ABIT

PERFORMANCE MANAGEMENT SYSTEM

Conceptual Approach to Performance Management
(Module-1)

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Introduction to Performance Management

The word Performance in English language means "the accomplishment, execution, carrying out, working out of anything ordered or undertaken."

From an organization's perspective Performance can be defined as "The achievement of an employee against the expectation from his /her role, along clearly defined targets for the year is what constitutes the individual's performance. Therefore, the factors affecting performance are:

i)   **Personal factors**–the individual's skill, competence, motivation and commitment

ii)   **Leadership factors** – the quality of encouragement, guidance and support provided by managers and team leaders

iii)   **Team factors** – the quality of support provided by colleagues

iv)   **System factors** – the system and work and facilities provided by the organization

v)   **Contextual (Situational) factors**–internal and external environmental pressures and changes

Other related terms:

Competency – This is a combination of knowledge, skills and attitude required for an individual to effectively perform in a role.

Potential–The capacity of an individual to handle higher responsibilities based on his overall abilities and current competency levels.

Performance Management

Historically, organisations defined strategy and objectives, and the measurement of employee and organisational performance as completely separate processes. An integrated performance management system is a key component of the emerging requirement to tie the strategy and the organisational processes to Human resources processes.The term "Performance Management" was first used by Beer and Ruh in the year 1976.Performance management is an ongoing dynamic process that articulates organisational vision and objectives, installs performance criteria in light of these objectives, and continuously reviews internal procedures to integrate them with organisational philosophy and culture.

Definitions - Armstrong & Baron define performance management as " a strategic and integrated approach to delivering sustained success to organisations by improving performance of the people who work in them and by developing the capabilities of teams and individual contributors.

- Strategic- long term organisational goals and in the context of external environment.
- Integrated – four dimensions: vertical, functional, human resource, goals.

Some other definitions –

- Performance management is the process through which managers ensure that employee's activities and outputs contribute to organisational goals. –Louis R Gomez & David B Mejia
- Performance management may be defined as a planned and systematic approach to managing the performance of individuals ensuring their personal development and contribution towards organisational goals. – Ronnie Malcom.

History of Performance Management

- In the 3rd century AD, the Chinese were using performance appraisal systems for their evaluations of their employees
- Industrial Revolution of the 18th century made factory managers aware of the importance of their employees' performance on their production outputs.

- American researchers and philosophers contributed in the areas of performance evaluation by developing ideas of management by objectives (MBOs) and employee motivation.

- Critical – Incident Techniques and Behaviourally Anchored Rating Scales (BARS) were also used in the 1960s.

- Spreigel reported in 1962 that by the early 1960s more than 60% of American organizations had a performance appraisal system. The system's popularity stemmed from the Army's implementation of a performance management system for its officers.

- The origin of PM can be traced in early 1960's when performance appraisal systems were in practice.

- During this period, Annual Confidential Reports (ACR's) was also known as Employee service Records were maintained for controlling the behaviors of the employees and these reports provided substantial information on the performance of the employees.

- In next phase around 1980's, whatever adverse remarks were incorporated in the performance reports were communicated to the employees so that they could take corrective actions for overcoming such deficiencies. This is when Performance Management came into being.

- By the 1990s, performance management was given full recognition and PMS was widely used in all sectors.

Scope of Performance Management

Performance management is about managing the organization. It is a natural process of management, not a system or a technique (Fowler, 1990). It is also about managing within the context of the business (its internal & external environment). This will affect how it is developed, what is sets out to do and how it operates. The context is very important, and Jones (1995) goes as far as to say,'manage context, not performance'.

Performance management concerns everyone in the business- not just managers. It rejects the cultural assumptions that only managers are accountable for the performance of their teams and replaces it with the belief that responsibility is shared between managers and team members. In a sense, managers should regard the people who report to them ascustomers for the managerial contribution and services they can provide. Managers and their teams are jointly accountable for results and are jointly

involved in agreeing what they need to do and how they need to do it, in monitoring performance & in taking action.

Objectives of Performance Management

Performance management is the process of identifying, evaluating and developing the work performance of employees so that the company's goals and objectives are more effectively achieved. Effective performance management is designed to enhance performance, identify performance requirements, provide feedback relevant to those requirements and assist with career development.

