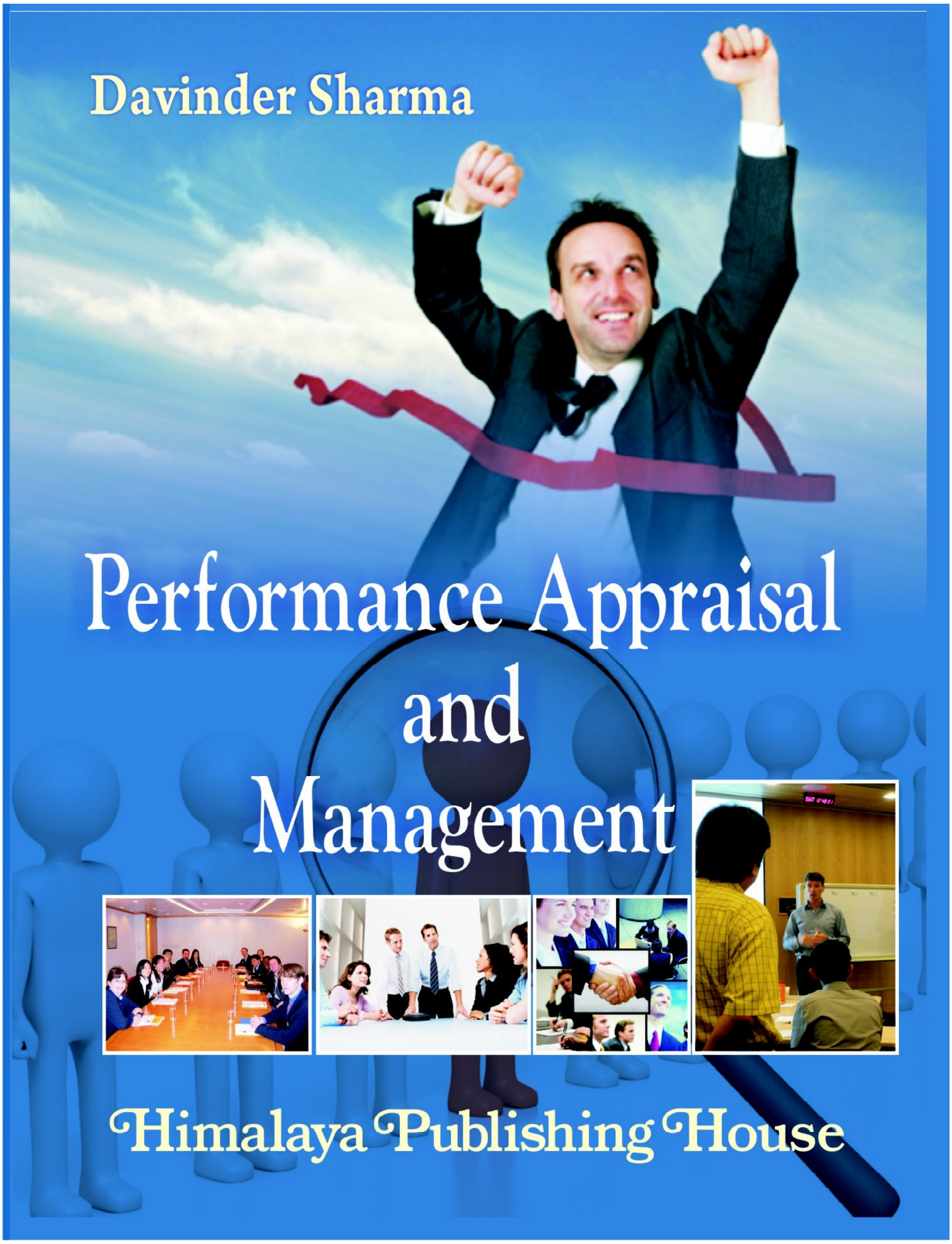
Davinder Sharma
Performance Appraisal and Management
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Performance Appraisal and Management

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PREFACE

FIRST EDITION

Many managers look upon performance appraisals as one of the most uncomfortable task that they are called upon to do. In fact, except for firing an employee, apprising employee performance is probably a manager's least favourite and most difficult task. But performance appraisal serves a useful role in the workplace. Successful managers learn early in their careers that performance appraisal does not need to be negative aspect of their jobs. They recognize that performance appraisals are a lot like organic fertilizers; properly scheduled and handled, they will definitely improve productivity.

