

COMPARISON OF PERFORMANCE MANAGEMENT SYSTEMS IN PUBLIC AND PRIVATE SECTOR: A STUDY OF MANUFACTURING ORGANIZATIONS

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ABSTRACT

Organizations nowadays have become more conscious for their employee's performance and productivity to ensure their survival in today's competitive scenario. Thus performance management has attracted the considerable attention of many as it is expected that in the near future its importance will still grow to be an integral part of HR policies with other processes like pay linked with performance, career management and talent management etc. There is a need for increased insight about performance management systems and the effect of its implementation in public and private sector organizations.

Public and private sector enterprises differ from each other in terms of their structure and operations. The present study aims at comparing the difference between performance management practices of public and private sector manufacturing organizations. Data has been collected from 50 employees each from public and private sector units, hence, total 100 respondents have been taken as a sample of study. A well designed questionnaire having closed ended questions was used as a tool for data collection. Analysis of Variance (ANOVA) has been used for testing hypothesis to find out whether the difference between performance management systems in public and private sectors is significant or not. The findings of the study revealed that there exists a significant difference between the performance management practices of public and private sector manufacturing organizations.

Keywords: Performance Management, Productivity, Career Management, Talent Management.

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1. Introduction

The role of Human Resource Management in the present scenario has undergone a radical change and its focus is on developing such strategies which can facilitate successful implementation of the key corporate objectives. Now a day, organizations facilitate to improve the performance of the employees by building a conducive and healthy work environment and provide more and more opportunities to the employees to participate in organizational decision making. All the key activities of HR are focused towards the development of high performance leaders and also help to foster employee motivation.

With the rapid introduction of new technologies and changes in the manufacturing sector, the manufacturers are struggling to measure and manage performance across the operations effectively. This need has given rise to the importance of a performance management system which would enable manufacturers to improve their operations and to gain competitive edge in the market.

Performance management is the buzzword and is the need in the current times of cut throat competition. Performance management is defined as an organized process through which the overall organizational performance can be enhanced by improving the performance of employees. It is a means to promote superior performance by communicating expectations, defining roles and establishing benchmarks. Performance management is a tool which focuses on the management of the employees and work environment in such a way that an employee can achieve the desired and predetermined organizational goals. Performance Management is a process for the establishment of a shared understanding about what is required to be achieved. It is an approach to manage people that increase the level of personal performance and business success. Performance management systems which include performance appraisals are vital link pins for human resource management. The term Performance Management System (PMS) was acknowledged in early 1980s when total quality management (TQM) programs received utmost importance for achieving superior standards and quality performance.

Previous researches have compared various public and private sector enterprises and have indicated that new private sector units are outscoring public sector units in terms of technical and economic efficiency. Therefore, this research will help in identifying the differences between

public and private sector enterprises with respect to the performance management system followed by them. Being government owned units, public sector enterprises have to operate under certain constraints that affect their efficiency. For example, the quality of human resource (HR) suffers as they can neither lay off poor performers nor can offer hike in salaries to attract new talent. On the contrary private enterprises have grown assertively by using highly innovative strategies. As a result, private sector enterprises have made considerable progress in a very short span of time. An organization with appropriate performance management system increases employer confidence that it has the right people in the right place at the right time.

2. Review of Literature

Under the global economic crisis, almost every private and public organization is struggling to cope up with a performance challenge, in one way or another. Various aspects of performance management have been discussed in the literature in detail.

.According to Sahoo and Mishra, 2012, a performance management system consists of clear definition of job description, proper selection process, performance standards, measurement techniques and results, training& development, mentoring and feedback, performance development etc. It also includes the effective appraisal system, compensation and recognition system in the organization. Effective performance management system provides benefits not only to organization but also to the employees

Nair and Pareek, 2011 studied the types of performance management systems adopted by various private sector organizations in India. A lot of performance indicators were identified including both financial and non financial measures in all the aspects i.e. customers, employees and environment etc. most widely used measure include 360 degree appraisal , then Total Quality management (TQM) and Activity Based Costing (ABC). However there are few employees who want to change the measure to Balance Scorecard (BSC).

Sole, 2009 stated that two key factors influence performance management system in public organization i.e. internal and external factors. Internal factors include leadership, management commitment, internal resources, performance oriented culture, employee engagement and

maturity of PMS and External factors include citizens and elected officials, labor unions, legal requirements.