The Basic Aims: -Two simple propositions provide the foundation upon which performance management is built -

1.   When people (individuals & teams) know and understand what is expected of them, and have taken part in forming these expectations, they will use their best endeavours to meet them.
2.   The capacity to meet expectations depends on the levels of capability that can be achieved by individuals and teams, the levels of support they are given by management, and the processes, systems, and resources made available to them by the organization.

Detailed Aims:- In more details, the aims of performance management are as follows:

1.   Help to achieve sustainable improvements in organizational performance.
2.   Act as a lever for change in developing a more performance-oriented culture.
3.   Increase the motivation and commitment of employees.
4.   Enable individuals to develop their abilities, increase their job satisfaction and achieve their full potential to their own benefit and that of the organization as a whole.
5.   Enhance the development of the team cohesion and performance.
6.   Provide opportunities for individuals to express their aspirations and expectations about their work.

Aims Suggested by other Commentators:- The American Compensation Association (1996) states that organizations rely on performance management to :-

1.   Document job responsibilities.

2.	Help define performance expectations.

3.	Provide a framework for supervisors and employees to communicate with each other.

4.	Provide ongoing opportunities for supervisors to coach and encourage personal development.

5.	Align individual performance expectations with organizational goals.
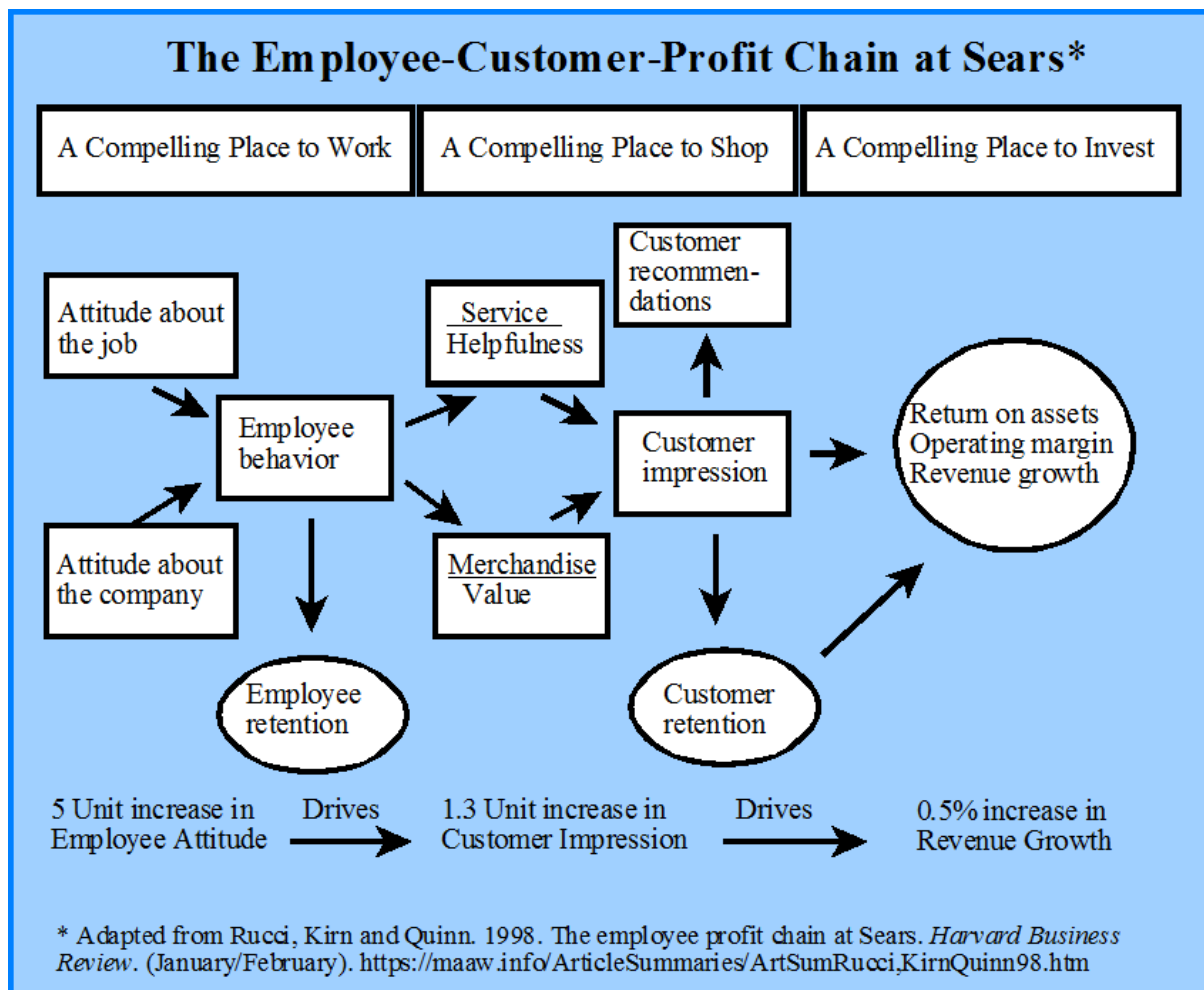
Process of Managing Performance

