RESEARCH ARTICLE

PERFORMANCE MANAGEMENT

Dr. K.Vembu
Asst.Professor in Commerce S.T.E.T.Women's College Mannargudi.

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Abstract

The performance management process in a company is often the most abused process. Most HR heads and talent managers treat performance management as synonymous with appraisals. The paper presents a holistic view of performance management, clearly demarcating it from mere appraisals and also suggests areas of improvement in typical deployment of the process in an organization. An attempt is made to develop a model in which the various aspects of performance management vis-à-vis planning, coaching, appraisal and reinforcement can be understood.

INTRODUCTION

The performance management process in an organization is a key function which directly impacts the career of an employee in the company. Hence, it is extremely important that HR professionals exhibit adequate care and sensitivity while handling performance management as a part of their job.

All HR initiatives are successful only when backed by business buy-in. Performance management is no different. In fact, performance management is more of a line responsib8ility than a support function.

PERFORMANCE MANAGEMENT
Often confused with performance appraisals, performance management, in the true sense is a broader entity. Performance Management Cycle has the following intertwining activities as shown in Figure 1
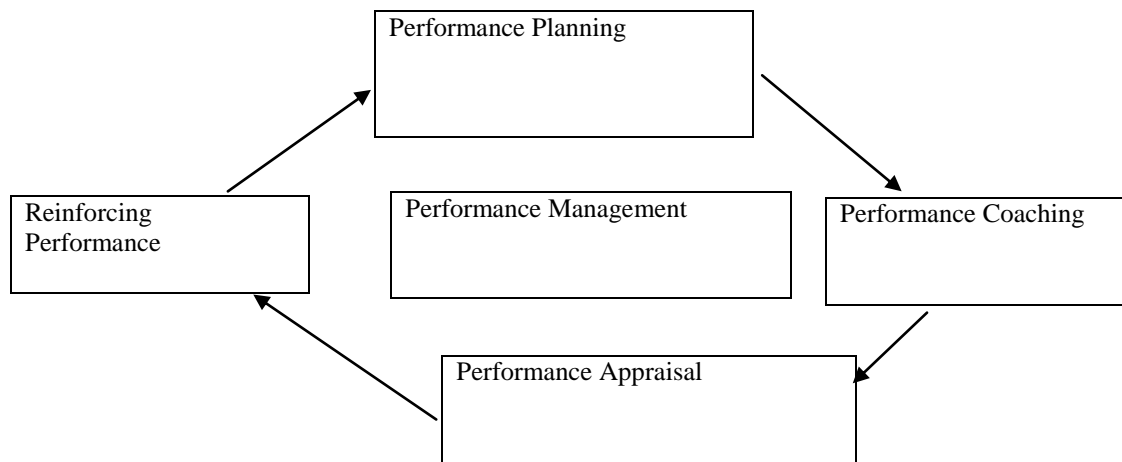
Stages of Performance Management
Stage 1: Performance Planning
   This involves deciding what the job incumbent would be doing and what the accepted levels of performance are. This stage is very closely mapped with the job description and analysis of each role. In the absence of a detailed and accurate job description, performance management cannot be effective. It would be analogous to measuring the performance of a racing bike in terms of mileage and not in terms of maximum aped and 0-60 acceleration. A racing bike is meant to win races and not for being fuel economic.
Checklist for Performance Planning
   1. **Is the Job Description for the Role Readily Available?**
      In case a job description is not readily available, behavioral event interviews with role incumbents can help in drafting a job description.
   2. **What are the Goals?**
      The job description enumerates the tasks that a particular employee is expected to perform. However, we need to ensure that there are quantitative parameters associated with each task. E.G., the task could be customer acquisition for a sales manager, with a goal to acquire five new customers by the end of the financial year.
         The goals should be derived using the visioning exercise at the department level or organizational level or through the cascade using a balanced scorecard approach. Adequate care should be taken not to club two tasks in a single goal. The goals need to be distinct and simply worded.
   3. **Are the Goals SMART?**

