

An Introduction To Performance Management



Human Resource Management

KEYWORDS: Balanced Scorecard, 360 Degree Performance Appraisal, MBO and Six Sigma

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ABSTRACT

The term "Performance Management" has been gaining importance today. It deals about the steps involved in achieving the predetermined goals of an organization. To make performance management an effective one, some steps need to be followed. Different techniques viz., Balanced Scorecard, 360 Degree Performance Appraisal, Six Sigma, MBO etc., are used to measure the performance of employees. Performance management helps develop individual skills as well as improve the organization. It also helps measure the performance of every employee. On the flip side, it has limitations too. In this backdrop, an attempt has been made to discuss the pros and cons of "Performance Management".

The concept of performance management (PM) has been gaining importance today. At the inception, it was used as a source of income justification and to ascertain an employee's wage based on performance. Organizations used performance management to drive behaviours in order to get specific outcomes from the employees. In practice this worked well for certain employees who were solely driven by financial rewards. However, where employees were driven by learning and development of their skills, it failed miserably. The gap between justification of pay and the development of skills and knowledge created a huge problem in the use of performance management. This became evident in the late 1980s. It was realized that a more comprehensive approach was needed to manage and reward performance. This approach of managing performance was developed in the United Kingdom and the United States of America. In recent decades, however, the process of managing people has become more formalized and specialized. Many of the old performance appraisal methods have come under the ambit of performance management, which aims to be a more extensive and comprehensive process of management. Some of the developments that have shaped Performance Management in recent years are the differentiation of employees or talent management, management by objectives and constant monitoring and review.

Defining Performance Management

The lexicon meaning of "Performance" is "the execution or accomplishment of work, acts, feats etc" or "a particular action, deed or proceeding" or "as assessment of an employee, process, equipment or other factor to gauge progress toward predetermined goals." It also means to do something. According to Wikipedia, "Management" is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively". It is the art of getting things done by others. To some people, performance management means collecting performance information. To others, it implies a personal appraisal. Performance Management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. It is a whole work system that begins when a job is defined as needed. It ends when an employee leaves the organization. Performance management encompasses all those aspects of human resources management that are designed to improve the efficiency and effectiveness of both the individual and the organization. In simple words, Performance Management is "pruning of activities, cutting the unwanted things, polishing the required activities and cultivating the new wanted methods".

Performance management is concerned with:

- .. How people work
- .. How they are managed and developed to improve their performance and ultimately
- .. How to maximize their contribution to the organization.

Features of Performance Management

1. It links individual goals to the corporate and work unit business plans and goals;
2. It focuses on results, behaviours (competencies) as well as

3. process improvement;
3. It makes room for regular reviews and updating of performance plans to address changing demands;
4. It gives an idea to both managers and employees on how to effectively give and receive feedback, including providing feedback to employees who experience challenges in performing to the standards required in their jobs/roles;
5. It helps managers through training on how to provide performance evaluations that are valid, fair and unbiased.

Performance Management Vs Performance Appraisal

'Performance Management' and 'Performance Appraisal' are two terms that are often used in the field of the evaluation of employee efficiency. These two procedures differ in terms of their concepts and connotations. They also differ in terms of their methodology too. The differences between 'Performance Management' and 'Performance Appraisal' are discussed below.

Performance Management	Performance Appraisal
Strategic	Operational
Forward-looking	Retrospective
Process	System
Management by agreement	Management by command
Long-run goals	Short to mid-run goals
Holistic	Individualistic
Managers owned	HR owned
Focused on individual's growth	Focused on individual's past mistakes and misbehaviour
More casual and flexible in nature	More formal and structural in nature
Mainly focused on qualitative aspects of performance	Mainly focused on quantitative aspects of performance

Performance Management: Some Key Steps

There are some key steps to effective performance management. The steps are stated below:

- (a) Think about the business goals and how the employees engaged in the organization can help achieve the said goals.
- (b) Ensure the employees know what is expected of them and how this fits with the business goals.
- (c) Make/generate an environment where the employees are encouraged to focus on the right things and achieve goals that have been set.
- (d) Provide regular feedback. It helps employees know whether they are performing well. If the performance is not satisfactory, they get an opportunity to improve it.
- (e) Review performance formally at agreed intervals. Seek feedback from key people the employees work with.
- (f) Manage the outcome of the performance review. If poor performances are noticed, then the correct process is followed to overcome it. If the employees perform their assigned work successfully, then the successes of them are

celebrated. They are appreciated for successful performance of assigned duties and responsibilities. The words of appreciation should be communicated to them. It is also imperative to discuss how they will continue to develop their skills and competencies.

