who expressed low awareness, about 69 per cent, 24 per cent and 6 per cent of the respondents belong to lower, middle and higher level management respectively. Among the respondents who revealed moderate awareness the majority of the respondents, 31 per cent and 13 per cent of the respondents belong to the middle, lower and higher level management. Out of 68 respondents who revealed a high level of awareness, nearly 49 per cent, 26 per cent and 25 per cent belong to the higher, middle and lower level management. Therefore, it can be inferred from the table that the employees of the higher, middle and lower level management have high, moderate and low level of awareness about the overall performance management system of the study unit.

### CATEGORIES OF THE RESPONDENTS AND LEVEL OF AWARENESS

To find out whether there is any significant difference between categories of the respondents and their level of awareness about the performance management system of the study, a null hypothesis is framed and tested with the help of ANOVA test.

#### Null Hypothesis

There is no significant difference between categories of the respondents and their level of awareness about the performance management system.

**TABLE 3**  
**ANOVA TEST**

Variables		SS	Df	MS	F	Significance
Categories of the respondents and level of awareness	Between sample	2288.22	2	1144.11	0.79	Not Significant
	With in sample	8674.00	6	1445.67		
	Total	10962.22	8			

\*\*Significant at 5% and 1% level

Table 3 reveals that the calculated f-value is less than that of table the value at 5 per cent and 1 per cent level; therefore, the null hypothesis is accepted. Hence, it can be concluded that there is no significant difference between categories of the respondents and their level of awareness about the performance management system of the study unit.

### DEMOGRAPHIC VARIABLES AND LEVEL OF AWARENESS

To find out whether there is any significant difference between individual demographic variables and level of awareness about the performance management system, a null hypothesis is framed and tested with the help of the chi-square test. The result is given in table 4.

#### Null hypothesis

There is no significant difference between demographic variables and the level of awareness about the performance management system.

**TABLE 4**  
**CHI-SQUARE TEST RESULT**

Demographic variable and Level of Awareness	Chi-Square Test – Value	Df	Table value 5% level	Table value 1% level	H <sub>0</sub> Accepted / Rejected	Significance
Gender and level of awareness	149.00	2	5.991	9.210	Rejected	** Significant
Age and level of awareness	151.00	4	9.488	13.277	Rejected	** Significant
Marital status and level of awareness	4.68	2	5.991	9.210	Accepted	Not significant
No. Of dependents and level of awareness	55.8	4	9.488	13.277	Rejected	** Significant
No. Of earning members and level of awareness	45.6	4	9.488	13.277	Rejected	** Significant
Educational qualifications and level of awareness	109.00	4	9.488	13.277	Rejected	** Significant
Work of experience and level of awareness	87.4	4	9.488	13.277	Rejected	** Significant
Monthly income and level of awareness	29.6	4	9.488	13.277	Rejected	** Significant

\*\* Significant both at 5% level and the 1% level.

Table 4 shows that the level of awareness was assessed with variables such as gender, age, marital status, number of dependents, number of earning members, educational qualifications, working experience and monthly income. From the analysis among them there is a significant difference between gender and level of awareness, age and level of awareness, number of dependents and level of awareness, number of earning members and level of awareness, educational qualifications and level of awareness, work of experience and level of awareness and monthly income and level of awareness about the performance management system of the study unit.

### PERCEPTION ABOUT PERFORMANCE MANAGEMENT SYSTEM

The overall perception of the employees about performance management system of the study unit taken together, all the eight variables of the performance management system with regard to organizational strategy, performance planning, goals and performance measures, performance standard, performance management system and feedback, performance rating, performance management and training and development and performance management and reward is shown in table 5.