Performance management should support corporate strategy formulation and monitor those elements which make business profitable. To understand the process of managing performance, the following aspects of what makes organizations, teams and individuals perform well must be considered:

1)	**The Context of the organization** – Organizations are regarded as open systems that are continually dependent upon and influenced by their environment. The external global and natural environment, business economics, political and social scenario are always changing. Similarly, the social and technical systems in the internal environment are also dynamic. So each organization has to do what is best for itself in the prevailing circumstances. Therefore, it is not possible to transfer PMS from one organization to another.

2)	**Culture** – Culture dominates the internal environment of the organization and dictates both the behaviour and attitudes of individuals. The components of organizational culture are values, norms and management style.

3)	**Functionality–**How an organization functions decided the design and operation of PM processes. Whether the organization is operating globally, or through its headquarters in different countries / regions or whether they are structured or unstructured, centralized or decentralized. The organizations of today are making a conscious effort to move from a structured, inflexible approach to a softer image, from a hierarchical model to a diversified one, from vertical to horizontal tasks etc.

4)	**Job Design (for individuals)–**It is essential to have a job design which not only specifies the job context, role expectations and relationships but also satisfies the requirements of the organizationfor productivity, operational efficiency and quality of product and service. The job should be designed so as to provide variety in work, decision making, responsibility, control, and direct feedback.

5) Teamwork–As organizations use more and more multidimensional and multidisciplinary teams, it is imperative that the performance management be done from a team's perspective also.

6) Organizational Development - OD is the planning and implementation of programmes designed to improve the effectiveness with which an organization functions and manages change.

7) Purpose and Value Statements – If an organization has a set of core values which are accepted then it is more likely that it will be able to ensure high level performance which meets the needs of all the stakeholders. Purpose statements define what is to be achieved and value statements define the behaviour expected in attaining the purpose.

8) Strategic Management – The core competence and strategy has to be decided at the top level and that needs to be integrated with the performance expectations for the organization.

9) Human Resource Management–All HR activities in the end aim at improving performance.There are many high-performance HR practices which can be followed to achieve effective performance management.

Implications of Performance Management

The means by which a business achieves high performance was modelled by Sears, the retailing company, as shown in the following figure. This model emphasizes the importance of employee attitude and behaviour in making the firm 'a compelling place to shop' and ultimately 'a compelling place to invest'.

The Employee-Customer-Profit Chain at Sears*

| A Compelling Place to Work | A Compelling Place to Shop | A Compelling Place to Invest |

Attitude about the job → **Employee behavior**

Attitude about the company → **Employee behavior**

Employee behavior → **Service Helpfulness**

Employee behavior → **Merchandise Value**

Employee behavior → **Employee retention**

Service Helpfulness → **Customer impression**

Merchandise Value → **Customer impression**

Customer impression → **Customer recommendations**

Customer impression → **Customer retention**

Customer impression → **Return on assets / Operating margin / Revenue growth**

Customer retention → Return on assets / Operating margin / Revenue growth

5 Unit increase in Employee Attitude — **Drives** → 1.3 Unit increase in Customer Impression — **Drives** → 0.5% increase in Revenue Growth

* Adapted from Rucci, Kirn and Quinn. 1998. The employee profit chain at Sears. Harvard Business Review. (January/February). https://maaw.info/ArticleSummaries/ArtSumRucci,KirnQuinn98.htm

Four implications for the management of performance can be derived from this:

1.   The importance of goals, and the measuring and monitoring of performance in relation to goals.

2.   The importance of context (structure, process and people) – it can be argued that managing the context will make more impact on organizational success than any narrowly focussed 'systems' of performance management.