This edition of the book highlights upon the concept of performance management where organization has a shared vision, individual targets, regular reviews and evaluation. It takes an all-embracing view of the constituents of good performance; how this contributes to desired outcomes at the departmental and organizational level and what needs to be done to improve these outcomes. This is entirely consistent with the HRM philosophy of treating employees as assets and investing in their management and development in order to enhance their value. Extensive research on performance appraisal has verified the intuitively known fact that people are extraordinary diverse in their respective rating abilities.

Current topics like Performance benchmarking, performance culture, e-HR, e-PMS etc. have been explained in the book. Each chapter has some relevant research studies being mentioned.

I thank the publishers Himalaya Publishing House for bringing out this publication excellently. I am sure that this publication will help management students to learn the basics of performance appraisal and performance management while practicing managers can know more about performance management problems and how to solve them.

—Author

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MEANING OF PERFORMANCE

The term performance has several meanings. It can be referred as

1. The act of performing or the state of being performed.
2. The act or style of performing a work or role before an audience.
3. The way in which someone or something functions.

"Performance refers to all activity of an individual which occurs during a period marked by his continuous presence before a particular set of observers and which has some influence on the observers."(Goffman)

The act of performing; the carrying into execution or action; execution; achievement; accomplishment; representation by action; as, the performance of an undertaking of a duty is also performance.

THE NEED FOR PERFORMANCE MANAGEMENT

Ultimately, it is the cost of poor performance that makes performance management important. Some organizations are doing well nowadays because they are quite aware of the tough competition persisting in the market and the way out to it is to improve performance. The complete reliance of businesses on their information systems means that these businesses come to a standstill when the system is unavailable. Poorly performing systems will also result in poorly performing organizations and poor customer perception of these organizations. Companies that could sense these issues in advance have moved beyond traditional availability initiatives (usually focusing on uptime only) and are implementing programs with a wide view of time.

Some common performance problems:

- Not meeting business goals (inventory, manufacturing, shipping, bookkeeping, etc.)
- Unnecessary hardware upgrades and over-specifying
- Over-staffing
- High turnover
- Loss of business opportunities to competition
- Poor technology
- Bad publicity etc

In order to cope up with these performance problems, arises a need to manage performance or in other words performance management.

WHAT IS PERFORMANCE MANAGEMENT?

As systems, structures and attitudes undergo change and they indeed undergo sea changes over time-they modify the workplace experience: often positively for many and negatively for some. Effective organizations use such experience- positive or negative as source of continuous learning. Vibrant organizations appropriately capture this learning, and act to systematically use it while reviewing both the design, structure as well as the functioning of their systems, processes and attitudes. Most contemporary organizations possess some of the following features:

- A diversity of locations, units programs, sectors, and specialized disciplines.
- Dramatically varying rules that govern day-to-day operations in different segments.
- Complex cultural interactions.
- Varied tasks and problems.
- Decentralization- meaning that a lot of power vests in the localized managerial levels.
- Interdependence and dynamism- what one segment of the organization does, affects the total organization, and vice versa.
- Truly globalized.

Such organizations aspire to provide high quality goods and services to highly discerning and differentiated customers, clients, or other kinds of stakeholders. They understand that abiding organizational excellence can rest only on excellence in the performance of individual managees, who may be located next to each other, or miles apart- whether front-line stars, or backroom boys and girls.

Performance management is a way of systematically managing all such people for innovation, goal focus, productivity and satisfaction- it is a goal-congruent win-win plan. Its main aim is to ensure success for all managees – and all task teams- who believe in its approach, and implement it with sincerity and commitment. The managees' success must reflect in the organization's bottom-line in terms of fulfillment of its planned goals. Performance management is an unending spiral, linking processes such as performance planning , managing performance throughout the year, taking stock of managee performance and potential, at the same time recognizing and rewarding success are the end of the year. It links these processes in a manner that an individual managee's performance targets continuously subscribe to those of the total organization- providing consistent super coordination to create positive goal-oriented task motivation and reduce intra-organizational conflict.

It is realism that an organization does nothing if it doesn't manage performance. Each manager devices his own system for managing performance within which he perceives the organization's norms to be. These are often not explicitly clear even to the manager. Standards or expectations, which define good performance, may be generally understand, but are rarely specific.