**TABLE 5**  
**OVERALL PERCEPTION ABOUT PERFORMANCE MANAGEMENT SYSTEM**

Variables	Higher level Management		Middle level Management		Lower level Management		Overall Average	
	Mean Score	Mean Score (%)	Mean Score	Mean Score (%)	Mean Score	Mean Score (%)	Mean Score	Mean Score (%)
Organizational strategy	17.25	57.50	13.10	43.66	10.27	34.23	12.39	41.30
Performance planning	27.47	61.04	23.63	52.51	16.52	36.71	20.79	46.20
Goals and performance measures	30.03	60.06	24.18	48.36	16.54	33.08	21.41	42.82
Performance standard	21.10	60.28	16.37	46.77	10.81	30.88	14.43	41.22
Performance management system and feedback	36.45	60.75	27.86	46.43	21.41	35.68	26.12	43.53
Performance rating	39.88	61.35	31.05	47.76	24.41	37.55	29.25	45.00
Performance management and training and development	34.95	58.28	28.46	47.43	21.08	35.13	25.93	43.21
Performance management and reward	18.84	62.80	17.11	57.03	13.25	44.16	15.51	51.70
<b>Overall Average</b>	<b>225.99</b>	<b>60.26</b>	<b>181.76</b>	<b>48.47</b>	<b>134.29</b>	<b>35.81</b>	<b>165.87</b>	<b>44.23</b>

Source: Primary Data

It can be seen from the table 5 that there were eight variables framed to measure the overall perception of the respondents about performance management system, for which the total sample respondents secured a mean score of 44.23 per cent out of a total score of 374. The higher, middle and lower level management have obtained the mean score of 60.26 per cent, 48.47 per cent and 35.81 per cent respectively. The respondents of higher level management have gained a mean score of more than 50 per cent for all the selected eight variables. The respondents of middle level management have obtained a mean score of less than 50 per cent except the parameters "Performance planning" and "Performance management and reward". In case of the lower level management they have a lower mean score for all the eight variables. Therefore, the result of the reveals that the employees of the high level management perceive moderate perception about the variables Organizational strategy, Performance planning, Goals and performance measures, Performance management system and feedback, Performance rating, Performance management and training and development and Performance management and reward. The middle level management has gained a low mean score for all the variables except Performance planning and Performance management and reward. The lower level management has acquired a low mean score for all the variables. Therefore, it can be inferred from the table that the employees of higher level management perceive moderate perception, whereas employee of middle and lower level perceived value is low about the overall performance management system of the study unit.

### DESCRIPTIVE STATISTICS

In order to find whether there is any significant relationship between the categories of respondents and their level of perception about the performance management system, a null hypothesis is framed and tested with the help of 't' test. 't' test values were calculated for different combination of categories of respondents. The t – values calculated were compared with the Table 't' values (at the 5% level and at the 1% level) to test the significance of variation in respect of perception about the performance management system. The results were tabulated and interpreted in respect of perception about the overall performance management system in Table 6.

### Null hypothesis

There is no significant difference between mean scores obtained by the respondents for performance management system.

**TABLE 6**  
**DESCRIPTIVE STATISTICS**

Category	Count	Mean	S.D	t-value	Result
Higher level and Middle level Management	61	225.99	68.40	1.4550	Not Significant
	131	181.76	52.00		
Higher level and Lower level Management	61	225.99	68.40	3.2400	Not Significant
	182	134.29	41.52		
Middle level and Lower level Management	131	181.76	52.00	2.0167	Not Significant
	182	134.29	41.52		

Source: Computed by the researcher

As per table 6 the result of t-test shows that there is no significant difference between mean scores obtained by the respondents for performance management system of the study unit and the different level of management of the employees.

### LEVEL OF PERCEPTION WITH PERFORMANCE MANAGEMENT SYSTEM

The overall level of perception of the respondents about a performance management system of the study unit is shown in table 7.

**TABLE 7**  
**OVERALL LEVEL OF PERCEPTION WITH PERFORMANCE MANAGEMENT SYSTEM**

Category of the Respondents	Level of Perception			
	Low	Moderate	High	Total
Higher Level Management	08 (03.83)	40 (34.19)	13 (27.08)	61 (16.31)
Middle Level Management	76 (36.36)	36 (30.77)	19 (39.58)	131 (35.02)
Lower Level Management	125 (59.81)	41 (35.04)	16 (33.34)	182 (48.67)
Total	209 (100.00)	117 (100.00)	48 (100.00)	374 (100.00)

Source: Primary Data, figure in the bracket is percentage of total

It is observed from the table 7 that out of 374 respondents, 209, 117 and 48 respondents reported low, moderate and high level of perception. Among the respondents who revealed a low perception nearly 60 per cent, 36 per cent and 4 per cent of the respondents belong to lower level management, middle level management and higher level management respectively. Out of the 117 respondents who experienced moderate perception, about 35 per cent, 34 per cent and 31 per cent of the respondents were lower, higher and middle level management respectively. In case of the respondents who expressed a high level of perception, about 40 per cent, 33 per cent and 27 per cent of the respondents were middle, lower and higher level management respectively. Therefore, it can be inferred from the table that the employees of the lower level management perceive poor satisfaction, whereas middle and higher level management perceive moderate satisfaction with the overall performance management system of the study unit.

