

# *Reinventing Performance Management System for Inclusion and Innovation -An Analysis of IT and ITES Sector of India*

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## **Abstract**

In the present turbulent environment, organizations need to create a climate of continuous innovation and organic growth to successfully confront the challenges of twenty first century global markets. Rather than confining merely to capital, scale and efficiency, a greater focus on knowledge, collaboration, inclusion and innovation is the need of the hour for enhancing individual and organizational performance. Expert and competent employees are crucial for organizational effectiveness, as any compromise in terms of quality of products and services cannot be afforded. Hence, reinvention of the system of managing employee performance on the basis of transparency, inclusion, innovation and self-regulation, as against central control becomes imperative. This research paper focuses on analysing the performance management system and practices in the IT and ITES sector of India which is a vibrant and fast-growing sector. This research has been conducted on 125 employees working in major IT and ITES companies of India viz., TCS, Wipro Technologies, Accenture, Deloitte, Adobe Systems, Sapient, Cognizant, Amazon, Myntra, DXC Technology, Hexagon, and AppLabs located in different parts of the country like Bangalore, Hyderabad & Chennai etc. The research has been conducted on the basis of descriptive research design and snowball sampling method.

Statistical tools like percentage, mean, standard deviation, Z test, ANOVA and Coefficient of Correlation have been applied for deriving the results. Based on the findings, the researchers have outlined the implications of the research for fostering inclusion and innovation in the Performance Management system of an organization.

**Keywords:** Performance Management, IT and ITES Sector, Inclusion, Innovation

## **Introduction**

In the present era of globalization, organizations need to respond rapidly to threats and opportunities and create a climate for continuous innovation and organic growth. In the twenty first century global markets, it has become imperative for institutions to realize that adequate attention needs to be paid to knowledge, collaboration, inclusion and innovation for effective organizational performance. Leading organizations are dismantling the traditional hierarchical system and replacing it with liberating front line teams and fostering self regulation, collaboration and management by exception. The old school approaches, today need to be substituted by performance management models that support self-regulation, continuous and relative improvement rather

than central control. This calls for transparency, inclusion and innovativeness in the Performance Management System of an organization.

This research paper focuses on analyzing the performance management system and practices in the IT and ITES sector of India which is quite a vibrant and fast growing sector of the world. India has become one of the major IT hubs in the contemporary times and almost all the IT companies across the globe are functioning in the country. It is estimated that the IT industry will grow to about \$300 billion by 2020, and software services and e-commerce would be leading the race.

The IT and ITES industry is a highly knowledge based and technology driven industry. Therefore, it strives hard to keep itself updated and adaptable to the recent trends. The

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industry needs expert and competent employees, as the quality of products and services offered cannot be compromised at any cost. Today, up skilling and re skilling of over 50% of the industry workforce has become an indispensable obligation for the IT-ITES industry of India which is currently employing about four million professionals.

This is a dream far ahead if the right approach to maintain the quality workforce is not followed. Here comes the need to be as justified and creative as possible in performance related issues which will help in ascertaining, evaluating and managing the employees' performance at the desired level. Therefore the topic "Reinventing Performance Management System for Inclusion and Innovation-An Analysis of IT and ITES Sector of India" has been taken for the purpose of research. The growth rate of the IT industry of India is anticipated to be around 10% for several more years. The talent requisition for the new opportunities is quite different from that of the past. To optimise the opportunity, specific interventions in technology, talent, and ecosystem are highly desirable. Herein arises the need for reinventing the performance management system for enhanced competitiveness, effectiveness and efficiency together with inclusive and non-discriminatory practices for a motivated workforce.

