

Employees' Perception on Effectiveness of Performance Management System in the Non-Profit Sector in Sri Lanka: A Case Study

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Non-profit organizations play a central role in society by addressing key social problems through community and public services. One role of non-profit organizations in Sri Lanka is to overcome poverty and suffering by way of implementing emergency and long-term development programmes. The primary objective of Performance Management System (PMS) implemented by both local and international non-profit organizations in Sri Lanka is more employee-development-oriented.

PMS is considered as a tool helping organizations to achieve and sustain competitive advantage through leveraging employee capabilities. Therefore, it is an integrated system designed to meet the objectives of various stakeholders including employees, line managers, and organizations. In order to be effective, PMS needs to be aligned with other human resource strategies such as training and development and streamlined across the organization.

This study explores the effectiveness of PMS in improving employee performance in a non-profit organization in Sri Lanka as a case study. Semi-structured interviews were the main data collection method used to elicit information from employees at managerial level and their line managers on the effectiveness of the system in improving employee performance. In addition, secondary data in the form of company policies, guidelines, practices relating to performance management were also reviewed and cross-checked with primary data.

The findings indicate that there was unanimity in responses among line managers and employees with regard to the effectiveness of joint objective setting process, performance feedback, and the accuracy of self and supervisor-centred performance reviews. However, a significant number of respondents expressed dissatisfaction regarding the implementation of performance development plans and the provision of career development opportunities. In addition, this study also reveals other factors such as line managers' attitude towards employee development, budget constraints, and lack of a proactive role of the Human Resource Division, which hinders the implementation of PMS. This study provides a set of practical recommendations to make the PMS more effective in the context of the non-profit sector.