Bassey B. Esu and Benjamin J. Inyang, 2009 stated that performance management system in public and private sectors have no difference between them. This is because they both want to achieve goals whether micro or macro. They also stated that Performance management is a comprehensive approach for planning and supporting improvements in the performance of employees, so as to meet set standards. In public sector, annual budget and annual performance evaluation are used in managing performance outcomes and behavior. These two deal with past and not with future. The absence of PMS has contributed to the high rate of business failures while adoption of PMS will make public business effective, efficient and sustainable.

According to Lawler, 2008; PMS is the main process through which task is completed and should therefore be a top priority for the managers to review. Public organizations, at all levels of government, have made progress on using performance management systems to capture the complexities of accountability and transparency; however, research has shown that performance management is still gaining importance as an effective organizational approach in the public sector, Bouckaert and Halligan, (2008), stated that performance is the main focus of international public management research.

According to Veberdeen 2007, the definition of clear and measurable goals is positively associated with the quality and quantity performance while the use of incentives is positively associated with only quantitative performance. He also discerns that performance management practices in public sector are influenced by various institutional factors. Overall it shows that the behavioral effects of performance management practices on public sector managers are as important as the economic effects.

According to the study conducted by Cascio, 2006; almost all the organizations i.e. from universities to the public and Government aided firms implement some system to identify or measure the performance of the employees at some level. As a result of survey conducted on 278 organizations, out of which two third were multinational organizations from fifteen different

countries, indicated that more than ninety percent of the organizations implement a formal performance management system in their organization to assess the employees' performance.

According to Radnor and McGuire (2004), there has been a revolution in performance management and measurements over the past twenty years. It is also noted that performance management systems are not new, and researchers have found reference to performance management during the third century A.D. in China, which has been confirmed by Furnham (2004). Furnham (2004) further indicates that in both America and Britain in the 18th and 19th centuries there was already evidence of early forms of performance management, whilst most Western armies did performance management in the last century. In the United States, performance management started with the industrial revolution in the late 18th century. In the United States, the use of performance appraisal started after World War I, and the system was not extensively used until about 1955. Literature further indicates that during the industrial revolution the performance management was simple and crude.

Cholasuke et al. (2004), conducted a study on manufacturing organizations and it was noted that only one third of the organizations, having effective maintenance management practices be likely to comprehend the importance of their maintenance management initiatives. This leads to the employment of an innovative performance management system (like balance scorecard, performance benchmarking, etc.) as a replacement for of the traditional performance management practices (Gomes et al., 2004).

According to Tangen 2004, the steady increase in the maintenance costs in manufacturing organizations is emphasizing the need of a PMS in order to utilize the scarce maintenance resource more effectively so as to improve overall efficiency and effectiveness of organization.

3. Research Objectives:

- To examine the difference between performance planning of public and private sector manufacturing organizations

- To compare the difference between performance reviews of public and private sector manufacturing organizations.
- To identify the difference between implementation of performance management system of public and private sector manufacturing organizations.
- To assess whether there is a difference between performance feedback of public and private sector manufacturing organizations.
- To compare the difference between rewards and recognition provided in public and private sector manufacturing organizations
- To identify the difference between performance improvements of public and private sector manufacturing organizations.

4. Research Hypotheses:

H₀₁: There is no significant difference between performance planning of public and private sector manufacturing organizations.

H₀₂: There is no significant difference between performance review of public and private sector manufacturing organizations.

H₀₃ There is no significant difference between implementation of performance management system of public and private sector manufacturing organizations.

H₀₄: There is no significant difference between performance feedback of public and private sector manufacturing organizations.

H₀₅: There is no significant difference between rewards and recognition provided in public and private sector manufacturing organizations.

H₀₆: There is no significant difference between performance improvement of public and private sector manufacturing organizations.

5. Research Methodology:

5.1 Research Design: Descriptive methodology was adopted to compare performance management system practices in selected public and private sector units in the state of Uttarakhand, India. The literature review has yielded certain important variables related to performance management system and on the basis of that certain hypothesis were stated.

5.2 Sampling Technique: Random and Convenience Sampling method has been used. One public (BHEL) and one private (Hero Motocorp) manufacturing unit from Uttarakhand have been taken as sample.