3.   The importance of competence – achieving high performance by developing core team and individual levels of competence.

4.   The importance of value chain – achieving revenue growth and shareholder value through the two key contributors to organizational effectiveness, namely employees and customers.

Principles of Performance Management

The principles of performance management have been well summarized by IRS (1996) as follows:-

1.   It translates corporate goals into individuals, teams, department and divisional goals.
2.   It helps to clarify corporate goals.
3.   It is a continuous and evolutionary process, in which performance improves over time.
4.   It relies on consensus and cooperation rather than control on coercion.
5.   It encourages self-management of individual performance.
6.   It requires a management style that is open and honest and encourages to two-way communication between superiors and subordinates.
7.   It requires continuous feedback.
8.   It measures and assesses all performance against jointly agreed goals.
9.   It should apply to all staff.
10.   It is not primarily concerned with linking performance to financial reward.

Performance management should operate in accordance with the following **ethical principles** as defined by Winstanely and Stuart- Smith (1996):-

1.   Respect for the individuals – People should be treated as 'ends in themselves' and not merely as 'means to other ends.'
2.   Mutual respect- The parties involved in performance management processes should respect each other's need and preoccupations.
3.   Procedural fairness- The procedures incorporated in performance management should be operated fairly to limit the adverse effect on individuals.
4.   Transparency- people affected by decisions emerging from the performance management process should have the opportunity to scrutinize the basis upon which decisions were made.

Benefits of Performance Management

The benefits to the organisation, managers and individuals of well- conceived and well-run performance management processes are summarised below:

For the Organisation:

- Align corporate, individual and team objectives.

- Improve performance.

- Motivate employees.

- Increase commitment.

- Underpin core values.

- Improve training and development process.

- Help to develop a learning organisation

For Managers:

- Provide the basis for clarifying performance and behaviour expectations.

- Afford a framework for reviewing performance and competence levels.

- Improve team and individual performance.

- Support leadership, motivating and teambuilding processes.

- Provide the basis for helping underperformers.

- May be used to develop or coach individuals.

For Individuals:

- Greater clarity of roles and objectives.

- Encouragement and support to perform well.

- The provision of guidance and help in developing abilities and performance.

- Opportunities to spend 'quality time' with their managers.

- Opportunities to contribute to the formulation of objectives and plans and to improvements in the way work is managed and carried out.

- An objective and fair basis for assessing performance.

Performance Management System

Performance management system (PMS) is the heart of any "people management processes'' in organization. Organizations exist to perform. If properly designed and implemented, it can change the course of growth and pace of impact of organizations. If people do not perform organizations don't survive. If people perform at their peak level organization can compete and create waves. In the past organizations as well as the

HR function have wasted a lot of time by wrongly focusing on performance appraisals rather than performance management.

Pre-requisites of a PMS

Some of the essential pre-requisites without which performance management system will not function effectively in an organization are:

- Should attract very high levels of participation from all the members concerned in an organization. It should be a participative process.
- Top management support and commitment is very essential for building a sound performance culture in an organization.
- Organizational vision, mission and goals should be clearly defined and understood by all levels so that the efforts are directed towards the realization of the organizational ambitions.
- Clear definition of the roles for performing a given job within the organizational framework which emanates from the departmental and the organizational objectives. The system should also be able to explain the linkages of a role with other roles.
- Open and transparent communication should prevail which will motivate the employees for participating freely and delivering high performance. Communication is an essential pre-requisite for a performance management process as it clarifies the expectations and enables the parties in understanding the desired behaviours or expected results.
- Identification of major performance parameters and definition of key performance indicators.
- Consistency and fairness in application.
- A commitment towards recognition of high performance. Rewards and recognitions should be built within the framework of performance management framework.
- Proper organizational training should be provided to the staff members based on the identification of training needs from periodic evaluation and review of performance. This will motivate the employees for a superior performance.

Key concerns of a performance management system in an organization are:

The following are the main concerns of performance management –

1.   **Concern with outputs, process and inputs -** Performance management is concerned with outputs (the achievement of results) and outcomes (the impact made on performance). But it is also concerned with the processes required to achieve these results (competencies) and the inputs in terms of capabilities (knowledge, skill and competence) expected from the teams and individuals involved.