## 2. Review of Literature

Banks and Roberson (1985) concluded that out of the various techniques of appraising the employees' performance, the technique based on behavioural analysis is found to be more realistic and appropriate. The behavioural appraisal is based on job specification and job description. Clinton O. Longenecker, Henry P. Sims, Jr. and Dennis A. Gioia (1987) analysed that the managers are generally afraid of the negative consequences of accurate appraisals thereby making the ratings inaccurate intentionally. The concern of the managers while appraising the employees is not to bring the accuracy in ratings but to motivate, support and strengthen the employees. Robert D. Bretz, Jr. and George T. Milkovich (1992) emphasized two important methods of employee appraisal that are, MBO to evaluate the managers and graphic rating scale method to evaluate the non managers. It was observed that many executives are not even evaluated on the basis of any formal appraisal process. Use

of the different approaches in the same organization for appraisal makes the system less standardized and systematic at higher levels. Gurbuz and Dikmenli (2007) in their research titled 'Performance appraisal in public organizations: An empirical study' suggested that employees' perception of performance appraisal generally does not vary significantly according to their age. It has been assessed that there is a similarity in the commitment level and willingness of younger and older employees with regard to compliance with the submissions required for Performance Appraisal. C. Mittal, Ashok Kumar Goel and Pankaj Mohindru (2009) have emphasized that analytical hierarchical process is a very strong and convenient method for the managers as it helps in identifying the eligible employees by the use of both quantitative scores and qualitative features of their overall performance. It was found by the author that this is a very important tool when it comes to various criteria for judgement but the results of the same are vague which increases the ambiguity and thus the evaluation of the employee's performance becomes difficult for the managers. This tool is capable of logical performance evaluation of employees based on critical criterion. Matlala (2011) 'Employee Fairness Perceptions of a Performance Management System' concluded that employees do not have a favourable perception regarding the fairness of system of the evaluation of performance of organization they work for. It is further analysed that their perception is impacted by distributive, procedural and interactional justice factors. Ms. Leena Toppo, Dr. (Mrs.) Twinkle Prusty (2012) concluded that there is a great need of shift from a system of performance appraisal to that of performance management. Though the system of performance appraisal evaluates the past performance of employees but this system misses out certain critical criterion related to the performance of the employees which have been taken care of by the performance management system. Thus the study has diagnosed the shortcomings of the appraisal system and modified it to match with the strategic requirement of the organization. Adeliën Decramer, Carine Smolders & Alex Vanderstraeten (2012) have inferred that if the performance management system has high level of internal consistency and tighter control, it will result into higher performance. The study was conducted in the higher education institutions to calculate the level of satisfaction

with employees' performance management system, as there are few studies in this field. Ratnavali R, Sreenivasa Murthy S (2012) have determined that balanced scorecard is a device to increase the performance and thus determining the variable pay depending on the different levels of the performance. The research was carried on in four different companies to understand the viability of Balance Scorecard by defining the financial and non financial measures and judging the ways in which these variables can be a strong part of the performance management system. Authors have also emphasized that if this system is implemented effectively it would result in building the atmosphere of trust. Anupriya Singh (2013) inferred that the IT professionals studied were fairly satisfied with the process of developing performance plans and their own participation in system but the satisfaction level was just moderate when it comes to their own feedback, given to them, by the management about their own performance, in the performance management. It was also concluded by the author that the perceived knowledge of the performance management system by the professionals was moderate and there was a strong positive correlation between justice dimensions performance management process and perceived system knowledge. Muhammad Shaukat Malik and Surayya Aslam (2013) in their empirical research in Telecom Industry of Pakistan found a great impact of performance appraisal on employee motivation. Findings indicated that employee perceived reactions including perceived satisfaction, perceived acceptability, perceived utility, perceived fairness and perceived accuracy of performance appraisal influence the work motivation of employees. Rajesh K. Yadav and Nishant Dabhade (2013) 'Performance Management system in Maharatna Companies (a leading public Sector undertaking) of India – A Case study of BHEL, Bhopal (M.P.)' suggested that performance of employees should be assessed on uniform standards. This will reduce the element of subjectivity and make appraisal of employees' performance fair, free of bias and more specific to the job. K. Chandhana and Dr. David T Easow (2015) who analyzed the Performance Appraisal Methods Used in Top 10 IT Companies found that although the IT companies are using 360 degree feedback and Balanced Scorecard for this purpose yet most of the employees are not satisfied as these techniques also are