Performance management is a holistic – largely participatory and goal-congruent process of managing and supervising managees at work, in their task team or groups. It arises from the awareness that a systematic , organized approach to managing and rewarding performance better generates and sustains positive managee motivation. It is neither the familiar kind of performance appraisal, nor the almost-forgotten system of ‘Management by Objectives’. Although some relevant features of those are palpable in the design of performance management system. Its high points of performance standards- representing the organizational goals and objectives, managee recognition and awards corresponding to managee needs and aspirations.

According to Armstrong, performance management is a means of getting better results from the organization, teams and individuals by under-standing and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process for establishing shared understanding about what is to be achieved and an approach to managing and developing people in a way that increases the probability that it will be achieved in the short and longer term.

Armstrong and baron define performance management as a ‘strategic and integrated approach to delivering sustained success to organizations by improving performance of the people who work in them and by developing the capabilities of teams and individual contributors’. They consider performance management as strategic since it concerns the achievement of long-term organizational goals and effective organizational functioning in its relevant external environment. It is integrated, because it affects four types of integration:

- **Vertical –** aligning objectives at the organization, team and individual levels. Vertical integration is achieved when well aligned, interlocking objectives, cascading from organizational goals, are agreed upon at the work team and individual levels. Yet, individuals and teams formulated their own goals within the board framework of organizational purposes and values, when objectives are agreed upon though ongoing dialogues between managers and managees, and are not unilaterally set.
- **Functional –** focusing functional energies and strategies on to tasks in different parts of the organizations.
- **Human Resource –** linking different human resource management sub-systems, like people management and task monitoring, job design, human resource development and motivation, and the appraisal and reward sub-system to achieve goal and task-related synergies towards optimum performance.
- **Goals –** attempting congruence between individual’s need and aspirations of managees with goals and objectives of the organization.

Some foci and insights for performance management. Armstrong's formulation of performance management concerns, ethical principles suggested by Win Stanely & Stuart-Smith, and IRS listing of performance management principles – point to the following foci:

- Transparency – in the sense that parties at the organizational, team and individual levels, affected by performance improvement decisions emerging from performance management processes, through
  - Planning performance expectations from individuals managees in advance,
  - Organizing work appropriately, and
  - Effectively guiding and thereafter equitably and emphatically monitoring and reviewing performance against known standards at pre-determined intervals.

  Have access to the basis upon which these decisions are made.
- Managee development – in the sense of addressing core competencies of the organization and specific capabilities of team and individuals- 'treated as partners in the enterprise whose interests are respected and who have a voice on matters that concern them'.
- Mutual respect among parties involved in performance processes – in the sense of respect for individuals , team as well as organizational needs and preoccupations, at the same time 'recognizing that they will not always coincide'; and by treating people not only as a means to other ends but also as ends in themselves.
- Fairness and equity in all procedures and due satisfaction of the needs and expectations of the organization's stakeholders must obviate the perception of prejudice to and party involved in performance management- owners, management, customers, suppliers and the general public.
- Organization climate in which a continuing dialogue between the managers and their managees helps 'share information on the organization's mission, values and objectives', define mutual expectations of what is to be achieved, and 'a framework for managing and developing people to ensure that it will be achieved'.
- Effective context management towards softening external obstacles and constraints to performance.

They also provide the following insights to effective practice of performance management:

- Clarify organizational goals.

- Translate organizational goals into individuals, team, department and divisional goals.
- Improve performance over time through a continuous and evolutionary process.
- Rely on consensus and cooperation rather than control or coercion.
- Encourage self-management of individual performance.
- Promote open and honest leadership styles that encourage a two-way communication between the managers and the managees.
- Ensure continuous feed back.
- Generate feedback loops that enable the experience and knowledge gained on the job by individuals and teams to influence organizational objectives.
- Monitor and measure all performance against jointly agreed goals.
- Apply to all managees.
- Don't limit linking performance to financial reward.

FEATURES OF PERFORMANCE MANAGEMENT

Typically, a successful performance management system has the following features:

1. Performance management is closely aligned with the organizational context and culture without being influenced by passing fads and strategically linked to clearly defined organizational objectives. Therefore performance measure is based on the critical success factors derived from the corporate and business strategy.
2. Performance management system is closely linked to other systems of human resource management, particularly career planning, succession planning & training and development. However, its linkage with compensation is a contentious issue. Many experts feel that there should be separation of appraisal for rewards from appraisal for development, to avoid spill over of bitterness from former to the latter. Further, to obtain a broader perspective, it is suggested that peer-level managers, instead of just immediate superiors, should conduct appraisal for rewards.
3. Performance management is seen as a continuous process of monitoring and feedback rather than annual one-off event and there should be involvement of employees through focus group interviews, surveys etc., in all stages of the design, implementation and review process.
4. Performance management involves effective use of technology in conveying desired

competencies and in monitoring, collecting and giving feedback so there is minimum possible bureaucratization of administering the system.