2.   **Concern with planning -** Performance management is concerned with planning ahead to achieve success in future. This means defining expectations expressed as objectives and in business plans.

3.   **Concern with measurement and review -** If you can't measure it, you can't manage it. Performance management is concerned with the measurement of results and with reviewing progress towards achieving objectives as a basis for action.

4.   **Concern with continuous improvement -** Concern with continuous improvement is based on the belief that continuously striving to reach higher standards in every part of the organization will provide a series of incremental gains that will build superior performance. This means clarifying what organizational, team and individual effectiveness look like and taking steps to ensure that those defined levels of effectiveness are achieved. Establishing a culture in which managers, individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, competencies and contribution.

5.   **Concern with continuous development -** Performance management is concerned with creating a culture in which organizational and individual learning and development is a continuous process. It provides means for the integration of learning and work so that everyone learns from the successes and challenges inherent in their day-to-day activities.

6.   **Concern for communication -** Performance management is concerned with communication. This is done by creating a climate in which a continuing dialogue between managers and the members of their teams takes place to define expectations and share information on the organization's mission, values and objectives. It

establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved.

7. **Concern for stakeholders -** Performance management is concerned with satisfying the needs and expectations of all the organization's stakeholders, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, whose opinions are sought and listened to, and who are encouraged to contribute to the formulation of objectives and plans for their team and for themselves.

8. **Concern for transparency -** Four ethical principles that should govern the operation of the performance management process. These are respect for the individual, mutual respect, procedural fairness and transparency of decision making.

The performance management approach has become an indispensable tool in the hands of the corporates as it ensures that the people uphold the corporate values and tread in the path of accomplishment of the ultimate corporate vision and mission. It is a forward looking process as it involves both the supervisor and also the employee in a process of joint planning and goal setting in the beginning of the year.

Effective performance management requires:

- Identifying the parameters of performance and stating them very clearly.
- Setting performance standards.
- Planning in participative ways where appropriate, performance of all constituents.
- Identifying competencies and competency gaps that contribute/hinder to performance.
- Planning performance development activities.
- Creating ownership.
- Systematically deciding and communicating what needs to be done (aims, objectives, priorities and targets).
- A plan for ensuring that it happens (improvement, action or service plans).
- Some means of assessing if this has been achieved (performance measures).

Contribution of PMS

1. **Motivation to perform is increased**: Receiving feedback about one's performance increases the motivation for future performance. Knowledge about how one is doing & recognition about one's past success provide the fuel for future accomplishments.

2. **Self-esteem is increased**: Receiving feedback about one's performance fulfils a basic human need to be recognized & valued at work. This in turn is likely to increase employee's self-esteem.

3. **Managers gain insight about subordinates**: Direct supervisors & other managers in charge of the appraisal gain new insights into the person being appraised. Also, supervisors gain a better understanding of each individual's contribution to the organization.

4. **The definitions of job & criteria are clarified**: The job of the person being appraised may be clarified and defined more clearly. In other words, employees gain a better understanding of the behaviours and results required of their specific position.

5. **Self-insight & development are enhanced**: The participants in the system are likely to develop a better understanding of themselves and of the kind of development activities that are of value to them as they progress through the organization.

Characteristics of an ideal PM System

1. **Strategiccongruence**: The system should be congruent with the unit and organisation's strategy. In other words, individual goals must be aligned with unit and organizational goals.

2. **Thoroughness**: The system should be thorough regarding four elements :all employees should be evaluated, all major job responsibilities should be evaluated, the evaluation should include performance spanning the entire review period, not just the few weeks or months before the review and feedback should be given on positive performance aspects as well as those that are in need of improvement.

3. **Practicality**: Systems that are too expensive, time consuming and convoluted will obviously not be effective. Good, easy-to- use systems are available for managers to help them make decisions.

4.   Specificity: A good system should be specific: it should provide detailed and concrete guidance to employees about what is expected of them an how they can meet these expectations.

5.   Identification of effective & ineffective performance: The performance management system should provide information that allows for the identification of effective and in effective performance.

6.   Reliability: A good system should include measures of performance that are consistent and free of error. For example, if two supervisors provided ratings of the same employee and performance dimensions, rating should be similar.

7.   Validity: The measures of performance should also be valid. In this context, validity refers to the fact that the measures include all relevant performance facets and do not include irrelevant performance facets.