**ANOVA TEST**

To find out whether there is any significant difference between employees of the different level of management and their level of perception about a performance management system of the study unit a null hypothesis is designed and tested with the help of the ANOVA Test. The result is shown in table 8.

Null hypothesis

The respondents perceive the same level of perception about performance management system.

**TABLE 8**  
**ANOVA TEST**

Variables		SS	Df	MS	F	Significance
Level of management of the employees and their level of perception	Between sample	4349.55	2	2174.78	1.8811	Not significant
	With in sample	6936.67	6	1156.11		
	Total	11286.22	8			

Computed by the researcher

It is observed from the table 8 that the result of the ANOVA Test indicates that the calculated value is lesser than that of Table value; hence the null hypothesis is accepted. Therefore, it can be concluded that the different level of employees perceives the same level of perception about a performance management system of the study unit.

**DEMOGRAPHIC VARIABLES AND LEVEL OF PERCEPTION**

In order to find out whether there is any significant difference between demographic variables and level of perception, a null hypothesis is framed and tested with the help of Chi-Square test. The result is given in table 9.

**Null Hypothesis**

There is no significant difference between demographic variables of the respondents and their level of perception about performance management system.

**TABLE 9**  
**CHI-SQUARE TEST RESULT**

Demographic variable and Level of Perception	Chi-Square Test – Value	Df	Table value 5% level	Table value 1% level	H <sub>0</sub> Accepted / Rejected	Significance
Gender and level of perception	112.0	2	5.991	9.210	Rejected	** Significant
Age and level of perception	155.0	4	9.488	13.277	Rejected	** Significant
Marital status and level of perception	154.0	2	5.991	9.210	Rejected	** Significant
No. Of dependents and level of perception	163.0	4	9.488	13.277	Rejected	** Significant
No. Of earning members and level of perception	163.0	4	9.488	13.277	Rejected	** Significant
Educational qualifications and level of perception	254.0	4	9.488	13.277	Rejected	** Significant
Work experience and level of perception	165.0	4	9.488	13.277	Rejected	** Significant
Monthly income and level of perception	141.0	4	9.488	13.277	Rejected	** Significant

\*\* Significant both at 5% level and the 1% level.

Table 9 shows that the level of perception was assessed with variables such as gender, age, marital status, number of dependents, number of earning members, educational qualifications, work experience and monthly income. From the analysis among them there is a significant difference between gender and level of perception, age and level of perception, marital status and level of perception, number of dependents and level of perception, number of earning members and level of perception, educational qualifications and level of perception, work experience and level of perception and monthly income and level of perception about the performance management system of the study unit.

### PROBLEMS OF THE RESPONDENTS IN THE PERFORMANCE MANAGEMENT SYSTEM

The Garret ranking technique was used to rank the problems faced by the respondents in the performance management system of the study unit. In this method, the employees were asked to give ranks the problems. The order of merit given by the respondent was converted into ranks by using the following formula.

$$\text{Percentage position} = 100 (R_{ij} - 0.5) / N_j$$

Where,

$R_{ij}$  = Rank given for  $i$  th factor by  $j$  th individual

$N_j$  = Number of factors ranked by  $j$  th individual

The percentage position of each rank thus obtained is converted into scores by referring to the table given by Henry Garrett. Then for each factor the scores of individual respondent are added together divided by the total number of respondents for whom scores were added. These mean scores for all the factors are arranged in the descending order, ranks are given and most important problems are identified. The problems faced by the respondents in performance management system of the study unit are listed out in the table 10.