5.3 Sample Size: A sample of 50 employees from public and 50 employees from private sector was drawn. Thus the study was conducted on 100 employees from both sectors selected for the present study.

5.4 Data Collection: The study was conducted using both primary and secondary data for the present study.

5.4.1 Primary data: The collection of primary data was done using field surveys which include development of questionnaire and administering the questionnaire on the sample identified. In conducting the survey employees from different departments at all levels were randomly approached to fill in the survey questionnaire.

A questionnaire with different types of questions based on the components/ factors related to performance management system in an organization is used. The questionnaire is included as Appendix I. Section 1 covered personal information, while the Section 2 solicited the opinions of employees by asking their views on a series of statements about their understanding of performance planning, performance assessment, feedback, rewards and recognition provided to the employees and the practices related to performance management system implemented in the organization. Statements adopted close-ended which are measured at a 5 point Likert Scale.

5.4.2 Secondary Data: The collection of secondary data was based on literature review through online research databases such as EBSCO, ABI-Info, Pro-Quest, Scopus, *etc.*

6. Analysis:

Primary data has been collected through a pre tested questionnaire. The questionnaire has been designed using Likert scale and averaging of the responses has been done using appropriate method.

For testing the hypothesis, one way ANOVA has been used to find out whether the difference between two sample means is significant or not.

Analysis of Variance was used for testing the hypothesis formulated. For this test, the significance level of $p < .05$ were taken.

Abstract concepts/constructs such as corporate objectives, performance planning, performance review, implementation, feedback, rewards and recognition and performance improvement were measured by asking respondents to rate certain statements on a five point Likert scale (1=Highly Disagree, 2=Disagree, 3=Neutral, 4=Agree 5= Highly Agree). These were defined as "scale variables" in the SPSS 20.0 data editor.

7. Findings:

The hypothesis testing in the current study was done by employing ANOVA. Therefore, ANOVA (Analysis of variance) was conducted to see the significance of the relationship between the independent and dependent factors.

In the following case, each hypothesis was tested for the public and private sector Manufacturing Organizations taken for the study.

Table 1: Performance Planning of Public and Private Sector Manufacturing Organizations

		Sum of Squares	df	Mean Square	F	Sig.
H ₀₁	Between Groups	105.649	1	105.649	315.951	0
	Within Groups	32.770	98	0.334		
	Total	138.419	99			

Table 1 shows that for the hypothesis it is evident that the value of $F(1,98) = 315.951$ with $p < .05$, shows that there exists a significant difference between the performance planning of public and

private sector manufacturing organizations, as the P value is less than 0.05 for 5% significance level. So. Null hypothesis 1 is rejected.

Table 2: Performance Review of Public and Private Sector Manufacturing Organizations

		Sum of Squares	df	Mean Square	F	Sig.
H ₀₂	Between Groups	109.028	1	109.028	521.474	0
	Within Groups	20.490	98	0.209		
	Total	129.518	99			

Table 2 shows that for the hypothesis it is evident that the value of $F(1,98) = 521.474$ with $p < .05$, shows that there exists a significant difference between the performance review of public and private sector manufacturing organizations, as the P value is less than 0.05 for 5% significance level, so there exists a significant difference between the groups. Hence null hypothesis 2 is rejected

Table 3: PMS Implementation of Public and Private Sector Manufacturing Organizations

		Sum of Squares	df	Mean Square	F	Sig.
H ₀₃	Between Groups	112.148	1	112.148	310.24	0
	Within Groups	35.426	98	0.361		
	Total	147.574	99			

Table 3 shows that for the hypothesis it is evident that the value of $F(1,98) = 310.24$ with $p < .05$, shows that there exists a significant difference between the implementation of PMS in public and private sector manufacturing organizations, as the P value is less than 0.05 for 5% significance level. So, Null hypothesis 3 is rejected.

Table 4: Feedback to Employees of Public and Private Sector Manufacturing Organizations

		Sum of Squares	df	Mean Square	F	Sig.
H ₀₄	Between Groups	101.506	1	101.506	205.82	0
	Within Groups	48.331	98	0.493		
	Total	149.837	99			

Table 4 shows that for the hypothesis it is evident that the value of $F(1,98) = 205.82$ with $p=0$, shows that there exists a significant difference between the feedback given to the employees of public and private sector manufacturing organizations, as the P value is less than 0.05 for 5% significance level, so there exists a significant difference between the groups. Hence null hypothesis 4 is rejected.

