PERFORMANCE MANAGEMENT

- Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc.

- Performance management can be defined as the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement.

Need of performance management

- **It Provides a Look into the Future**
- By consistently monitoring and managing workplace performance, leaders can see potential future problems. Like with any type of issue, early detection is key. The earlier problems are confronted the less effect that they will likely have.
- For instance, if the company notices that a certain employee is not a team player, they can either move that employee to a position that does not require teamwork, provide training to that employee revolving around teamwork, or let that employee go before it becomes a problem. By acting before the potential problem becomes an actual problem, the organization can prevent unnecessary trouble.

- **Helps Create Development and Training Strategies** As mentioned above, the earlier a problem is detected, the better. One of these problems could be that employees do not know how to perform certain process-es correctly. If this continues, the organization might fall apart due to oversight. However, with performance management, this would probably be detected. The organization could then create training programs to change the issue into an op-portunity for improvement.

- **Provides Clarity in the Organization** It is a common problem that many employees are unsure of what exactly their role entails, what is expected of them, and who they are to report to. Through performance management, the company can make all of this very clear. A lack of understanding often leads to a lack of productivity. Therefore, by providing clarity for employees, the result will often be increased productivity and confidence.

- **Provides the Opportunity for Exchanging Feedback** A lack of communication in a relationship is grounds for trouble, and this in-cludes working relationships. Quite often, management speaks to employees about their performance, but employees do not very often get a chance to voice concerns or frustrations. Effective performance management provides an avenue through which both the employer and the employee exchange feedback. In addition to gaining insight, employees often feel much more valued when they can voice their thoughts.

- **Increases Employee Retention** Performance management also encourages organizations to reward and recognize their employees. Lack of recognition is a big reason some employees leave a job and look for another. They want to be appreciated for their hard work. In addition to the clarity, the ability to share feedback, and the additional training when needed, rewards and recognition can play an important role in employee retention.

- **Boosts Employee Engagement** Performance management, when it truly involves employees, will boost employee engagement. When there is a disconnect between management and employees, it is almost as though employees are just going through the motions of the day. Their position becomes merely a job as opposed to a rewarding career. However, perfor-mance management has the capability of engaging employees fully and making them feel invested in the company. This leads to job satisfaction and employee loyalty, all of which increase productivity.

- **It encourages employee recognition and reward** Most businesses tend to neglect the importance of recognizing and rewarding their employees. Doing that can be greatly disastrous to your organization. According to a survey carried out by American Express, a third of top businesses believe that recognition and reward lead to higher staff retention, with half also attributing better motivation to giving incentives.

The major objectives of performance management system

- To emphasise on career planning and future growth opportunities for employees
- It is ensured to raise the efficiency and productivity of employees
- To encourage belongingness, team spirit and devotions among employees with the job
- To provide feedback about HR planning and potentialities to implement the planning facts
- To identify systematically the need and requirements of some learning and training aspects
- To promote better and high work culture in the organisation
- To focus more on systems approach to perform appraisals rather than to make any formalities
- To foster a positive relationship between managers and employees through a two- way communication process
- To appreciate, recognise and to give reward and compensate employees for achievement of performance objectives successfully in a more objective, transparent and justified way.

PERFORMANCE APPRAISAL

- In every organization there is need to understand the abilities of the employees to perform and grow, performance appraisal acts as a tool to check the development opportunities for the employees. It is a systematic evaluation of the work performed by the employees.
- **The ways of performance appraisal include: •**
- The pay of employees is compared with the target given to them and the plans on which they act during daily work routine. •
- The factors which are responsible for the performance of employees is analysed by the supervisor. •
- Further the better ways to improve the performance are suggested to the employees.

USES OF PERFORMANCE APPRAISAL

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- **Human Resource Planning:** It is important to record data/information of employees in a firm so that it is easy to identify the potentials of who deserves to be promoted or have any area to improve. Performance appraisal also helps in revealing if there is insufficient number of workers. An appraisal system should be designed and planned after considering the strengths and weaknesses of the HRM of the organisation. •

- **Recruitment and Selection:** Through the process of performance analysis, organisations can determine the performance potential on an applicant. Studies show that successful employees display specific behavioural traits while performing tasks. The data processed through performance evaluation help in setting standards for behavioural interviews. In the process of selection, the employee rating can also be used as a variable against which test scores are compared.