      The SMART framework is often used to test the effectiveness of the goals set.
      S   :   Specific
      M   :   Measurable
      A   :   Achievable
      R   :   Reasonable
      T   :   Time bound
         Each goal measure should satisfy the SMART framework. This is to ensure objectivity in terms of performance appraisal.
   4. **Have the Goals Been Discussed with the Employees?**
      A lot of companies feel that having an automated performance system is the end in itself. This is in fact a myth as a mature performance management system is just the means to an end. A company may have an excellent system in place but if the implementation is flawed, then the spirit of the process is lost.
         The goal sheet discussion is often an extremely underrated process in performance management.
         Discussion of goals serves two objectives:
      a.   **Awareness**: Employees are made aware of expectations from them.
      b.   **Responsibility and Buy-in:** Employees are actively involved in deciding and debating on the parameters on which they are to be rated for the appraisal period. Hence, they feel more responsible towards achievement of the goals.
   5. **Have the Employees Understood the Goals?**
      In a lot of organizations, goals are set and discussions also happen. But more often than not, the employees lose the essence of the goals in ambiguous wordings or ill-drafted goals.
         Unless, the employees are aware of what they are supposed to-do, they cannot achieve the set objectives. Hence, an endeavor needs to be made by the employees to understand the goals set and if not clear, seek clarification from their supervisors.
Stage 2: Performance Coaching
   A lot of organizations without a mature performance management process skip this step. For an effective performance coaching to take place, the culture of the organization and maturity of the supervisor are the important parameters.
Avuncular Coaching (Highly Mature Supervisor and Low Transparency in Organization): In such a situation, the supervisor is benevolent and like a mentor. However, during such a feedback session, the supervisor tries to be nice to the employees and provides genuine but non-specific feedback. This is because the lack of transparency of the organization restrains him from providing complete feedback. In this situation, the supervisor may motivate the employees to look out for a different organization.

Impoverished Coaching (Supervisor Low on Maturity and Low Transparency in Organization): There is little or no feedback provided. The supervisor is not equipped with the skills to provide feedback and the organization is non-transparent. Here the employees would be extremely confused and demotivated.

Unidimensional Coaching (Supervisor Low on Maturity and High Transparency in Organization): Here the organization mandates complete feedback and data sharing on performance with the employees. However, since the supervisor is low on maturity, he has a tendency to highlight only the negatives or only the positives of the employees during the discussions. Hence, invariably the discussion turns out to be a one-dimensional feedback session. Employees under such supervisors, who give negative feedback, are always cautious and wary and often lose lather self-esteem. Employees working with supervisors who provide only positive feedback turn complacent and hence never feel the need to improve.

Effective Coaching (Supervisor High on Maturity and High Transparency in Organization): This is a very strong paradigm for constructive feedback to be given to employees. In this discussion, both positive and negative feedback is provided in a sandwiched manner so as to ensure complete transparency to the employees. In such a scenario, employees know their true standing in the organization and can improve.

Stage 3: Performance Appraisal

The performance appraisal stage is when the performance of the employee is measured against the expectations set in the beginning of the appraisal period and a rating is awarded.

Types of Performance Appraisal

There are multiple ways of carrying out a performance appraisal. Appraisal methods can be past or future-oriented. Some of the most popular are listed below:

Past-oriented

- **Rating Scales**: Employees are rated on a defined Likert scale. This is an individual measure of performance.
- **Forced Distribution**: All employees are distributed on a hell curve based on performance. This highlights relative performance and not just individual performance. This method ensures that there is a clear distinction between the high and lows performers.
- **Critical Incidents:** The critical incidents method encourages supervisors to record critical behavior demonstrated in certain situations. This is based on the premise that each task has a model behavior associated with lit.
- **Checklist**: this is difficult to quantify as here the employees are rated on performance or non-performance on various parameters. Hence, it is lonely a binary measure.
- **Behaviorally Anchored Ratings Scales(BARS)):** These scales represent a range of descriptive statements of behavior varying from the least to the most effective. The rater needs to indicate which behavior on each scale best describes an employee's performance.

Future-oriented

1. **Management by Objectives**
   This is done in four steps:
- Goal setting
- Setting performance standard
- Comparison of actual performance with goals agreed upon.
- Establishment of new goals based on performance and feedback loop.
2. **Assessment Center**: This is a time taking process, where the performance of top management is measured by a panel of experienced appraisers. The assessment includes in basket exercises, work groups, computer simulations, etc.
3. **360-degree Appraisal**: This is a holistic appraisal process where feedback from all stakeholders involved in interfacing with an employee is solicited.