- (g) Set new objectives for the next review period.

Components of Effective Performance Management System

- Components of performance management are:**
- .. Performance Goals (what an employee does)
 - .. Competency development (how an employee performs job tasks)
 - .. Career Development Plan (Supervisors and employees identify learning opportunities that support the accomplishment of both the employee's performance goals and competency development).

Performance Management: Its Importance

- .. It is very much important to make plans of organizations/enterprises/any other institutions for achieving the goals. Only making plans become barren if employees are not involved in the planning process. Employers must focus on the appropriate ways to get the work done. Active participation and involvement in planning process not only boost their morale and confidence, but also help avoid any communication gaps in the process.
- .. Measuring the performance of every employee is important. It ensures the completion of tasks on time and according to budget in an efficient manner. It brings to the notice of employer about any shortcomings of either his/her staff or business plans and helps employer to take the appropriate corrective actions.
- .. Performance management gives the employer the tools to instill the desired qualities in employees in order to get the job done. Development is not limited to only individuals in workplace, but also addresses the performance of the team as a whole. All around employee development not only ensures the personal and professional growth of employees, but also the expansion and improvement of the business.
- .. It is essential to evaluate and rate the performance of employees on an individual basis. Such evaluation and rating shows- where they presently stand, areas that they need to work on and what they are good at. They can focus more on their weaknesses and work to strengthen these areas.
- .. Individual performance drives organizational performance. It is important to understand the vision, mission and goals of the organization, how their work suits the organization and how they contribute to mission accomplishment. This all increases engagement and improves the programme delivery of the organization.
- .. The employees' efforts are rewarded and appreciated. This ensures that the level of their performance and the performance of business is not compromised. It ensures optimum productivity, performance and maximum profitability.
- .. When employees and supervisors have a clear understanding of their specific job duties, any ambiguities in the workplace are eliminated. Each individual is held accountable for his or her own duties and responsibilities. Performance management empowers employees to think about and clarify the role of employees in the organization. Setting clear goals and expectations help with this.
- .. Regular feedback facilitates better communication in the workplace. Performance management helps employees to identify their strengths and weakness. It also allows for opportunities to hear and exchange views and opinions away from the normal pressure of work. Most importantly it gives employees a better understanding of how the performance of employees is being assessed and monitored. This builds employee confidence and adds to the contribution of them in the workplace. Performance management can be a motivational tool, fostering employees to not only feel more satisfied, but to go beyond the expected.
- .. Performance Management offers a variety of awards for outstanding performance of work. It shows gratitude for a job well done. The prospect of a better than fully successful

performance appraisal gives the employees the incentive to perform well and may open the door to career advancements in the future.

Techniques of Performance Management

'Performance Appraisal' covers a much broader base than 'Performance Appraisal'. Since performance management covers a broad area, there are a number of techniques that address the issues related to performance management. The techniques are discussed hereunder:

- a. **Balanced Scorecard:** The Balance Scorecard is a strategic performance management framework that has been designed to help an organization monitor its performance and manages the execution of its strategy. It develops specific performance areas where employees are expected to succeed.
 - b. **360 Degree Performance Appraisal:** It is a method that employees will give confidential and anonymous assessments on their colleagues. It is also known as "multi-rater feedback" or "multi-source feedback" where feedback about the employees' performance comes from all the sources that come in contact with the employee on his job. Six parties are involved in 360-degree appraisal. The parties are - top management, immediate superior, peers/co-workers, subordinates, self-appraisal, and customers.
 - c. **Six Sigma:** It is a business management strategy, originally developed by Motorola in 1986. It seeks to improve the quality of process outputs by identifying and removing the causes of defects (errors) and minimizing variability in manufacturing and business processes. This methodology provides the techniques and tools to improve the capability and reduce the defects in any process. It is a valuable tool for data analysis and measurement of performance and improvement.
 - d. **Employee Recognition System:** It helps for motivating employees and makes them involved in more responsible projects.
 - e. **Performance Ranking Method:** It is used to assess the working performance of employees from the highest to lowest levels. Managers will make comparisons of an employee with the others, instead of making comparison of each employee with some certain standards.
 - f. **Management by Objectives:** This is a method of appraising performance of employees through setting goals jointly by managers and subordinates in terms of company goals. The concept is based on participation of each and every individual employee for achievement of the company goals.
- These apart, other techniques are 'Scheduled Reviews', 'Employee Rating System', 'Documented Performance Plan' and 'Pay for Performance'.

