Research Paper Management

Performance Appraisal System – A Strategic Tool

Dr. Sudhinder Singh Chowhan | Associate Professor and Vice Principal, Nims Institute of Management, Nims University, Jaipur

ABSTRACT

Performance management is a strategic and integrated approach to delivering sustained success to the organization by improving the performance of people who work in them and by developing the capabilities of teams and individuals contributors.

In the era of cut throat competition and globalization, organizations have realized the importance of strategic HR practices for gaining a competitive edge over the competitors. A well designed performance management system can play a crucial role in streamlining the activities of the employees in an organization for realizing the ultimate corporate mission and vision. Performance management is a useful tool for aligning all the major organizational functions and sub functions so that the focus is directed towards attainment of the organizational goal.

KEYWORDS

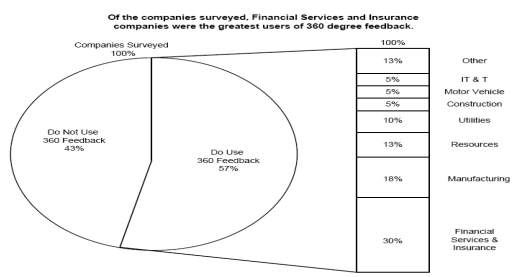
Introduction

Performance management is a much broader system as it is linked with the processes of planning, implementing, reviewing and evaluating, for augmenting growth and productivity at both the individual and organizational level. Performance appraisal is the process of identifying, measuring and developing human performance in organizations. Performance appraisal tries to:

- Give feedback to employees to improve subsequent performance.
- Identify employee training needs.
- Document criteria used to allocate organizational rewards.
- Form a basis for personnel decisions-salary (merit) increases, disciplinary actions, etc.
- Provide the opportunity for organizational diagnosis and development.
- Facilitate communication between employee and administrator.
- Validate selection techniques and human resource policies to meet federal Equal Employment Opportunity requirements.

By clearly defining both individual and team based responsibilities in the form of KRA's as well as by creating an understanding of shared mutual accountabilities, a good performance management system enables, empowers and facilitates the development of staff members.

Managing the performance of the employees is one of the toughest challenges which the organizations are facing today as this completely depends upon the employee's commitment, competence and clarity of performance. If managed efficiently through a well planned reward practice and feedback mechanism, a performance management system can serve as an important tool for employee motivation and development. The need for the introduction of a robust system of performance management was felt during the period when the traditional performance appraisal mechanism started failing and its limitations were surfacing up. The performance appraisal system of the earlier period was missing objectivity as the diameters or the parameters for measuring performance were not clearly specified and the focus was on traits instead on behaviors or measurable targets. As a result, the employee's morale and motivation to work was adversely affected due to an absence of a transparent feedback mechanism and lack of employee involvement in the entire process of appraisal. A performance management system overcomes the drawbacks of the traditional performance appraisal system by maintaining a futuristic approach instead of assessing the past contributions of the employees for evaluating the performance of the employees.



- Of the companies using 360-degree feedback, the majority (59%) were using it for Development Purposes which was defined for the purposes of the study as having no tangible link to remuneration.
- The remaining 41% of companies using 360-degree feedback reported using the process for Performance Appraisal which involved the results of the appraisal having either a direct or indirect connection to salary.
- A surprising conclusion arising from the survey was that the majority of the users surveyed were not entirely satisfied with the process. The majority (53%) of participating companies were discontent with the process describing its effectiveness as only "Moderately" effective.
- A significant 18% of companies also described 360-degree feedback's success as "Not at all effective".

The survey revealed that:-

Is that there is no definitive "right" way to conduct 360-degree feedback in an organisation.

Having arisen and developed from a desire to conduct appraisal more effectively, 360- degree feedback is still a very idiosyncratic tool – generally developed for the specific purposes of an individual organisation's needs.

Performance Appraisal as A Strategic Tool

Performance management is a strategic tool and is holistic in nature as it pervades in every activity of the organization which is concerned with the management of individual, team

and the overall organizational performance. The process is indispensable and very important for an organization as it is concerned with establishing a culture in which the individuals and teams can excel by continuously improving in terms of skill sets and the business processes.

Performance management facilitates improvement of quality of relationship amongst the members of the organization by encouraging sharing of expectations and building a climate of openness and mutuality. The significance of performance management has grown in recent times because most of the organizations are giving a lot of importance to employee development and talent management. The contemporary organizations are working towards grooming the competencies of the employees for maintaining a leadership in the competitive market and performing outstandingly.

Organizations like **Arvind Mills of Lalbhai Group**, realized the importance of strategic HRM practices and the implementation of a pro active performance management system in their organization after facing serious threats from the business competitors.

The company created a Manpower Planning and Resource Group which took the charge of preparing job descriptions and structuring the jobs for the employees and was responsible for implementing the recruitment and selection procedures. An innovative online recruitment system was introduced which was known as Selection Information System, for fixing interviews, generating call letters, etc.

This system was linked with the Compensation Information System and Training Information System. The training requirements of the employees were taken care by the Management and Organizational Development Group. The company also introduced MBO system, for setting smart goals for the employees which may motivate them for a superior performance.

Performance management practices can have a positive influence on the job satisfaction and employee loyalty by:

- Regularly providing open and transparent job feedbacks to the employees.
- Establishing a clear linkage between performance and compensation
- Providing ample learning and development opportunities by representing the employees in leadership development programmes etc.
- Evaluating performance and distributing incentives and rewards on a fair and equated basis.
- Establishing clear performance objectives by facilitating an open communication and a joint dialogue.
- Recognizing and rewarding good performance in an organization.
- Providing maximum opportunities for career growth.

An effectively implemented performance management system can benefit the organization, managers and employees in several ways as depicted in the table given below:

Organization's Benefits	Improved organizational performance, employee retention and loyalty, improved productivity, overcoming the barriers to communication, clear accountabilities, and cost advantages.
Manager's Benefits	Saves time and reduces conflicts, ensures efficiency and consistency in performance.
Employee's Benefits	Clarifies expectations of the employees, self assessment opportunities clarifies the job accountabilities and contributes to improved performance, clearly defines career paths and promotes job satisfaction.

Clearly defined goals, regular assessments of individual performance and the company wide requirements can be helpful in defining the corporate competencies and the major skill gaps which may in turn serve as a useful input for designing the training and development plans for the employees. A sound performance management system can serve two crucial objectives:

Evaluation Objectives

- By evaluating the readiness of the employees for taking up higher responsibilities.
- By providing a feedback to the employees on their current competencies and the need for improvement.
- By linking the performance with scope of promotions, incentives, rewards and career development.

Developmental Objectives

The developmental objective is fulfilled by defining the training requirements of the employees based on the results of the reviews and diagnosis of the individual and organizational competencies. Coaching and counseling helps in winning the confidence of the employees and in improving their performance, besides strengthening the relationship between the superior and the subordinate.

In a nutshell, performance management serves as an important tool for realizing organizational goals by implementing competitive HRM strategies. It helps in aligning and integrating the objectives with the KPI's in an organization both vertically and horizontally across all job categories and the levels and thus helps in driving all the activities right from the bottom level towards one single goal.

It has attracted the attention of many organizations and in the near future its importance will still grow as it will become more integrated with the processes like talent management, career management, pay based on performance, development and talent management.

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