5. Performance management emphasizes comprehensive training to managers not just for their own development but also to act as effective coaches as the role of coaching in performance improvement is quite crucial.
6. Performance management is a dynamic system that is suitable for changing workplace realties, such as working in teams and alternative work arrangements like tele working, job sharing etc.

PERFORMANCE BENCHMARKING

The meaning of the term has undergone through several generations during the last century. As defined in dictionary benchmarking refers to measurement with reference to an established yardstick or standard. Another meaning, typified by terms like competitive benchmarking, diagnostic benchmarking etc relates to a diagnosis i.e, identification of strong and weak points in an organization. The third generation, known as process benchmarking had its origin with the Xerox Corp, USA when the company started adapting better practices from Japanese and other companies.

"Benchmarking is a continuous, systematic process of evaluating and comparing the capability of one organization with others normally recognized as industry leaders, for insights for optimizing the organizations processes."

Benchmarking is a systematic tool that allows a company to determine whether its performance of organizational processes and activities represent the best practices. Benchmarking models are helpful in determining how well a business unit, division, organization or corporation is performing compared with other organization or corporation is performing compared with other organizations of the same type or category say, small scale industries, medium scale industries or large scale industries. A benchmark is a point of reference for a measurement. The term 'benchmark' presumably originates from the practice of making dimensional height measurements of an object on a workbench using a gradual scale or similar tool, and using the surface of the workbench as the origin for the measurements.

Most organizations modify the benchmarking concept to suit their own strategies and objectives.

"*Benchmarking is simply about making comparisons with other organizations and then learning the lessons that those comparisons throw up*".

(***Source:*** The European Benchmarking Code of Conduct)

"*Benchmarking is the continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leaders (best in class)*".

(***Source:*** The Xerox Corporation)

Performance analysis forms the basis for your current process improvement which enables you to improve the employees in near future. Performance benchmarking removes misconceptions, and lets us see the actual need for improvement.

Performance Benchmarking is a practical approach to share, compare, correct and transform internal functions and processes of participating member organizations in virtually any operational area. The Performance Benchmarking is focused on three specific areas:

- Operational efficiency
- Quality of service
- Business benefits

The metrics and findings from the assessment are used for comparison with companies whose video conferencing implementations are delivering outstanding performance results. The goal is to provide information and tools that allow you to improve overall performance.

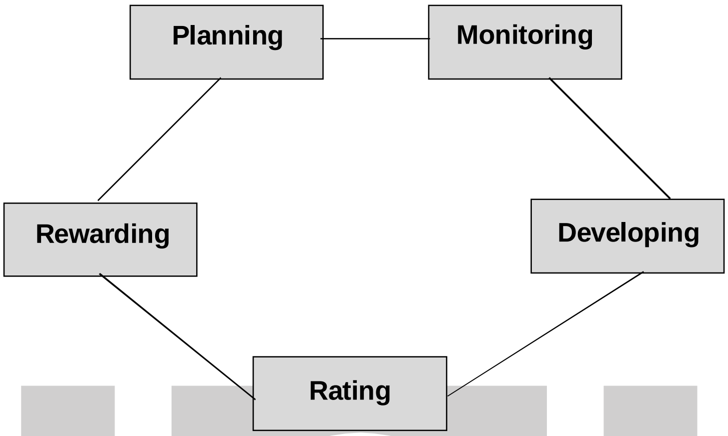
Benchmarking helps to identify and facilitate sharing of key performance factors for peer organizations. It evaluates performance measures and plays vital role in goal-setting as it relates to key stakeholders like customers, investors, regulators and government. In other words a benchmarking exercise essentially results in identification of a most desirable performance level i.e, benchmark for an activity, an event or an equipment in terms of suitable criterion. It also enhances networking opportunities for operational benchmarking specialists and encourages collaboration on the development of industry performance measurements. Above all organizations can benefit from a single quality practice, the impact of moving from "conformance" thinking to "performance" thinking leads to a big change in performance.

Some people mistakenly assume that performance management is concerned only with following regulatory requirements to appraise and rate performance. Actually, assigning ratings of record is only one part of the overall process (and perhaps the least important part).