Reinforcing Performance

- **Positive Reinforcement:** This form of reinforcement ensures that a positive behavior is always followed by a desirable outcome or result. This would result in the same behavior being repeated in the future in hope of similar desirable outcomes.
   a. **Promotion:** This is a clear gain on the monetary front (catering to Maslow's hierarchy of security need). It also leads to a gain in role (catering to esteem needs). Promotion is often made a function of performance in the current role, capability in terms of competencies held and total experience.

b. **Salary Increment**: The salary increment by way of hike due to improved performance is an oft used method to reinforce desirable behavior.

c. **Role Switch**: A role switch into a more interesting, enriched or enhanced role helps in motivating employees in repeating favorable behavior.

d. **Foreign Assignment**: In an Indian scenario, the social aspect of Maslow's hierarchy comes into play more often. In our Indian society, a foreign posting is considered as a social win.

e. **Bonus/Incentives/Perks**: Monetary benefits like a bonus, incentives or non-monetary benefits like perks help in reinforcing good performance.

- **Negative Reinforcement:** This form of reinforcement ensures that an undesirable behavior is followed by an unpleasant or undesirable response or a desirable response is withdrawn to make the employee feel uncomfortable and try to attain a position of comfort and stability by demonstrating expected behavior.

  a. **Performance Improvement Plan**: In a scenario where an employee's performance is falling short of the defined standards for the organization, the employee is counseled, obstacles to performance understood and a short time bound assignment is given to demonstrate improved performance. This is socially degrading and by providing an unfavorable response to the undesired behavior, the organization forces the employee to improve.

  b. **Pay Cut**: A major loss of face before colleagues as well as financial inconvenience is caused to employees when their pay is reduced or a promotion is denied due to poor performance. This is a strong form of negative reinforcement which is practiced by majority of the companies in the IT/ITES space.

  c. **Role Movement**: This is a developmental method, wherein due to poor performance, an employee's role is changed. He is moved to a lesser complex role or a role where the required skill sets and the employee's interest areas match.

  d. **Termination**: This is the harshest form of negative reinforcement. This is more of reinforcement to the other employees in the organization than to the erring employee as the employee in question is asked to leave the organization.

Need for PM Systems

The goal of PM is learning newer values for achieving long-term goals and objectives. Since learning is never done without errors, learning without measurement is not of significance. While training has always been judged quantitatively, as companies seek to become 'global', it is imperative to measure it qualitatively also. Though the trainers are required to impart their skills and knowledge to their best, the net outcome is not satisfactory. Employees are not prepared to handle bigger responsibilities through training. On the other hand, PM is like a good butler, which is more like coaching a company for bigger responsibilities.

Many writers and consultants say if the true goal of the performance appraisal is employee motivation and organizational development, performance appraisals can be avoided and PM systems can be employed. In today's competitive economic environment, the job of HR managers has become policing where the focus is not only on retaining highly performing employees, but also aligning employee performance to business goals. As such, companies need to create a professional environment and move the organization towards better PM practices. Also, while choosing rewards, companies do very little on their part to motivate their employees to work better. The best way to motivate employees is through PM systems. PM systems, if implemented properly, will profoundly impact the success of an organization.

Designing PM Systems

Today, Indian companies are operating in a highly complex environment and are increasingly recognizing the need for the best Pm systems as they compete globally. Supervisors should use a performance reviews meeting not only to reviews past performance, but also to set goals and objectives for the upcoming season. What is important is there shouldn't be any surprises at that meeting. To avoid surprises, regular development meetings that are updated monthly, weekly, or even daily, will be critical to effectively managing performance.

A regular, informal and normal dialog with employees beyond direct work-related problems will help in finding out what's happening with them. Besides, a performance discussion meeting is a perfect format for a two-way conversation which ensures that reviewers receive regular, constructive feedback on their performance. Employees have to use the discussion as an opportunity to talk about what kind of information or support they require to become better performers.