Performance Management Strategies

The following strategies need to be followed for PMS to be successful. These are as follows:

1. Define and Communicate Company Goals and Performance Objectives - Employees cannot meet the performance expectations or company goals if they are not clearly outlined, making this the first step toward effective performance management. Sometimes employers are not as clear as they could be when outlining their goals or company objectives, and often, employees do not come forward to ask follow-up questions when they are confused or unclear about something. Therefore, communication needs to extremely clear. This can be done by creating a chart within the office, by sending out an e-mail, distributing a flyer throughout the office, holding meetings, or doing each of these things in turn. When you are outlining goals and objectives, repeat the message so that it sinks in, offer visuals (such as an office chart and e-mail) so that employees have a reference, and most importantly, hold meetings to check in on progress.

2. Utilize Performance Management Software – Usinga [performance management software](#) can be one of the methods which can really streamline the performance management strategies. A good performance management software system is one that both offers traditional reviews and 360s, is employee-friendly, has an easy-to-use

dashboard interface, allows for quick and actionable reporting and, of course, fosters employee development.

3**. Offer Frequent Performance Feedback**– It is important to check in with teams and employees periodically not only to gauge progress but also to provide feedback.Good performance feedback reinforces strong skill sets and positive behaviours while showing opportunity areas with a clear path for improvement. This type of feedback cannot wait until HR annual review cycle. Instead, it should be given in real time and integrated into company.

4. Use Peer Reviews - Another great way to foster effective performance management is to utilize <u>peer reviews</u>, also known as 360-degree reviews. Peer reviews are useful because they allow co-workers to praise other co-workers and highlight positive aspects of their performance, as well as point out where improvements can be made.This exercise helps employees to work together, build better communication, and assess where they can improve themselves while watching their colleagues. There does need to be some manager or HR oversight into this process, and all peer reviews should be read to ensure that no claims, concerns, praises, or other comments go unnoticed or unaddressed.

5. Pre-emptive Management and Recognition - One way to guarantee results in the workplace is to implement rewards and practice pre-emptive management. This simply means that your employees always know what is expected of them so there is never any guesswork or need for consequences in the workplace.Rewards, or incentives, are also an effective way to show employees that you care, that you see their efforts and are pleased with their performance, and that you want them to keep up the good work.

6. Set Regular Meetings to Discuss Outcomes and Results - Also known as progress reports or progress meetings, setting aside time to meet with your team and seeing how things are going with your set goals and objectives are important for meeting those goals and objectives.These meetings can be held weekly, monthly, or as often as you see fit. When holding these meetings, be sure to have a clear idea of what you want to cover. Some objectives should include:

- Following Up on Peer Reviews

- Discussing Praises and Areas that Need Work with the Team

- Recognizing Those Team Members Actively Meeting their Goals and Objectives with Rewards or Incentives

- Discussing Plans for The Next Phase of Projects

- Discussing Company Data: Revenue, Customer Involvement, Marketing and Campaign Success, Etc.

You should never meet just for meeting's sake. You want to have something relevant to address and something worthwhile to talk about. If you feel things are going smoothly, employees are receiving performance feedback and acting accordingly, and the company overall is on a positive road, meetings may be held less frequently and treated as checkpoints throughout the year.

These six strategies for effective performance management may seem simple, but they can work wonders when implemented into a company's day-to-day life. Companies should be about the people involved. Making the most of their abilities, recognizing where they shine, encouraging them where they need work, and seeing them as full employees, not just cogs, are really how you can create the right work environment for success.