Employee performance management includes:

- ***planning*** work and setting expectations,
- continually ***monitoring*** performance,

- ***developing*** the capacity to perform,
- periodically ***rating*** performance in a summary fashion, and
- ***rewarding*** good performance



(***Source:*** A Handbook for measuring employee performance, PMD-013, Sept 2001)

1. Planning

In an effective organization, work is planned out in advance. Planning means setting performance expectations and goals for groups and individuals to channel their efforts toward achieving organizational objectives. Getting employees involved in the planning process will help them understand the goals of the organization, what needs to be done, why it needs to be done, and how well it should be done.

The regulatory requirements for planning employees' performance include establishing the elements and standards of their performance appraisal plans. Performance elements and standards should be measurable, understandable, verifiable, equitable, and achievable. Through critical elements, employees are held accountable as individuals for work assignments or responsibilities. Employee performance plans should be flexible so that they can be adjusted for changing program objectives and work requirements. When used effectively, these plans can be beneficial working documents that are discussed often, and not merely paperwork that is filed in a drawer and seen only when ratings of record are required.

2. Monitoring

In an effective organization, assignments and projects are monitored continually. Monitoring well means consistently measuring performance and providing ongoing feedback to employees and work groups on their progress toward reaching their goals.

Regulatory requirements for monitoring performance include conducting process reviews with employees where their performance is compared against their elements and standards. Ongoing monitoring provides the opportunity to check how well employees are meeting predetermined standards and to make changes to unrealistic and problematic standards. And by monitoring continually, acceptable performance can be identified at any time during the appraisal period and assistance provided to address such performance rather than wait until the end of the period when summary rating levels are assigned.

3. Developing

In an effective organization, employee developmental needs are evaluated and addressed. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or other methods. Providing employees with training and developmental opportunities encourages good performance, strengthens job-related skills and competencies, and helps employees keep up with changes in the workplace such as the introduction of new technology.

Carrying out the processes of performance management provides an excellent opportunity to identify developmental needs. During planning and monitoring of work, deficiencies in performance become evident and can be addressed. Areas for improving good performance also stand out, and action can be taken to help successful employees improve even further.

4. Rating

Although group performance may have an impact on an employee's summary rating, a rating of record is assigned only to an individual, not to a group.

5. Rewarding

In an effective organization, rewards are used well. Rewarding means recognizing employees, individually and as members of groups, for their performance and acknowledging their contributions to the agency's mission. A basic principle of effective management is that all behavior is controlled by its consequences. Those consequences can and should be both formal and informal and both positive and negative.

Good performance is recognized without waiting for nominations for formal awards to be solicited. Recognition is an ongoing, natural part of day-to-day experience. A lot of the actions that reward good performance – like saying "Thank you" – don't require a specific regulatory authority. Nonetheless, awards regulations provide a broad range of forms that more formal rewards can take, such as cash, time off, and many non-monetary items. The regulations also cover a variety of contributions that can be rewarded, from suggestions to group accomplishments.

Benchmarking for excellence in performance:

In order to become capable of competing with global players, an organization needs to formulate not only an appropriate strategy but also achieve excellence in its execution. (Davidson, 1995). Calingo (2002) highlights that excellent organizations have achieved customers but also in anticipating changes and discovering new ways of creating products and services as learning organizations. Excellent organizations are world-class organizations that are able to compete with anybody, any place and any time. This is also referred to as competence dominance (Tang and Baurer, 1995).

The term organizational excellence was first coined by Peter and Waterman(1982) in their efforts to find out the characteristics of those American firms which were called as "Excellent Firms". A similar study on British organizations was conducted by Goldsmith and Clutterbuck(1984), producing similar conclusions to those of American counterparts. Hickman and Silva (1985) think excellence to be a product of organizational strategy and culture for constant changes. Lessem (1990) stressed development of leadership to instill shared values and fired up championship to drive an organization towards excellence. Chakravarthy (1986) strongly argues that excellence is related to the quality of a firm's adaptation both internally and externally.

This paradigm used for the first time by Peters and Waterman (1982) looks at a congruence among seven dimensions of organizational effectiveness as proposed by Mc Kinsey's 7s model.

These dimensions are:

1. strategy
2. structure
3. systems
4. skills
5. staffing
6. styles

7. super-ordinate goal

After examining these factors and studying their congruence the authors identified several principles of management which form the foundation of an excellent organization. There are about eight principles like:

1. Action orientation
2. Customer centredness
3. Autonomy
4. People focus etc that remain uncovered through the examination. This has been further used for improving the performance.