Effective Performance Management: Top Five Tips for Management /Managers and Employees For Management/Managers:

- a) Establish a performance management system and create measures that clearly link individual and team performance to the highest-level goals of the company.
 - b) Make sure all employees understand the system, the measures, the process, and then have a real opportunity to ask questions and get meaningful answers on how it works and what it means for them.
 - c) Stick the system like glue to paper.
 - d) Hold all managers from the top of the organization to first line accountable for using the performance management system fully, faithfully and with integrity. Build this accountability into the performance management system for managers, and rigorously hold them to account.
 - e) Train managers in how to effectively use the system. Managers should clearly and in an applied way be able to understand how to use the system, how to apply it to manage both good to great performance (positive rewards) as well as poor performance (penalties).
- For Employees:**
- a) Understand the performance management system - what your goals are as an employee, what the rewards and poten-

- tial consequences are, and how individual and team performance will be recognized.
- b) Be prepared to ask questions, and do not stop asking if you are uncertain about how the system works or what it means in the context of your particular duties.
 - c) Be prepared to discuss and negotiate your performance goals and targets, to ensure that individual performance metrics are understood and, most importantly, are realistic and achievable.
 - d) Be pro-active. Do not wait for a scheduled review of your performance, particularly if you start to see things evolving which will compromise your ability to achieve established targets.
 - e) Be prepared. Do your homework before your performance reviews. Score your own performance where numeric targets are established, and have behavioural examples ready to present where there may be a behavioural evaluation involved.

Benefits of Performance Management

- (a) Staff members clearly understand what is expected of them.
- (b) Regular communication sessions provide opportunities for objective discussion of the role and opportunities for changes.
- (c) Job satisfaction, productivity and employer loyalty to the business are likely to increase as employees feel that their work is recognized and valued.
- (d) It establishes a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills and contributions.
- (e) Staffs, who are not performing well, are given the opportunity to improve.
- (f) Situations of underperformance are addressed early and unfair dismissal claims are minimized.
- (g) It provides a mechanism for dealing with 'problems'.
- (h) It provides a baseline for future staff development.
- (i) It enables succession planning and career development planning to take place.
- (j) Those that are making significant contributions are recognized.
- (k) Individuals are focused on the right priorities.
- (l) It reduces grievances or disciplinary matters.
- (m) It motivates employees to work towards established and clearly communicated expectations.
- (n) If feedback is delivered properly and a genuine opportunity for improvement is given, the self-confidence can raise.
- (o) It helps increase team and individual productivity or performance.

Concerns of Performance Management

Implementation of performance management within the com-

pany may have a negative impact on the immediate performance of individuals and indirectly the organization. This may be due to lack of (a) training of the individuals and managers, (b) addressing the change in the culture of the organization, (c) addressing the fears of employees and clarification of the whole process and advantages to the employees, (d) conformity regarding performance management in the various departments and (e) management commitment. Performance management is a two-way communication process and should managers neglect this and turn the performance review into a one-way disciplinary interview it will have a negative impact on the employee. If lots of time and efforts are spent in designing and implementing a performance management process for the organization, it may have a negative impact on performance due to the level of management commitment. Subjectivity during the performance management process with specific reference to the manager is one of the most fatal elements that can negatively impact on an employee's performance. If there is a total lack of rewarding the employee for his performance (either negatively or positively), the performance management process will not be very effective in improving employee performance.

Conclusion

The performance management is a ladder to achieve the goals of an organization. For successful performance management, a culture of collective and individual responsibility for the continuing improvement of business processes needs to be established. Individual skills and contributions need to be encouraged and nurtured. Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. It has the potential to make a significant contribution to individual and organizational performance. The constant monitoring of activities, time management, risk management, coordination and documentation are to be implemented well to get good performance results. People are the critical factor in making performance management work. Staffs need to be engaged and involved. Organization's success depends on employees' performance; poor performance is detrimental to the company's success. Well-designed performance management system, coupled with a strong managerial commitment and scrupulous attention to proper use, can be hugely beneficial to an organization. Employees are an integral and indispensable part of running a business smoothly and efficiently. That is why, keeping in mind the crucial role of the employees of the organization, a recent trend known as performance management has come into practice.

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