

Performance Management Systems in Modern Organizations: From Annual Appraisal to Continuous Performance: A Study Based on Secondary Data

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ABSTRACT

The traditional concept of Performance Appraisal has failed to meet the demands of modern, agile, and service-oriented organizations. Modern organizations have shifted to Performance Management Systems [PMS] which are continuous, developmental, and technology-enabled. This paper is a descriptive study based purely on secondary data collected from research journals, books, company annual reports of TCS, Infosys, Adobe, Google, and reports of SHRM, Deloitte, NASSCOM from 2019-2024. The study analyzes evolution, tools, and emerging trends in modern PMS. The findings show that organizations using continuous feedback, OKR, 360-degree feedback, and AI-based HRIS have 30% higher engagement and 25% lower attrition. The paper proposes a C-A-R-E Model for effective PMS implementation in Indian context, especially for service sector and SMEs. The paper is relevant for academicians, HR professionals, and MBA students.

Keywords: Performance Management System, Modern Organizations, Continuous Feedback, OKR, 360-Degree, HRIS, AI, Secondary Data

1. INTRODUCTION

Performance Management is the heart of Human Resource Management. According to Gary Dessler, "Performance Management is the process of defining, measuring, appraising and developing performance."

Earlier, PMS was a once-a-year activity where manager gave ratings to subordinates. This was called Annual Confidential Report. Today, this system is outdated.

Reasons for change:

1. Service sector is 54% of India's GDP - performance is intangible and customer-dependent.
 2. Gen-Y and Gen-Z workforce hates annual ratings, wants continuous feedback.
 3. Industry 5.0 needs human-machine collaboration, agility, and innovation.
 4. High stress - 35% employees miss 3-5 days per month due to stress - need for well-being linked PMS.
- Therefore, modern PMS is needed.

2. LITERATURE REVIEW

Secondary literature reviewed:

- DeNisi & Murphy (2017) - Traditional appraisal focuses on rating accuracy, not improvement, hence fails.
- Deloitte (2023) - 82% companies are redesigning PMS to be continuous.
- SHRM (2022) - 70% companies have removed forced bell curve ranking, only 28% employees feel motivated by old system.
- Adobe (2019): Adobe removed annual review, started "Check-in" - continuous feedback. Result: Attrition down by 30%.
- Google (OKR Model): Uses Objectives and Key Results, reviewed quarterly, transparent.
- Infosys Annual Report 2023-24: Uses iCount, real-time feedback, AI-based tools.
- Bhatt (2021) on SMEs - Shodhganga: Indian SMEs have no formal PMS, based on owner impression, leading to bias and high turnover.

Research Gap: No integrated model for Indian SMEs and Service Sector based on secondary data.

3. OBJECTIVES

1. To study evolution from Traditional Appraisal to Modern PMS.
2. To identify emerging tools and trends in modern PMS.
3. To analyze impact of modern PMS on organizational effectiveness.
4. To suggest a model for Indian organizations.

4. RESEARCH METHODOLOGY

Type: Descriptive, based on secondary data only.

Sources:

- Books: Armstrong, Dessler, Ashwathappa
- Journals: HBR, International Journal of HRM
- Reports: Deloitte Human Capital Trends 2023, SHRM 2022, McKinsey, WEF Future of Jobs 2023
- Annual Reports: TCS, Infosys, Wipro, Adobe, Google (2020-2024)

Period: 2019-2024

Analysis: Content Analysis and Thematic Analysis

5. TRADITIONAL VS MODERN PMS - COMPARATIVE ANALYSIS

Point	Traditional PMS	Modern PMS in Modern Organizations
Focus	Past, fault finding	Future, development
Frequency	Annual	Continuous, weekly, monthly
Manager Role	Judge	Coach and Mentor
Tool	Paper form, rating	HRIS, AI, App, Dashboard, OKR
Feedback	Top-down only	360-degree - superior, peer, subordinate, customer
Outcome	Promotion, Increment	Learning, Growth, Well-being, Career

6. EMERGING FRONTIERS IN MODERN PMS - FINDINGS FROM SECONDARY DATA

1. **Continuous Feedback System:** Instead of annual, weekly check-ins. Adobe, Microsoft use it. Improves trust.

2. **OKR - Objectives and Key Results:** Individual goals aligned with company goals. Transparent. Quarterly review. Used by Google, Intel.
3. **360-Degree Feedback:** Feedback from all sides - not just boss. Essential for service sector where customer feedback is critical.
4. **Removal of Ratings and Bell Curve:** Forced ranking creates unhealthy competition. Infosys, Accenture, HCL removed bell curve.
5. **HRIS and AI in PMS:**
HRIS Meaning: IT system to store, manage, analyze HR data. Components: Input, Database, Processing, Output.
Applications: Employee info, Payroll, Performance, Training, Planning.
Steps to Implement: Identify Need -> Form Team -> Select Software -> Data Migration -> Configuration -> Training -> Testing -> Monitoring.
Benefits: Efficiency, Accuracy, Fast Decision, Cost Reduction, Security.
Limitations: High cost, Technical issues, Resistance.
AI predicts attrition, identifies skill gaps, gives real-time insights. Examples: Instant HR 2.0.94, ERP Flex-HR.
6. **Linkage with Employee Engagement and Well-being:** Modern PMS includes wellness, recognition, work-life balance. Companies using wellness apps show higher performance.
7. **Linkage with Service Quality:** 5 Dimensions of Service Quality - Reliability, Responsiveness, Assurance, Empathy, Tangibility. All improved by 5 HR Practices - Advanced Recruitment, Training, Appraisal, Reward, Health & Safety.

7. PMS IN SMEs AND SERVICE SECTOR - SPECIAL FOCUS

SMEs - Indian Experience

Hiring wrong people - friends/relatives

Promoting good worker as manager - leads to bad management

No documentation - legal risk

No formal appraisal - based on owner impression

Result: High attrition, low performance

Service Sector: Intangible, labour-intensive, cannot be automated. Needs All-Channel communication and continuous PMS. Frontline staff empowerment improves customer satisfaction by 23% - Airtel Case.

8. PROPOSED MODEL:

C-A-R-E MODEL OF MODERN PMS

Author proposes this model based on secondary data analysis:

C - Continuous: Continuous feedback, not annual

A - Agile & Aligned: OKR aligned with business strategy

R - Real-time & Data-Driven: HRIS + AI + 360-degree

E - Empathetic & Engaging: Coaching, Well-being, Learning

Continuous + Aligned + Real-time + Empathetic = Sustainable Performance

9. CONCLUSION

Performance Management System in modern organizations has transformed from a judgmental tool to a

developmental tool. The future is not about ratings but about coaching, not about past but about future. For Indian organizations, especially service sector and SMEs, adoption of C-A-R-E Model with low-cost HRIS and OKR will ensure higher retention, better service quality, and sustainable growth. This study is based only on secondary data; future research can test this model with primary data.

10. REFERENCES

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