subject to limitations. Chowdhury, Arup Roy; Jomon, M. G. (2016) have used the empirical method in combination with field based research and concluded that difference in the talents of the employees strongly impacts the mindset of the employees towards job satisfaction, turnover intention and job engagement and perceiving justice and fairness in the performance evaluation process. Lina Ranjit Sadekar (2016) concluded that job satisfaction towards training and development and performance appraisal is comparatively higher in male respondents than female respondents. It was factually demonstrated that respondents in the higher age / higher qualifications have positive perception of performance appraisal practices over the youthful respondents. The authors also concluded that higher the qualifications, more positive the perception of employees towards the appraisal practices.

### 3. Research Gap

In the above studies, emphasis has been laid more on analysing performance measurement rather than performance management. Performance appraisal methods and practices have been analysed in IT sector, Telecom sector, Public Sector undertakings and employee perception on fairness of evaluation system has been studied but no specific studies have been conducted on inclusiveness and innovativeness of performance management system which has a wider connotation than performance appraisal. Moreover, no gender-wise research has been carried out in the IT and ITES Sector of India to analyse any discriminatory practices. Further, fresh professionals and experienced professionals may have different perceptions on innovativeness in the performance management system which has not been assessed in any of the above studies. Therefore, this study aims to analyse the inclusiveness and innovativeness of mechanism of management of employee performance in IT and ITES sector of India through an assessment of opinions of professionals in this sector on the basis of gender and work experience.

### 4. Research Methodology

#### 4.1 Research Questions

An in-depth study of existing literature and previous works done in this area was made and on the basis of the gaps found, following research questions were framed-

- Is the performance management system in IT and ITES Sector of India inclusive to foster workforce diversity?
- Is there any discrimination based on gender when decisions relating to pay and promotion are made?
- Is there any difference of opinion in the male and female employees working in the IT and ITES Sector regarding inclusivity of the performance management system in their organization?
- Opinion and perception of people may vary with work experience. So is there any difference of opinion between the more experienced employees and those with lesser experience regarding the performance management system being inclusive, fair and unbiased?
- Are the IT and ITES sector companies still following the traditional methods of performance appraisal done annually or they have evolved innovative ways of continuous performance management?
- Are the more experienced employees having the same opinion about the innovativeness of mechanism of management of performance as those of less experienced employees?
- Innovativeness is also related to inclusivity and hence what do the male and female employees think about the performance management system being innovative?
- Is there any correlation between and innovativeness and inclusivity in the mechanism of management of employee performance in IT and ITES Sector of India?

**4.2 Objectives of the research:**

The purpose of this study is to assess the inclusivity and innovativeness in performance management system in the IT and ITES Sector of India. The following objectives have been formulated for conducting this research:-

1. To analyse whether the Performance management system in IT and ITES sector of India is inclusive.
2. To assess the extent of innovativeness in Performance management system in the IT and ITES sector of India.

3. To make a comparative analysis of the opinion of employees regarding inclusivity and innovativeness of Performance management System based on gender and work experience of employees.
4. To give suggestions to incorporate inclusivity and innovativeness in Performance management System of organizations.

**4.3 Hypothesis:**

After extensive literature review and analysis of the research gap, the research questions were framed. Then, for attaining the objectives of the study, the following hypothesis was formulated for conducting the research:-

H<sub>01</sub>: There is no significant difference in the opinion regarding innovativeness of performance management system with respect to gender.

H<sub>02</sub>: There is no significant difference in the opinion regarding inclusivity of performance management system with respect to gender.

H<sub>03</sub>: There is no significant difference in the opinion regarding Innovativeness of performance management system with respect to work experience.

H<sub>04</sub>: There is no significant difference in the opinion regarding inclusivity of performance management system with respect to work experience.