- **Training and Development:** Training and development is crucial for any employee as it acts as way to communicating what is expected and how. Performance appraisal helps in drawing attention to these specific needs of training. For example, if an employee's job involves the skill of creative writing and by the process of evaluation it reveals that he or she lacks in it or has poor knowledge about it, the employee will need appropriate training sessions. When managers of a firm lack the capability of administering disciplinary action, they need the necessary training to deal with this problem. Hence, identifying deficiencies and obstacles can be overcome by training and development sessions which develop and improve individual's skills allowing them to perform better. An appraisal process does not train and develop individuals but determines the training needed by providing data. •

- **Career Planning and Development:** Career planning can be described as a never- ending cycle in which an individual sets profession goals and means to achieve them throughout his or her lifetime. However, career development is a more formal approach used by organisations. It involves recruiting suitable qualified and experienced people when required. Performance appraisal can determine an employee's potential through assessing its weaknesses and strengths. The data is also useful to counsel junior staff member and assisting in career plans.

- **Compensation Programs:** Performance appraisal evaluations help in making decisions dealing with wage or salary regulations. It is believed that organisations should reward employees with increase in pay when excellent performance is achieved. In order to increase performance, an organisation should implement well planned and designed performance appraisal systems and award the efficient workers. This not only increases performance but also keeps employees motivated to achieve better in future. •

- **Internal Employee Relations:** Performance appraisal evaluation can provide crucial information used in making decision about the internal employee relations i.e promotion, demotion, transfers and dismisses etc. For example, performance appraisal data are also used for decisions in several areas of internal employee relations, including promotion, demotion, termination, layoff, and transfer. Also, an employee's performance in one job may be useful in determining his or her ability to perform another job on the same level, as is required in the consideration of transfers. When the performance level is unacceptable, demotion or even termination may be appropriate.

- **Assessment of Employee Potential:** Some organizations attempt to assess an employee's potential as they appraise his or her job performance. Although past behaviours may be a good predictor of future behaviours in some jobs, an employee's past performance may not accurately indicate future performance in other jobs. The best salesperson in the company may not have what it takes to become a successful district sales manager, where the tasks are distinctly different. Similarly, the best systems analyst may, if promoted, be a disaster as an information technology manager. Overemphasizing technical skills and ignoring other equally important skills is a common error in promoting employees into management jobs. Recognition of this problem has led some firms to separate the appraisal of performance, which focuses on past behaviour, from the assessment of potential, which is future-oriented.

METHODS OF PERFORMANCE APPRAISAL

- 1
- **Management by Objective (MBO)**
- In this method, managers and employees work together to identify, plan, organize, and communicate goals for success. The manager identifies the desired objectives to be achieved, giving the employee a major area of responsibility in terms of the results that are expected from him or her. Over regular touchpoint meetings, the manager and employee discuss the progress made. The employer can then use these measures of progress as a guide to measuring the contribution level of the employ-ee. While useful in determining rates of productivity, this process usually emphasizes career-oriented and tangible goals. Therefore, intangible aspects of an employee's performance such as their interpersonal skills or job commitment often go ignored.

- 2.

- **Behaviourally Anchored Rating Scale (BARS)** This method is often thought of as being the most effective, as it succeeds in bring-ing out both the qualitative and quantitative benefits of the performance appraisal process. In the Behaviourally Anchored Rating Scale (BARS) system, the employer compares employee performance with specific behavioural examples that are an-chored to numerical ratings. Because this method accesses both quantitative and qualitative forms of measure-ment, while also incorporating intangible qualities of employees into the rating system, BARS succeeds in providing clear standards, improving feedback, and pro-viding accurate performance analysis and consistent evaluation. Its primary draw-back is, like most other performance review methodologies, when done manually it poses the risk of being skewed by distortions caused by bias.

- 3.