**TABLE 10**  
**PROBLEMS OF THE RESPONDENTS**

S.No.	PROBLEMS	Score		Rank
		Total	Mean	
1	Insufficient clarification and translate the vision and strategy	17017	45.50	7
2	Not communicate and link the strategic objectives and measures	18142.74	48.51	6
3	Poor Performance Plans	15285.38	40.87	8
4	High Performance Standard	25727.46	68.79	1
5	Low Compensation, Recognition and Reward	24470.82	65.43	2
6	Not fair and equitable	10752.50	28.75	14
7	Absence of Integration with the strategic planning and human resource management systems	12442.98	33.27	12
8	Lack of Leadership Commitment	11392.04	30.46	13
9	Ignoring Change Management in System Implementation	16549.50	44.25	15
10	The Connection between individual objectives and organizational values, goals and strategies is not made	14746.82	39.43	9
11	Biased ratings	22484.88	60.12	3
12	Non Continuous Coaching, Feedback and Communication	18845.86	50.39	5
13	Discussion and Evaluation is not an effective	13935.24	37.26	10
14	Lack of Consistent Performance Management Plan	21306.78	56.97	4
15	Poor Documentation	13262.04	35.46	11

Sources: Primary Data.

Table 10 reveals that the ranking of the major problems faced by the respondent in the performance management system of the study unit. The problem “High Performance Standard” gets the first rank with the total score of 25727.46 and the mean score of 68.79. The problem “Low Compensation, Recognition and Reward” gets the second rank with the total score of 24470.82 and the mean score of 65.43. The problem “Biased ratings”, get a third rank with the total score of 22484.88 and the mean score of 60.12. The other subsequent problems includes Lack of Consistent Performance Management Plan, Non Continuous Coaching, Feedback and Communication, Not communicate and link the strategic objectives and measures, Insufficient clarification and translate the vision and strategy, Poor Performance Plans, Connection between individual objectives and organizational values, goals and strategies is not made, Discussion and Evaluation is not an effective, Poor Documentation, Absence of Integration with the strategic planning and human resource management systems, Lack of Leadership Commitment, Not fair and equitable and Ignoring Change Management in System Implementation. Therefore, it is concluded that the High Performance Standard, Low Compensation, Recognition and Reward and Biased ratings are the most important problems of the employees in the performance management system of the study unit.

**AWARENESS AND PERCEPTION ABOUT PERFORMANCE MANAGEMENT SYSTEM**

In order to find out whether there is any significant association between awareness of the respondents and their level of perception about performance management system of the study unit, a null hypothesis is framed and tested with the help of correlation coefficient. The result is shown in table 11.

**Null hypothesis**

The greater awareness of the employees, the higher will be the perception about the performance management system of the study unit.

**TABLE 11  
IMPACT OF AWARENESS ON PERCEPTION OF THE EMPLOYEES ABOUT PERFORMANCE MANAGEMENT SYSTEM**

Variables	r	r <sup>2</sup>	F- Statistics
Awareness and level of perception of the employees about performance management system	0.99961	0.99921	0.526

\*\* Significant at both 1% and 5% level

Table 11 revealed that the coefficient values attached to each performance management system dimension in multiple regression analysis on employee perception. The above table indicates there is a strong relationship between the awareness of the employees and their perception about performance management system. r<sup>2</sup> value is indicating that awareness is a strong predictor of perception of the employees about performance management system. The 'F' statistics reveal the validity of fitted regression models. The results of the empirical analysis indicate that if study unit creates higher awareness on performance management system, this can improve perception of the employees about the performance management system of the study unit.

**CONCLUSION**

To summarize there were eight variables identified to measure the overall perception of the respondents about performance management system, for which the total sample respondents secured a mean score of 44.23 per cent out of a total score of 374. The higher, middle and lower level management have obtained the mean score of 60.26 per cent, 48.47 per cent and 35.81per cent respectively. The respondents of higher level management have gained a mean score of more than 50 per cent for all the selected eight variables. The respondents of middle level management have obtained a mean score of less than 50 per cent, except the parameters "Performance planning" and "Performance management and reward". In case of the lower level

management they have a lower mean score for all the eight variables. Therefore, the result of study reveals that the employees of the higher level management perceive moderate perception about the variables Organizational strategy, Performance planning, Goals and performance measures, Performance management system and feedback, Performance rating, Performance management and training and development and Performance management and reward. The middle level management has gained a low mean score for all the variables except Performance planning and Performance management and reward. The lower level management has acquired a low mean score for all the variables. Therefore, it can be inferred from the table that the employees of higher level management perceive moderate satisfaction, whereas employee of middle and lower level perceived low satisfaction about the overall performance management system of the study unit.

Further, the study indicates there is a strong relationship between the awareness of the employees and their perception about performance management system. The results of the empirical analysis indicate that if the study unit creates higher awareness of performance management system, this can improve the perception of the employees about the performance management system of the study unit.

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