**4.4 Research techniques:**

<i>Research design</i>	Descriptive
<i>Sampling</i>	Snowball Sampling method
<i>Data collection</i>	Primary & Secondary
<i>Sample size</i>	125
<i>Research instrument</i>	Questionnaire
<i>Type Of questionnaire</i>	Structured
<i>Statistical tools used</i>	Percentage, Mean, , standard deviation, Z Test , ANOVA, Coefficient of Correlation
<i>Scaling technique</i>	Likert’s five point scale
<i>Reliability statistics</i>	Cronbach's Alpha: 0.933, Number of Items: 25



#### 4.5 Scope of the study:

This research has been conducted on employees working in major IT and ITES companies of India viz., TCS, Wipro Technologies, Accenture, Deloitte, Adobe Systems, Sapient, Cognizant, Amazon, Myntra, DXC Technology, Hexagon, and AppLabs located in different parts of the country like Bangalore, Hyderabad & Chennai etc. The respondents were working at various positions like Software Development Analyst, CFD Engineer, Seller support associate, HR Associate, Programme Analyst, Software Engineer, Financial analyst, Software test Engineer, Accounts Manager, Design Engineer, Business Analyst, Deputy Manager, Hardware Design Engineer. The scope of the study may be stated as under:

- The study has analysed the employees' perception regarding performance management system being

fair and innovative in their organization.

- The study was conducted for IT and ITES companies in India.

#### 4.6 Limitations:

1. There are a number of companies in IT and ITES sector. However the study is confined to only few major players in the sector.
2. There was a time constraint so only limited number of respondents could be taken for the purpose of study.
3. The current research has focussed on mechanisms of management of employee performance in IT and ITES sector only; other sectors can also be studied for extensive research and analysis.

### 5. Data Analysis and Interpretation

**Table 1: Distribution of respondents according to work experience**

Work Experience	N	%
Less than 2 years	58	46.40
2-4 years	54	43.20
4-6 years	6	4.80
More than 6 years	7	5.60
Total	125	100.00

As depicted in the above table, 46.40% of the respondents have below two years of experience. However, 53.60% of the respondents have a work experience of more than 2 years out of which 5.60% have more than 6 years of experience.

**Table 2: Distribution of respondents according to age**

Age	N	%
20- 30 years	114	91.20
31- 40 years	8	6.40
41- 50 years	3	2.40
Total	125	100.00

Majority of the respondents belong to the age group of 20-30 years as depicted in Table 2.

**Table 3: Distribution of respondents according to gender**

Gender	N	%
Female	36	28.80
Male	89	71.20
Total	125	100.00

As shown in Table 3, majority of the respondents (71.20%) are males. However 28.80% of the respondents are females.

### 5.1 Hypotheses Test Results:

$H_{01}$ : There is no significant difference in the opinion regarding innovativeness of performance management system with respect to gender.

**Table 4: Innovativeness and Gender (Z Test)**

Gender	N	Mean	SD	Z	Result
Female	36	3.91	0.40	-1.41	NS
Male	89	4.06	0.58		

To test the difference in the opinion of male and female respondents regarding innovativeness, Z test was applied. The test result shows non-significant difference in the opinion of male and female respondents regarding innovativeness ( $Z = -1.41$ ,  $p > 0.05$ ). The scores show that both male and female respondents were positive about innovativeness of PMS in their organization.

$H_{02}$ : There is no significant difference in the opinion regarding inclusivity of performance management system with respect to gender.

**Table 5: Inclusivity and Gender (Z Test)**

Gender	N	Mean	SD	Z	Result
Female	36	3.86	0.34	-0.37	NS
Male	89	3.90	0.53		

The difference in the opinion of male and female respondents regarding inclusivity was analysed with the help of Z-test. The test result shows non-significant difference in the opinion of male and female respondents regarding inclusiveness ( $Z = -0.37$ ,  $p > 0.05$ ). The scores show that both male and female respondents were positive about inclusivity in Performance Management System of their organization.