- **Critical Incident Method** In this method, an employer evaluates an employee based on certain events, known as “critical incidents”, in which the employee either succeeded tremendously or failed in any given task. Throughout the process, the evaluator maintains a digital or physical journal in which they store the information from the different incidents. This process, though manually demanding, is useful for the individual growth of employees. By keeping detailed records of both the positive and opportunity area milestones of an employee’s career trajectory, employers can give detailed information in their feedback, improving the chances of development in the future. These metrics can be readily reviewed during the scheduled progress / 1:1 meeting.

- 4.

- **Assessment Centre Method** This performance appraisal method assesses employee performance in social-relat-ed situations. Employees are asked to take part in situational exercises (in-basket exercises, workgroups, simulations, role-playing exercises, etc.) that aim to high-light their potential success in various roles and bearing various responsibilities. While this process is useful in giving insight into the employee's personal character-istics that can influence their success (i.e., ethics, tolerance, problem-solving skills, judgement, introversion or extroversion, adaptability, collaboration, etc.), it can also result in unhealthy competition between workers. Also, it has the potential to bear adverse effects on low performers due to the social nature of the testing.

- 5.
- **Psychological Appraisals**
- This method is particularly useful when determining the hidden potential of em-ployees because it focuses on evaluating an employee's future performance rather than the results of their past work. In this performance appraisal method, qualified psychologists conduct a variety of tests on employees, including in-depth inter-views, psychological tests, and private discussions. These tests aim to identify an employee's emotion, intellect, and other related traits that could affect their future performance in an organization. Although this method is thorough and insightful, it can evidently be a slow, com-plex, and costly process. Further, the quality of the results hinges upon the psychol-ogist who administers the procedure and a variety of external influencers that may affect the employee during testing (e.g.; personal stress related events), so results can sometimes be inconsistent.

- 6.
- **Human-Resource (Cost) Accounting Method**
- The cost accounting method involves the analysis of an employee's performance through the monetary benefits they yield to the company. This measurement is usually obtained by comparing the cost of retaining an employee to the monetary benefits (contributions) the organization has ascertained from that specific em-ployee. This performance appraisal method considers many factors, including unit-wise average service value, quality, overhead cost, interpersonal relationships, and so on. However, its high dependency on the quality of cost and benefit analysis, as well as the memory power of the reviewer, is its primary drawback.

- 7.
- 360-Degree Feedback
- A common industry discussion is that the annual performance appraisal meth-od is outdated and no longer useful. Workers need ongoing communication with team leaders and managers, and continuous feedback processes like 360-degree feedback, to stay motivated and interested in learning from the results of their performance appraisals. In the 360-degree feedback method, multiple ratters are involved in evaluating the performance of an individual. The feedback of the employee is collected by all agents within the organization who interact with him or her, including superiors, peers, subordinates, and even customers. Usually, this feedback is collected by an online questionnaire designed specifically for this purpose. When every employee in an organization appraises their managers, peers, customers, suppliers, and takes part in regular self-evaluation, it ensures effective performance analysis with diverse levels of transparency.

LIMITATIONS AND CHALLENGES OF PERFORMANCE MANAGEMENT

- **Lengthy and complex:** In performance management it is suggested that the managers spend about an hour with each employee to evaluate their performance; so, if the company or team consists of a large number of people, the process of performance appraisal becomes extremely hectic and difficult. It will take long hours to evaluate the whole depart-ment's PA; then there has to be hours of discussions in the meetings to get solutions for the difficulties and errors of the employees.

- **Become a hindrance in the employee's progress:** Sometimes the experience of performance management is unpleasant and stressful; it becomes an obstacle to the progress of the employee. The managers may discour-age and dissuade the employees through performance management if overempha-size is done on the errors and mistakes of the employees and the achievements and often overlooked. Then the employees will feel that they are not given enough due for their hard work, their achievements; the company only highlights their failures without praising them for their achievements.

- **Contradictory and misleading opinions in the performance management file:** Often the situation is that the manager is insincere and does not keep proper records and notes on the performance of the employees; this will create a gap be-tween the actual performance of the workers and the report of the manager. The manager will make the wrong performance management reports; this will create contradictory and misleading performance management reports of the em-ployees by the company. It is important that performance appraisals and docu-mentation are done timely and regularly; so that a faulty appraisal can be avoided. So, one of the disadvantages of performance appraisals is that a faulty review in appraisal can turn out very negative for you.