The Big Problems in PM

Not all PM systems work effectively, i.e., they depend on a lot on other factors. Most organizations often encounter "classic problems" in PM. Here, the most common problems are found with the employee system. We often hear managers complaining that the organizational changes they are attempting to implement in their working processes is not motivating the employees. One of the first questions to be addressed in such a situation is: what is the likelihood that the Employee Performance Management System will yield the desired changes in an employee? In such a case, company must re-examine the operation lo flits PM system to ensure that the employees are performing to the expectations.

A Model Performance Management Process
- **Training**: Appraisers should be pre-trained in effective feedback and employee sensitivity. The employees also should be make aware of their responsibilities during the performance management proves.
- **Role Definition**: Roles defined with key tasks and competencies.
- **Goal Setting**: District goal sheets should be derived from the role definition and competencies.
- **Goal Sharing:** Goal sheet should be SMART, shared and discussed with the employees in the beginning of the appraisal period.
- **Mid-course Feedback and Coaching**: A coaching session with the supervisor is held for the employees. In this stage, the supervisor has the flexibility to add, delete or modify any goal measures or targets.
- **Self- evaluation**: Employees should be allowed to evaluate themselves and state critical incidents while demonstrating the tasks set out in their goals.
- **Evaluation:** This needs to be a two-way proves.
    a. **Appraiser Evaluation:** the supervisor should rate the employees on a Likert Scale. A discussion needs to be mandated with the employee at this stage as well.
    b. **Upward Feedback**: The team should give feedback on the supervisor to the Skip Level, which is to be factored in when the supervisor gets evaluated.
- **Role-based Forced Fitment**: Often it is seen that in a Forced Fitment mechanism, the juniors who work on entry level roles get negatively impacted and are placed on lower ratings (bottom 40%), while the seniors tend to get accommodated on the top 30% of the ratings. Hence, to ensure that the spirit of performance management is being maintained, the forced distribution needs to happen for each role under each supervisor. All employees working as developers under supervisor A should be force fit among them, while the team leaders under supervisor A Would be force fitted separately.

Performance Management – Whose Fault is it Anyway?

This is a question that HR professionals are asked everyday. If someone's appraisal process goes awry, who is to blame? The supervisor blames the employee for lack of initiative and for not doing the 'extra' bit needed. The HR department blames the supervisor's lack of sensitivity. The employee blames the HR for institutionalizing processes which are not sustainable and not employee-friendly. This perennial problem seems to go in loops and the root cause lies elsewhere.

Traditionally, performance management is seen as an HR initiative. However, in modern organizations, the work has become so specialized and the teams are so large and spread apart that HR department doesn't know how every employee has performed. Hence for the department, it is the line manager's duty to provide a fair and timely appraisal of his team. However, when any of these two entities make a mistake, none of them other than the employees suffer the repercussions.

How to Bring About Accountability?

A fish bowl exercise is ideally suited to sorting out the problems of accountability in the performance management process. In a fish bowl set-up, the appraises are made to sit in a ring like formation in the center of the room while the appraisers sit in an outer ring. The HR professional acts as a moderator and poses questions related to the different aspects of the performance management process. The appraises then discuss aloud among themselves and note down five positives and five pain points of each aspect. They also allocate responsibility for each dimension.

The appraisers who are seated in the outer circle take notes based on the discussion but are not allowed to intervene. After the appraises discussions is over the appraises and appraisers change position land the same exercise is repeated with the appraisers. At the end of both, the discussions a list of priority issues is created and a joint action plan to mitigate these issues is proposed by the appraisers, appraises and the HR department. This action plan is then formalized into a process to be followed for performance management. Since this is a joint action plan, the ownership and the buy-in from all stakeholders is high.

Conclusion

Performance management is a necessary evil. A lot of firms try and align their performance management system to the ideal performance management process. However, the attempt more often than not is restricted to the appraisal process, rather than the supporting infrastructure like discussions, feedback sessions and competency enhancement. The development aspect of performance management is completely lost. Arriving at an ideal performance management system is utopia. The costs involved are huge in terms of actual dollar value and psychological cost in terms of cultural change. Without complete top management buy-in and support, such a process overhaul is impossible. Even with all the support, the ideal performance management system would need at least two rounds of deployment to stabilize. This buffer time is needed before discarding it and following the old process.