SETTING BENCHMARKS

Metric benchmarking: According to this interpretation, a benchmarking exercise involves identification of a most desirable performance level that may be to benchmark an activity, an event or an equipment with a suitable criteria. This method of setting benchmarks is concerned with pooling large amount of data through a survey. The critical aspect for such benchmarking has been identification of an appropriate set of criteria and the availability of reliable data.

Diagnostic benchmarking: This involves measuring and comparing various units in order to find gaps and the reasons behind it. Therefore such an exercise involves an analyst to collect relevant data on three entities: performance results, work practices and processes and enabling the conditions both within and outside the organization. Here the focus may be on an organization or its SBU (Strategic Business Unit). The main purpose behind all this exercise is to perform SWOT analysis and identify the companies Strengths, Weaknesses, Opportunities and Threats.In this exercise, performance indicators reflect performance results, processes and enablers are worked out and then aggregated with the help of suitable weightages to arrive at composite ratings. The point of difference lies with the previous benchmarking and diagnostic benchmarking involves quantification of processes and enablers which drive the performance results. This also helps in identifying best practices. However, it is to be noted that there is no single best practice because the best is not best for everyone (APQC, 1998)

The most critical issue for application of such benchmarking has been selection of right performance framework for an organization.

Process benchmarking: It is identified as a method of identifying, learning and adopting outstanding practices from others. It requires a suitable learning climate in an organization. Few Indian companies like Modi Xerox and Tata Steel have been continuously pursuing process benchmarking.

PERFORMANCE CULTURE

Research of last twenty years clearly shows that an organization's culture is the key factor in its performance. The accelerating pace of change, new technologies coming up, growing customer demands, demand for quality, e-commerce, workforce demographics, business model challenges, tough competition, shareholder expectations, shrinking cycle times, shifting work ethics, , are pulling organizations in many directions. Now, the organizations to be called as high-performing organizations need the strong bonding of a strong culture to hold everything and everyone together.

In this competitive world there are number of companies which have "fun" or "vibrant" cultures. Some can be classified as low performing organizations or high performing organizations. The former ones need to die one day. The latter organizations bring together the leadership issues which define their unique character and collect people around a deeper sense of purpose. These powerful feelings are made to work through the strong implementation of management processes and systems which translate ideas into action.

The high performing organizations manage to make their business objectives and their overall vision live and breathe through their employees, from senior executives to the front line. Great companies foster a passion for the business that encourages people to give their best and at the same time creates a feeling of performing to the utmost excellence at the workplace. Companies with **high-performance values and behaviors** inspire loyalty from employees, who want to be part of a team. They generate commitment to go the extra mile, and to do the right thing, rather than necessarily just the easy thing. High-performance organizations know to manage culture. High-performance cultures are showing a strong **capacity to change** a critical attribute since organizations must continue to evolve as strategic goals shift.

Research has shown that organizational culture directly impacts the bottom line. Good research shows that financially stronger companies—defined as those with an ROI of 30 percent or higher—are also strong in key, measurable aspects of corporate culture. On the other hand, financially weaker companies—those with an ROI of 9 percent or lower—score low on those same measurements of culture.

Let's take a look at how leaders can build the kind of culture that correlates to the performance they want.

According to the **Denison model**—a model of corporate culture that addresses these issues—there are four interwoven corporate culture traits:

Mission, which defines the long term direction and purpose of the organization

Involvement, which measures the company's ability to drive commitment and to develop ownership with employees

Consistency, which defines the values, agreement and coordination that hold the company together

Adaptability, which measures the company's ability to read and scan the business environment and to respond to change

Companies that are strong in Adaptability and Involvement have an edge in innovation and creativity, while companies excelling in Mission and Consistency have a high measure of stability, return on investment and return on sales. Companies measuring high in all components have a dramatic financial advantage over organizations that are weak in these areas. The performance of the companies at the bottom is sluggish, wasteful and out of touch with their customers.

Example : XYZ Pvt. Ltd. Looks at its organizational culture in an effort to align it with its business strategy. It competed head to head with larger companies, so it chose the strategy of being first to the market with innovative products and services. The chief executive knew that he could not personally cause the needed innovation, but he believed in creating a culture and lead his managers in a way that would help innovation—a culture that encouraged the traits of Adaptability and Involvement. After some time, the company began to surprise the competition by bringing to market a product line of innovative products and services. It captured market share and grew sales and, because it was first to market with innovations, it was able to command a higher price for its products and services.