The Performance ManagementCycle

There is no right way of doing performance management. It must be tailored to the needs of the organization and a certain degree of flexibility needs to be present to factor in the needs of the people in the organization. However, there is a basic model which illustrates the various components on which other models rest.Performance Management is not an event but rather a cycle which can be illustrated as follows:
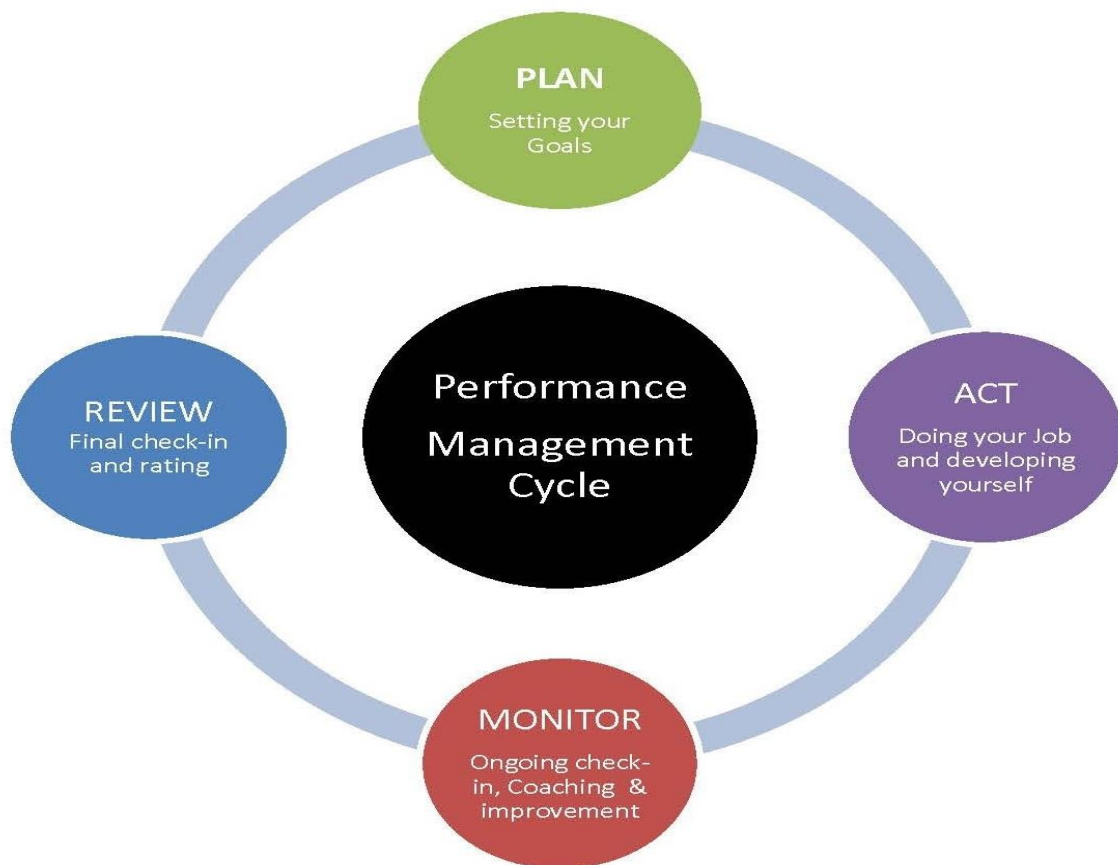
- **Plan** − decide what to do and how to do it.

- **Act** − carry out the work needed to implement the plan.

- **Monitor** − carry out continuous checks on what is being done and measure outcomes in order to assess progress in implementing the plan.

- **Review** − consider what has been achieved and, in the light of this, establish what more needs to be done and any corrective action required if performance is not in line with the plan.