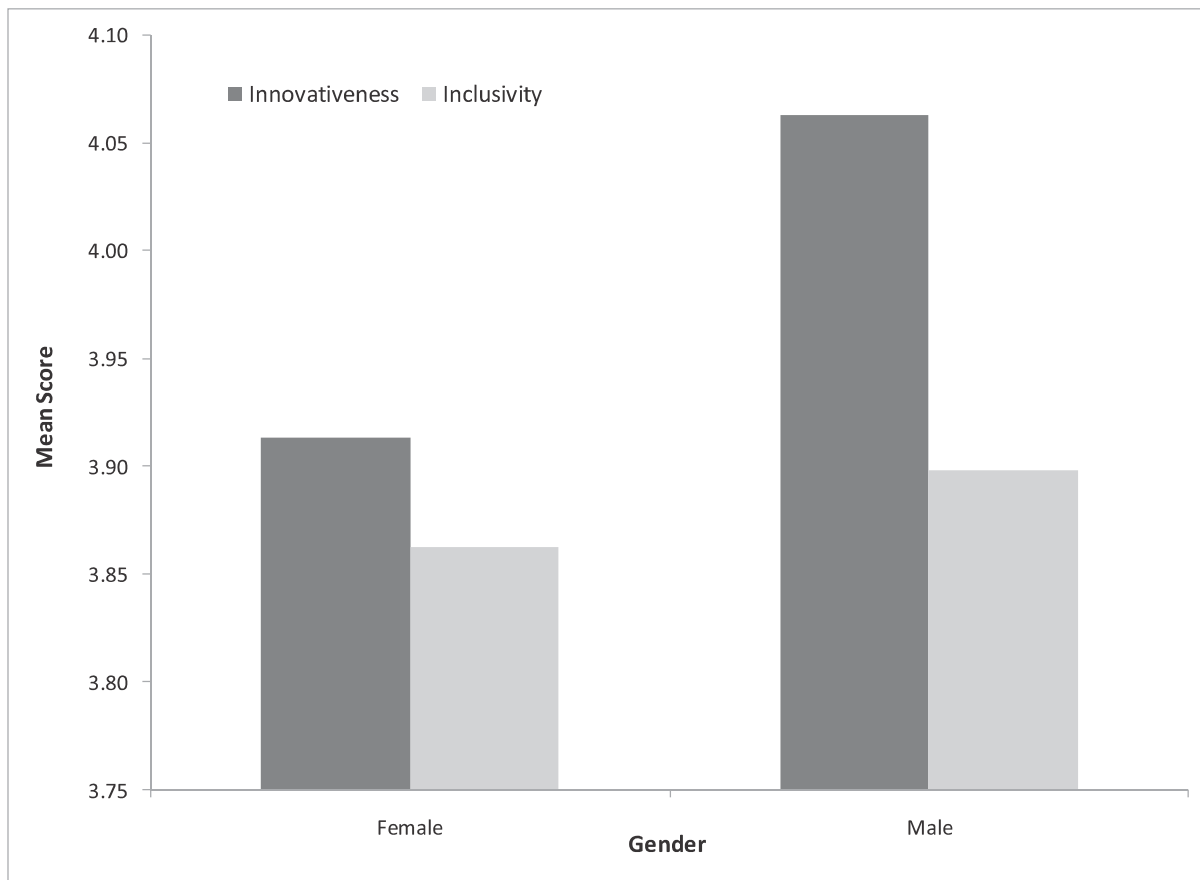


Figure 1: Gender wise opinion on Innovativeness and Inclusivity

H<sub>03</sub>: There is no significant difference in the opinion regarding Innovativeness of performance management system with respect to work experience.

Table 6: Innovativeness and Work Experience (ANOVA)

Experience	N	Mean	SD	F	df	Result
Less than 2 years	58	4.02	0.40	6.55	3, 121	***
2 - 4 years	54	4.16	0.62			
4 - 6 years	6	3.60	0.31			
More than 6 years	7	3.37	0.37			

To test whether the opinion of respondents having varying experience differ significantly regarding innovativeness in PMS in their organization, analysis of variance test was applied. Test result shows that opinion regarding innovativeness in PMS in their organization differ highly significantly with experience (F = 6.55, p<0.001). From the data it can be observed that respondents with comparatively lesser work experience were more positive regarding innovativeness of PMS in their organization as compared to respondents with greater of working experience.

H<sub>04</sub>: There is no significant difference in the opinion regarding inclusivity of performance management system with respect to work experience.