In another situation, a successful manufacturing business and its CEO were well known for creativity and innovation, but unable to achieve the financial results as desired. On evaluating its culture, the company found that employees didn't have a consistent sense of the mission of the organization. Many of the engineers were acting as autonomous engineers in accepting projects whose completion would give them great personal and professional satisfaction, but little revenue for the company. After the company took steps to strengthen the employees' understanding of Mission and Consistency, engineers began turning away some business opportunities as being off-purpose. As a result, costs declined and the company reported a better ROA (Return on Assets) than it had achieved ever before.

THE ROLE OF HR IN PERFORMANCE CULTURE

The Human Resource team has a special role in creating a performance culture or we can say that HR has to become the change agent for creating a high-performance culture. It begins with the tools and techniques the team uses to recruit and select employees. In organizations with a performance culture, hiring specialists make use of performance-based interview questions and job simulation tools. The decisions to select are made on the basis of candidates' performance in situations that mirror the job as closely as possible. In a performance culture, performance evaluations are specific to an individual's role, responsibilities, and performance, as measured against clear expectations. Evaluations are data-based and objective and not subjective.

Career development and succession planning are also performance-based. Since performance expectations for all positions are explicit, it is easy to know who is exceeding expectations and what development opportunities need to be provided to shore up any weak areas.

WHAT IS NEW IN PERFORMANCE MANAGEMENT?

Performance Management is another way of envisioning the totality of a manager's function. It views the managerial function holistically-not a random collection of activities that most managers recognize and undertake as their core function. It provides a systematic dimension to the managerial activities-highlighting their mutual inter-relatedness and interdependence. It emphasizes the dynamic, sequential and cyclical nature of these activities, essential to actualize their potential synergistic impact, which is the source of high performance and excellence. By implication, it also explains why focusing on only one or a few of these activities doesn't deliver the results wished-for.

Any system needs certain pre-requisites to function smoothly. So does performance management. Performance management is more productive to the extent that:

- It is used holistically, as a system.
- The relevant sub-systems are in place and accepted.
- The organizations philosophy and human environment is conducive to high morale.
- The manager is oriented to, and equipped with, high performing attitudes and leadership skills.

Performance management system represents a concrete participatory dyadic relationship between each managee's aspirations and roles, and the organization's objective and activities. As such, an effective performance management system can set into motion a tremendous ripple effect, releasing productive managee enthusiasm, high retention, and improved client satisfaction.

BENEFITS OF PERFORMANCE MANAGEMENT

1. Performance management focuses on results, rather than behaviors and activities. A common misconception among supervisors is that behaviors and activities are the same as results. Thus, an employee may appear extremely busy, but not be contributing at all toward the goals of the organization. An example is the employee who manually reviews completion of every form and procedure, rather than supporting automation of the review. The supervisor may conclude the employee is very committed to the organization and works very hard, thus, deserving a very high performance rating.

2. Aligns organizational activities and processes to the goals of the organization. Performance Management identifies organizational goals, results needed to achieve those goals, measures of effectiveness or efficiency (outcomes) toward the goals, and means (drivers) to achieve the goals. This chain of measurements is examined to ensure alignment with overall results of the organization.

3. Cultivates a system-wide, long-term view of the organization. Richard A. Swanson, in Performance Improvement Theory and Practice (Advances in Developing Human Resources, 1, 1999), explains an effective performance improvement process must follow a systems-based approach while looking at outcomes and drivers. Otherwise, the effort produces a flawed picture. For example, laying off people will likely produce short-term profits. However, the organization may eventually experience reduced productivity, resulting in long-term profit/loss.

4. Produces meaningful measurements. These measurements have a wide variety of useful applications. They are useful in benchmarking, or setting standards for comparison with best practices in other organizations. They provide consistent basis for comparison during internal change efforts. They indicate results during improvement efforts, such as employee training, management development, quality programs, etc. They help to ensure equitable and fair treatment to employees based on performance.

Some Other Benefits of Performance Management are given below:

1. It helps an individual to think about what results are really wanted. The individual is forced to be accountable, to “put a stake in the ground.”
2. It depersonalizes issues. Supervisor’s focus on behaviors and results, rather than personalities.
3. Validates expectations- In today’s age of high expectations when organizations are striving to transform themselves and society, having measurable results can verify whether grand visions are realistic or not.