Table 5: Rewards and Recognition in Public and Private Sector Manufacturing Organizations

		Sum of Squares	df	Mean Square	F	Sig.
H ₀₅	Between Groups	104.916	1	104.916	312.904	0
	Within Groups	32.859	98	0.335		
	Total	137.775	99			

Table 5 shows that for the hypothesis it is evident that the value of $F(1,98) = 312.904$ with $p=0$, shows that there exists a significant difference between the rewards and recognition given to the employees of public and private sector manufacturing organizations, as the P value is less than 0.05 for 5% significance level, so there exists a significant difference between the groups. Null hypothesis 5 is rejected.

Table 6: Performance Improvement in Public and Private Sector Manufacturing Organizations

		Sum of Squares	df	Mean Square	F	Sig.
H ₀₆	Between Groups	109.203	1	109.203	284.619	0
	Within Groups	37.601	98	0.384		
	Total	146.803	99			

Table 6 shows that for the hypothesis it is evident that the value of $F(1,98) = 284.619$ with $p=0$, shows that there exists a significant difference between the performance improvement of public and private sector manufacturing organizations, as the P value is less than 0.05 for 5% significance level, so there exists a significant difference between the groups. Null hypothesis 6 is rejected.

8. Conclusion

Performance Management System is the vital key in Human Resource Management (HRM). In other words, PMS is a crucial business driver that helps to achieve business result. An efficient PMS can boost the firms to maximize the employee performance. An effective system should be such that it can encourage an organizational climate of trust, autonomy, collaboration, communication and teamwork etc. It is important for an organization to have such system that not only identify and recognize the top performers rather help the employees and organization to achieve sustainable growth. Most of the modern day organizations identify this need and are spending a huge amount of money to develop and implement an effective Performance Management System still a huge amount of variation can still be noticed in the employees' performance. In order to gain the competitive advantage, the organization's performance management system should be designed in such a way that it can connect the employees' performance expectations to that of the organization's goals.

Although both public and private sector organizations are designing their PMS as a multidimensional system, private organizations which mainly serve the interests of the shareholders have a stronger focus on financial issues in their PMS, whereas the

multidimensionality of the PMS is broader and more explicit for public sector organizations, which have to serve the interests of different stakeholders, including the accomplishment of effectiveness in the pursuance of societal goals.

Studies on various practices of performance management system in the manufacturing sectors depicts that no single system is successful in improving the performance of a firm. The correct match between the firm and performance management system is essential for its success. The review also depicted certain issues on implementation of performance management system in the manufacturing units such as costs, lack of strategic feedback system and incentive schemes which destabilize the efficiency of a performance management system. Improvement in performance is a continuous process and the organization needs to attempt to reach to an optimal level, so as to develop the potential business. Hence, the process of measuring the manufacturing performance management system requires regular assessment and evaluation to struggle and survive in an increasingly competitive globalized business environment.

9. Recommendations

The study has identified both similarities and differences between performance management systems in public and private sector enterprises in order to glean lessons for future changes. However few modifications can be implemented in both public and private sector's performance management systems to make it more effective. The suggestions can be as follows:

- It appears that respondents in both public and private sectors had different and various understandings of performance management. It is, therefore, recommended that the management must initiate adequate training regarding performance management and ensure that it is provided to all employees in all levels within the organization. This training will definitely improve the current level of understanding regarding performance management amongst employees. Such training is vital for the system to be understood in this context. Capacity building of all lower level management should continue and an assessment implemented in order to evaluate progress made and where there is need for further improvement.

- Organizations should increase focus on improvement of key result areas and skill requirements established which provides the basis for strong PMS. Lack of attention in designing 'proper role definitions' causes conflict in roles of the employees as well as overlapping of responsibility. So to reduce overlapping of responsibility, and to ensure the proper placement of right people on right place.

The study also recommends the future research to be conducted on the how and to what extent performance planning, performance review, feedback; rewards and recognition and performance improvement differ in public and private sector enterprises. The further research should also be conducted on various public and private service sector organizations to identify the difference in the performance management practices of the organizations.

10. Limitations of the study

The proposed study makes an effort to look into the difference between performance management systems in public and private sector manufacturing units.

