Performance Management System - An Overview

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Abstract:

Performance management can be regarded as a systematic process by which the overall performance of an organization can be improved by improving the performance of individuals within a team framework. It is a means for promoting superior performance by communicating expectations, defining roles within a required competence framework and establishing achievable benchmarks.

The term performance management gained its popularity in early 1980's when total quality management programs received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an on-going communication process which is carried between the supervisors and the employees throughout the year. The process is very much cyclical and continuous in.

INTRODUCTION

Ask any managers in the modern times what the primary assets of his/her organization the answer will be (in most cases) "people". Gone are the days when an employee checked his brains at the door and entered the premises. We must recognize that the tacit (unarticulated) dimensions of knowledge in person's head may be as vital to achieving organization goals as are the explicit, codified forms of knowledge that have been built up over the time.

Today's manager is faced with a problem of increased magnitude – how best to utilize the resources available in the organization and it is well established now that the human element is the largest single controller variable what this suggests is that if an organization is to maintain or improve its overall performance it must improve the performance of the individuals within the organization. Hence it is of utmost importance that for managing and improving performance one must have:

1) the ability to identify the variables that affect performance;
2) the ability to predict the changes that will result if variables are changed;
3) the ability to change the variables; and
4) the ability to repeat or duplicate the changes.

So much is changing in the way we do business, the capacity to adapt and to shift our thinking is critical. The challenge is to transform institution tht have been hand wired for consistency, control and predictability into culture where learning, surprise and discovery are truly valued.

Performance Management System

Definition-The role of HR in the present scenario has undergone a sea change and its focus is on evolving such functional strategies which enable successful implementation of the major corporate strategies. In a way, HR and corporate strategies function in alignment.

Today, HR works towards facilitating and improving the performance of the employees by building a conducive work environment and providing maximum opportunities to the employees for participating in organizational planning and decision making process.

All the major activities of HR are driven towards development of high performance leaders and fostering employee motivation. So, it can be interpreted that the role of HR has evolved from merely an appraiser to a facilitator and an enabler.

Performance management is the current buzzword and is the need in the current times of cut throat competition and the organizational battle for leadership. Performance management is a much broader and a complicated function of HR, as it encompasses activities such as joint goal setting, continuous progress review and frequent communication, feedback and coaching

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for improved performance, implementation of employee development programmes and rewarding achievements.

The process of performance management starts with the joining of a new incumbent in a system and ends when an employee quits the organization.

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According to Armstrong and Baron (1998), Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals.

The term performance management gained its popularity in early 1980's when total quality management programs received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an on-going communication process which is carried between the supervisors and the employees throughout the year. The process is very much cyclical and continuous in nature. A performance management system includes the following actions.

Providing continuous coaching and feedback of performance-

Identifying the training and development needs by measuring the outcomes achieved against the set standards and implementing effective development programs for improvement.

Holding quarterly performance development discussions and evaluating employee performance on the basis of performance plans.

Designing effective compensation and reward systems for recognizing those employees who excel in their jobs by achieving the set standards in accordance with the performance plans or rather exceed the performance benchmarks.

Providing promotional/career development support and guidance to the employees-

Performing exit interviews for understanding the cause of employee discontentment and thereafter exit from an organization.

Components of Performance Management System

Any effective performance management system includes the following components:

Performance Planning: Performance planning is the first crucial component of any performance management process which forms the basis of performance appraisals. Performance planning is jointly done by the appraisee and also the reviewee in the beginning of a performance session. During this period, the employees decide upon the targets and the key performance areas which can be performed over a year within the performance budget., which is finalized after a mutual agreement between the reporting officer and the employee.

Performance Appraisal and Reviewing: The appraisals are normally performed twice in a year in an organization in the form of mid reviews and annual reviews which is held in the end of the financial year. In this process, the appraisee first offers the self-filled up ratings in the self-appraisal form and also describes his/her achievements over a period of time in quantifiable terms. After the self-appraisal, the final ratings are provided by the appraiser for the quantifiable and measurable achievements of the employee being appraised. The entire process of review seeks an active participation of both the employee and the appraiser for analysing the causes of loopholes in the performance and how it can be overcome. This has been discussed in the performance feedback section.

Performance Improvement Plans: In this stage, fresh set of goals are established for an employee and new deadline is provided for accomplishing those objectives. The employee is

clearly communicated about the areas in which the employee is expected to improve and a stipulated deadline is also assigned within which the employee must show this improvement. This plan is jointly developed by the appraisee and the appraiser and is mutually approved.

Potential Appraisal: Potential appraisal forms a basis for both lateral and vertical movement of employees. By implementing competency mapping and various assessment techniques, potential appraisal is performed. Potential appraisal provides crucial inputs for succession planning and job rotation.

Need for an Effective Performance Management System

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.

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.

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.

How to Develop a Performance Management System

Performance management involves more than simply providing an annual review for each employee. It is about working together with that employee to identify strengths and weaknesses in their performance and how to help them be a more productive and effective worker. Learn how to develop a performance management system so that you can help everyone in your organization work to their full potential.

1. **Evaluates Your Current Performance Appraisal Process**
   Look at what type of feedback you are providing to your employees, and how frequently you are providing feedback. Determine if there is anything you need to change or add to the evaluation itself. You may decide to build on what you already have or to develop a new system altogether.
2. **Identify organizational goals**
   Performance management systems help rally staff members around your organization's goals because they help staff know how they are to be involved in reaching that goal. Take the time to clarify what your goals are for the next year as a company.
   Identify processes or procedures that could be simplified or done more effectively.
   Declare your sales goals for the next year or new products you would like to develop.
   Share your hope for better communication between departments and staff members.
3. **Set performance expectations**
   As you sit down with each employee, clearly lay out your expectations for them.
   Acknowledge what they are already doing well. Use this to encourage them.

Share some weaknesses that you have observed in them and in their work habits, and how overcoming those would help their performance in the company.

Identify specific things you would like them to accomplish over the next year, or whatever time frame works best for you. Prioritize these so the staff member knows which is most important and make sure to give them a deadline for each task.

4. **Monitor and develop their performance throughout the year**

As employees begin to work on their performance, keep an eye on how they are doing. Give praise where performance is strong. If they appear to be struggling to meet performance expectations, talk with them and see if you can offer any support or coaching.

5. **Evaluate their performance**

At each performance review, let the employee know how they are doing. It is often helpful to assign a numeric value on a scale, rating the employee from "not meeting expectations" to "meets expectations" to "exceeds expectations."

Provide feedback on their performance. Be as specific as possible, noting key examples of when they demonstrated a certain quality.

Talk about the consequences or rewards of their performance. Let them know if they are on probation, are getting a raise in pay, changes in vacation days, or any other relevant action.

Discuss any problems they may be having. Listen to their concerns or worries as you talk through potential solutions.

Align feedback with feedback given throughout the year in their one on ones

6. **Set new performance expectations for the next year**

Some items may be the same. However, since these are also based on organizational goals, you will need to re-examine your goals for the upcoming year.

What is New?

The PMS field has very little new things. Some of these include the following:

1. Move away from appraisals. These are performance management systems and not appraisal systems. The focus is improvements and development rather than appraisals
2. Move away from numbers to qualitative assessment. Numbers in performance appraisal whether they are five point scales, or seven point scales or ten point scales, they mislead a lot more than provide any objective assessment
3. Innovate. Process is more important than formats. Formats put the process in a shape and a systematic way. They have the danger of making themselves more important than the process. When the format becomes more important than the process it kills the main objective of development
4. Emphasize learning and development, empowerment and growth and problem, solving more than assessment, objectivity, measurement etc.

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