4. Helps ensure equitable treatment of employees because appraisals are based on results.
5. Optimizes operations in the organization because goals and results are more closely aligned.
6. Cultivates a change in perspective from activities to results.
7. Performance reviews are focused on contributions to the organizational goals, e.g., forms include the question “What organizational goals were contributed to and how?”
8. Supports ongoing communication, feedback and dialogue about organizational goals. Also supports communication between employee and supervisor.
9. Performance is seen as an ongoing process, rather than a one-time, snapshot event.
10. Provokes focus on the needs of customers, whether internal or external.
11. Cultivates a systems perspective, that is, focus on the relationships and exchanges between subsystems, e.g., departments, processes, teams and employees. Accordingly, personnel focus on patterns and themes in the organization, rather than specific events.
12. Continuing focus and analysis on results helps to correct several myths, e.g., “learning means results”, “job satisfaction produces productivity”, etc.
13. Produces specificity in commitments and resources.
14. Provides specificity for comparisons, direction and planning.
15. Redirects attention from bottom-up approaches (e.g., doing job descriptions, performance reviews, etc., first and then “rolling up” results to the top of the organization) to top-down approaches (e.g., ensuring all subsystem goals and results are aligned first with the organization’s overall goals and results).

SCOPE OF PERFORMANCE MANAGEMENT

Such a system of performance management should conform to a broad organizational framework and exude a shared organizational flavor; but there must be adequate space for the mangers and the managee, individually as well as together, to make a difference. Performance management assumes that the manager and his team members share accountability for performance by jointly agreeing on what they need to do and how they need to do it, and then by jointly implementing the agreed plans and monitoring outcomes. According to

Armstrong, performance management concerns the whole organization-how the various constituents of performance contributes to the planned 'outcomes at the organizational, departmental, team and individual levels, and what need to be done to improve this outcomes'. Performance management believes that everything that people do at work at any level influences achievement of the overall organizational purpose. To him, it is 'concerned with what people do, how they do it and what they achieve'. It embraces all formal and informal measures adopted by an organization to increase corporate, team and individual effectiveness and continuously to develop knowledge, skill and competence. The combined impact of a number of related aspects of performance management may be expected to achieve more to improve organizational effectiveness than the various parts if they function separately. While designing an operating performance management, it is necessary to consider the interrelationship of each process.

Data generated by appraising process is used primarily as a basis for deciding rewards, including performance- related pay, but it is not an integral part of performance management concept and must be carried out with due caution so as not to vitiate or undermine the inherent process of performance management.

SUMMARY

- Performance Management is a way of systematically managing all such people for innovation, goal focus, productivity and satisfaction. It is a goal-congruent win-win plan.
- Performance refers to all activity of an individual which occurs during a period marked by his continuous presence before a particular set of observers and which has some influence on the observers.
- Performance Management is a means of getting better results from the organization, team and individual by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.
- Performance Management is seen as a continuous process of monitoring and feedback rather than one-of event and there should be involvement of employees through focus group interviews, surveys etc., in all stages of the design, implementation and review process.
- Benchmarking refers to measurement with reference to an established yardstick or standard. Benchmarking models help us in determining how well a business unit, division, organization or corporation is performing compared with other organizations of the same type or category say, small scale industries, medium scale industries or large scale industries.
- Benchmarking is a systematic tool that allows a company whether its performance of organizational processes and activities represents the best practices. It is classified into three types-

1. Metric benchmarking
2. Diagnostic benchmarking
3. Process benchmarking

- Accelerating pace of change, new technologies coming up, growing customer demands, demands for quality, e-commerce, workforce demographics, business models challenges, tough competition, shareholder expectations, sinking cycle times, shifting work ethics, are pulling organizations in many directions.
- The high performing organizations manage to make their business objectives and their overall vision live and breathe through their employees, from senior executives to the front line.
- The Human Resources team has a special role in creating a performance culture or we can say that HR has to become the change agent for creating a high-performance culture.
- Performance Management focuses on results, rather than behavior and activities, aligns organizational activities and processes to the goal of the organization, cultivates a system-wide, long-term view of organization and produces meaningful measurements.

REVIEW QUESTIONS

1. Describe the details of the concept of performance culture and the role of HR in creating it?
2. What did the concept of performance management came into practice?
3. How did the concept of performance management emerged? What is the scope of performance benchmarking?
4. What are the advantages of performance management system?
5. As it is said that-"Time is precious than money". How does it affect appraisal system?