Table 7: Inclusiveness and Work Experience (ANOVA)

Experience	N	Mean	SD	F	df	Result
Less than 2 years	58	3.86	0.43	3.75	3, 121	*
2 - 4 years	54	3.99	0.52			
4 - 6 years	6	3.81	0.16			
More than 6 years	7	3.38	0.38			

To test whether opinion of respondents of varying experience differ significantly regarding inclusivity in PMS in their organization analysis of variance test was applied. Test result shows opinion regarding inclusivity in PMS in their organization differ significantly with experience (F = 3.75, p<0.05). In case of inclusivity in PMS also respondents with comparatively less work experience were more positive as compared to respondents with greater work experience (six or more years).

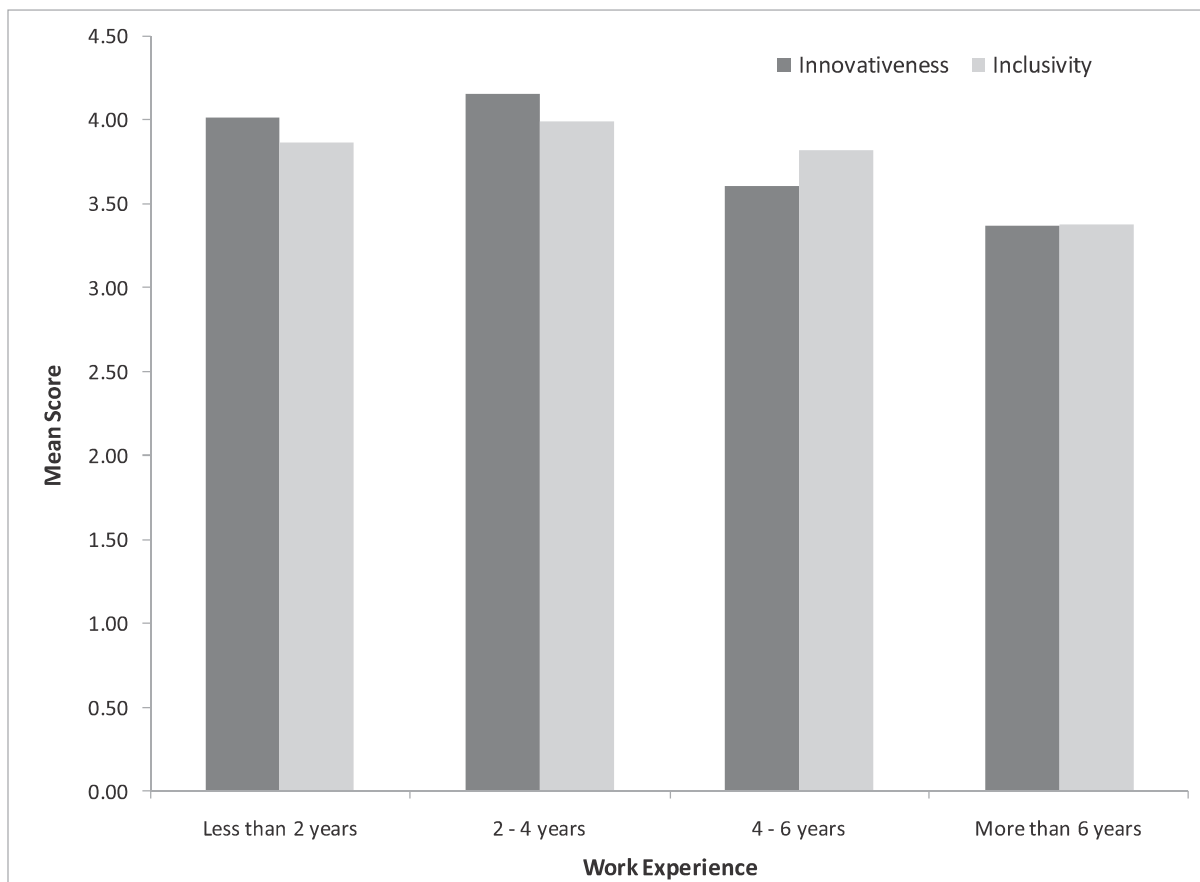


Figure 2: Opinion on Innovativeness and Inclusivity according to work experience

H<sub>05</sub>: There is no significant correlation between innovativeness and inclusivity.