- **Partialities and favouritism:** The company managers are often partial and favouritism is also practiced; this hampers the process of performance management. This partiality can be counted as a benefit of performance management or during this process. Hence to keep away partiality from the PA is difficult as it is solely dependent on the senior and manager to remain impartial and unbiased to conduct a proper Performance ap-praisal. A faulty performance evaluation is the outcome of a manager who has preconceived notions and evaluates the performance of employees based on biases.

- **Flawed conditions and standards:** Many companies commit errors while creating the guidelines and directives of evaluating the performance of their employees; these faults will make the perfor-mance management system of the company insignificant and meaningless. Standards which do not properly reflect the actual performance of the workers are futile. Thus, if the system tracks the goods without evaluating the quality of the products, then the whole thing is rendered meaningless. If there are any norms or conditions that allow the employees to take unethical advantages and achieve suc-cess; then the performance management is ineffective and the company will suffer a set-back for this.

- **Employees may suffer from low self-esteem:** The ethical workers may be frustrated and lose their sense of worth when work-ing under a faulty performance management system; and where unethical means are undertaken to succeed. Even when the company's performance management is mostly unbiased; if the unethical employees achieve more success than the real hard workings ones; then people will get disillusioned and lose their faith in the Company.

- **Demeaning the communication system between employer and employee:** Performance Management involves a two-way communication system between the employers and the employees. So, if the managers neglect the evaluations and are irregular in doing the performance evaluations then it will have a negative effect on the performance history of the employee and also his career success; if the employ-ee feels that over-emphasis is given on his mistakes and errors and his achievements are overlooked; then he will lose the incentive to work hard and progress.

- **Deficient in management expertise:** In spite of giving enough thought and time to the directives of the company; they often have some drawbacks and when the rules are implemented in reality the negative aspects come to the fore. This happens due to the lack of management commitment and management understanding. The way to be successful in implementing effective performance management requires the sponsor of top Management workers and Line Management workers; so that the workers feel that the company is committed to the benefits of the employees only. Also, bonuses and incentives should be there in all organizations to encourage the employees for hard work and growth of the company.

Challenges of performance management

- Wrong Design
- Absence of Integration
- Lack of Leadership Commitment
- Ignoring Change Management in System Implementation
- Incompetence

- **Wrong Design** The performance management system and tools must fit with the specific needs of the organization. It cannot be a duplication of a system designed and implemented in another organization, even an organization in the same industry or the same business group. Intense consultation with various stakeholders and users of the system is necessary. User trust is an absolute necessity for the success of the system. The design should be tried out on a pilot basis before it is rolled out to the organi-zation as a whole. All documents and forms must be in place. The system should be fair and equitable. Performance management should be viewed as a continuous process and not an activity conducted once or twice a year. The design should also include mechanisms for rewarding performance and handling poor performers.

- **Absence of Integration** The performance management system has to be integrated with the strategic plan-ning and human resource management systems as well as with the organizational culture, structure and all other major organizational systems and processes.

- **Lack of Leadership Commitment** Leadership commitment and support is a must for smooth implementation of the system. Leaders must drive the process and make performance management an integral part of the management of the company. Leaders contribute not only in setting the strategic direction and performance measures but also in monitoring and reviewing performance across the organization. They also reinforce the perfor-mance cycle by recognizing and rewarding performance.

- **Ignoring Change Management in System Implementation** Strategic management of change is a vital part of implementing the system. Driven by the top management, it involves careful management of resistance. Communication would be a major intervention and a key tool in managing the change. Implementation milestones and schedules must be followed. Proper documents must be in place.

- **Incompetence** Competence to use the performance management system is necessary to ensure smooth implementation of the system.
- Some of the major skills would include:
- Defining strategic objectives, performance indicators, core competencies and performance contracts •
- Defining performance measures that correspond to the KPIs •
- Giving and taking feedback, conducting appraisal interviews, and active listening •
- Performance coaching The focus would be on designing and implementing training and development interventions that would help in developing the competence of various job holders. Special emphasis would be on building the behavioural dimensions of performance.

Thank you

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