- Although utmost care has been taken in the data collection, analysis and interpretation but as because the sample has been taken from the selected manufacturing organizations of Uttarakhand, so the findings of study may not be applicable universally.
- The time of research is also limited therefore it gives a reflection of findings for the present phase.
- The findings are based on the survey method and hence depends entirely on the perception of people especially on some issues

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Appendix –I

QUESTIONNAIRE

Performance Management System

SECTION 1

PERSONAL INFORMATION					
TYPE OF ORGANISATION	Public			Private	
GENDER	Male			Female	
EDUCATIONAL STATUS	10+2	Graduate	Postgraduate	Higher Degree	Diploma
Number of Years of Service in the Present Organisation	Less than 5	6-10	11-15	16-20	21+

Kindly put a \sqrt Mark on the most suitable number, the numbers denote the following options

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

SECTION 2

2.1 PERFORMANCE PLANNING						
S.N.	Item	1	2	3	4	5
1.	Performance goals have specific time frames					
2.	Employees consider performance standards attainable					
3.	Relevant performance expectations are set between supervisor and employee					
4.	Employees are clear about how their performance is to be measured					

5.	Employees feel involved during that development of PMS					
6.	Managers consider views of appraisee during goal setting process for making best use of appraisees' skills and abilities					
7.	The Purpose of Performance Management System is clearly communicated to the Employees					

2.2 PERFORMANCE ASSESSMENT

S.N.	Item	1	2	3	4	5
1.	Sufficient information for appraising staff members' performance is available (e.g. critical behaviors recorded during the year)					
2.	Descriptive assessment based on actual accomplishment and behaviors demonstrated (rather than numerical ratings) are used					
3.	It is difficult for employees to reach their performance goals in the allotted time scale					
5.	Employees have trust in the rating manager					
6.	Employees are encouraged to monitor their performance					
7.	Assessment of performance is unbiased					
8.	Effective personal recognition is provided during review meeting					
9.	Prior to review, supervisor and subordinate reach agreement about the factors against which performance would be measured					
10.	Performance is measured against the factors previously agreed upon					
11.	Senior management demonstrates that they take performance review seriously					
12.	The Performance review is effective in assessing an employees' weaknesses.					

2.3 IMPLEMENTATION

S.N.	Item	1	2	3	4	5
1.	Senior Management is committed to successful implementation of PMS					

2.	Supervisors are held accountable for ensuring completion of each step of PMS					
3.	All employees are committed to the successful implementation of PMS					
4.	Implementation of the PMS requires more time and effort than expected					
5.	The commitment from Management and Staff is sufficient for implementation PMS					
6.	Current PMS enables the department to identify underperformers					
7.	The present organisation structure supports the implementation of PMS					
8.	Organisation have sufficient resources and capacity for implementation of PMS					
9.	Employees and management view PMS as one of their most critical responsibilities					
10.	PMS is regularly updated after implementation					

2.4 FEEDBACK

S.N.	Item	1	2	3	4	5
1.	Feedback is given on those aspects of performance which could be improved					
2.	Managers give honest feedback during review					
3.	Feedback is given on a periodic basis to help appraises work upon improving performance					
4.	Feedback is obtained from more than one source					

2.5 REWARDS AND RECOGNITION

S.N.	Item	1	2	3	4	5
1.	Pay decisions are linked to performance achievements					
2.	The reward system facilitates implementation of strategy by motivating desired levels of performance					
3.	The reward system facilitates the implementation of strategy by					

	attracting and retaining the right kind of people					
4.	Positive and negative consequences of performance (e.g. salary adjustments, recognition) are utilized effectively					
5.	Managers consider PMS as administrative tool rather than developmental tool					
6.	PMS establishes a clear connection between performance and rewards					
7.	Outcomes of performance reviews are linked to HR- subsystems (like training and development) to help improve employees' performance					

2.6 PERFORMANCE IMPROVEMENT

S.N.	Item	1	2	3	4	5
1.	Supervisors concentrate on managing of performance rather than controlling performance					
2.	Mechanisms exist to continuously improve performance					
3.	Employee's contribution makes great difference in achievement of performance goals					
4.	Training and Development, and the necessary resources are provided to employees in order to achieve objectives					
5.	Supervisors effectively design opportunities for subordinate to develop					
6.	Supervisors identify development needs to assist subordinates to grow					