Table 8: Correlation between Innovativeness and Inclusivity (Coefficient of Correlation)

R	N	Result
0.775	125	***

Coefficient of correlation was calculated to test the relationship between innovativeness and inclusivity. The test results given above show highly significant correlation between innovativeness and inclusivity in performance management system ( $r = 0.775, p < 0.001$ ). Hence this result shows that innovativeness and inclusivity go in hand to hand.

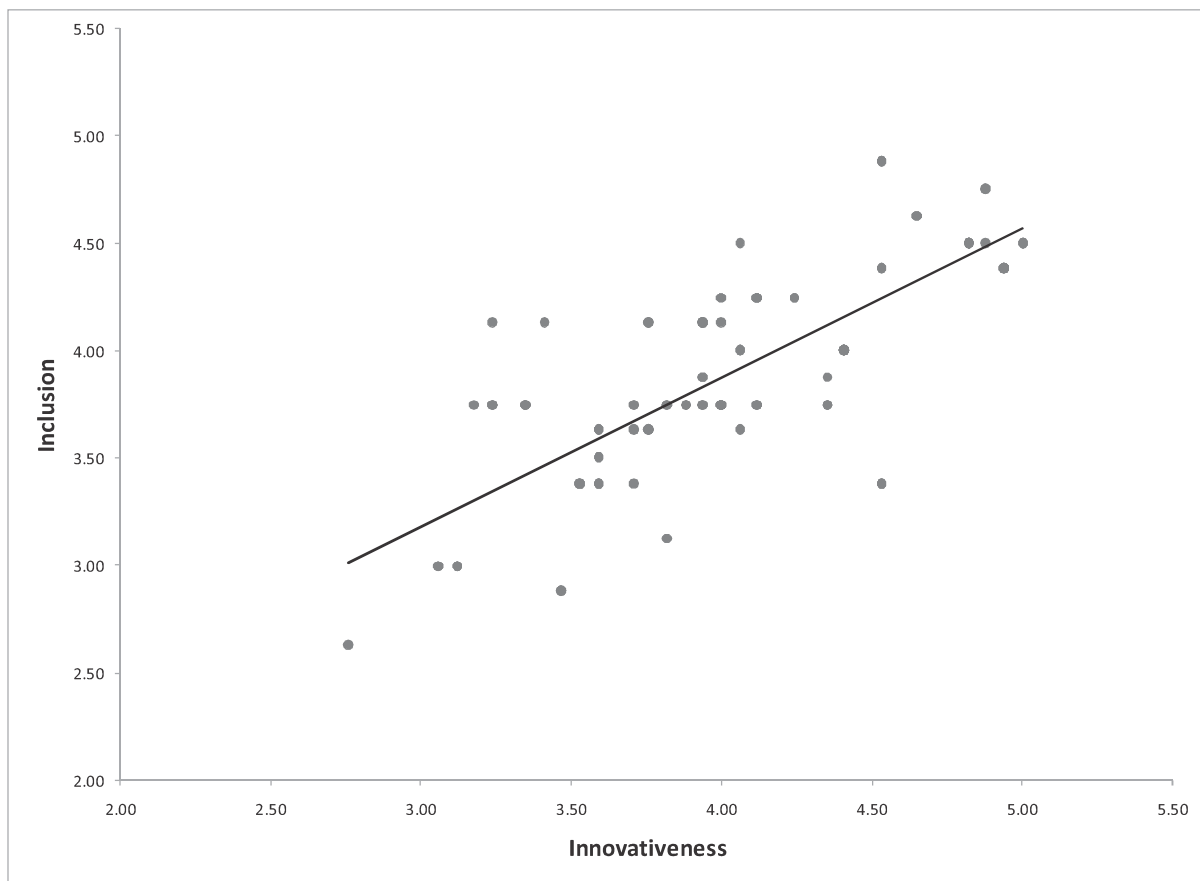


Figure 3: Correlation between Innovativeness and Inclusivity

## 6. Findings of the Research

The major findings of the research are as follows:-

- Both male and female employees working in IT and ITES sector of India have given a positive response in favour of innovative practices being adopted by their organizations.
- As indicated in the analysis of data, both male and female employees are optimistic about performance management system being inclusive in their organization. Therefore it can be said that policies of companies in the IT and ITES Sector are non - discriminatory.
- Based on work experience, a highly significant difference in opinion of employees was noted as far as innovativeness is concerned. The satisfaction level of employees with more years of work experience is lower as compared to that of employees with lesser experience regarding adoption and execution of innovative practices in their organization.
- Employees with higher experience are of the opinion that there is a greater scope for inclusivity in their organization. Here also, there was a significant difference in the opinion of more experienced and less experienced employees working in the IT and ITES sector of India.
- Innovation and Inclusion are highly correlated as indicated by this research. Therefore if organizations are adopting a creative approach towards organizational issues, procedures and systems, it is expected that inclusivity will automatically follow.

## 7. Conclusion

It can be concluded that performance management systems in organizations need to be non-discriminatory and inclusive and more focussed on innovative methods if employee performance is to be geared up. In the IT and ITES Sector of India, reinventing and redefining the existing systems and practices through specific interventions would go a long way in enhancing the competitiveness, effectiveness and efficiency of an organization. This would also create the necessary

foundation for setting a high performance culture through a highly motivated and competent work force, in this most vibrant and fast growing sectors of the world.

## 8. Implications of the Research

- As the research results indicate that the experienced employees are of the opinion that there is still a need for incorporating greater innovativeness and inclusivity in the performance management system in IT and ITES Sector, the top management need to reinvent their systems to ensure the same.
- Soft skills, behavioural training and training for enhancing the emotional intelligence of the employees helps in developing managerial talent, leadership skills and overall personality of the employees which should be a relevant area of concern for the management.
- The Key Result Areas (KRAs) for the employees should be laid down by encouraging their participation in the process. This would make the system inclusive and create a sense of ownership in the subordinates.
- The research has identified the need to train the managers who are giving performance feedback to the employees as many respondents were of the opinion that managers tend to avoid providing feedback because they still need to develop skills to deliver it in a constructive manner for minimizing defensive behaviour of employees. The managers should be trained to develop coaching and counselling skills for effective performance management system. Training in dealing with the psychological and emotional issues of the employees is also highly desirable.
- An ongoing performance dialogue should be maintained between the superior and the subordinate for dealing with the situation at the right time doing instead of annual/ half yearly performance appraisal.
- The managers need to aptly analyse the training needs of the employees and accordingly design the development programmes for the employees. This has given the rise to a question that how well versed, equipped and updated the managers themselves

are and how appropriately they can conduct the training needs analysis to match the person, task and organizational needs.

- The managers should have the necessary competencies to identify appropriate interventions for developing the competencies and skills of employees. (e.g. classroom based training, on-job).
- Performance standards that are not currently being attained should be identified as development areas for the employees.
- Participation of the employees is crucial in performance evaluation as a whole and one of the best ways is self appraisal. Employee can be provided with self appraisal form based on his/her KRAs with weights assigned to evaluate their own performance.
- The management should devise the performance management system in a manner which identifies the key problem areas and designs the effective remedies to deal with those problems and develop the employees specifically in these areas.
- Evaluation alone is not an effective way to implement the performance management system but devising the right approach and strategy to develop the competency of the employees in the key problem areas is a biggest challenge to be dealt with.
- Behavioural standards should be related to specific jobs and the same should be communicated to the employees. Behavioural dimensions and individual goals should be closely linked with the organizational goals and strategies.
- Performance based pay will eradicate most of the possibilities of biasness in the system and will also pave the way for better performance.
- The employees should be updated about the system change in the performance management, as their own understanding will bring in effective participation from them.

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