Performance Management Sequence

The above performance management cycle can be detailed out in a sequence as follows:
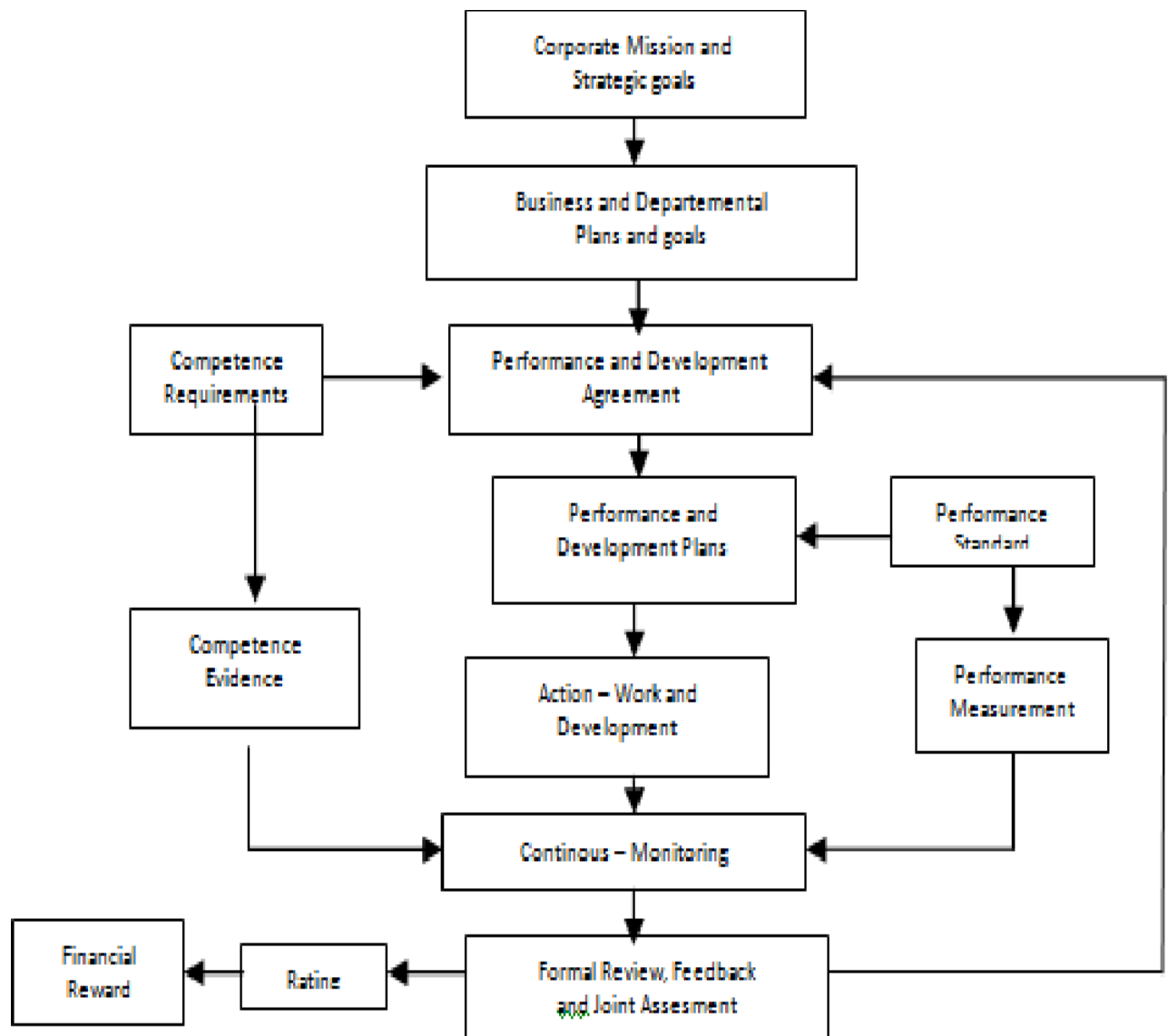
Figure 1 Sequences Performance Management (Armstrong and Baron, 1998: 58)

1.   **Corporate Mission and Strategic Goals –** This is the starting point of the PM process. The aim is to ensure that each of the activities in the sequence is aligned to those goals and contributes to their achievements.

2.   **Business and departmental plans and goals –** These flow from the corporate goals with changes brought in to suit the department's needs.

3.   **Performance and development agreement –** Also known as the performance contract, it is the agreement on objectives and accountabilities reached by individuals with their managers. The agreement id usually reached at a formal review meeting and recorded during or after the meeting on a performance review form. The process is easier is both the parties (the manager and the individual) are prepared for the meeting. A performance

agreement defines the work to be done, the results to be attained, the performance standards to be achieved and the competence levels required. It covers the following areas:

- What the person is doing now

- What he might have to do in future

- How the work should be done (competence or process requirements)

- What the expected output and outcomes of the work(performance requirements and standards) are

- What knowledge, skills and ability are required to do the work (input requirements)

- The core values a person might be expected to withhold.

- What support the person requires – from the manager, from co-workers, from resources or information.

4.   The performance and development plan – This is a joint exploration of what individuals need to do and know to improve their performance and develop their skills and competencies, and their managers can help them achieve this.

5.   Action - work, development and support – When action is taken to implement the performance agreement and performance improvement and personal development plans as individuals carry on with their day-to-day work and their planned learning activities. It includes a continuous process of providing feedback on performance, conducting informal progress reviews, updated objectives and, where necessary, dealing with performance problems.

6.   Continuous monitoring and support – Performance management is a continuous process of managing and developing performance standards which involves practices like direction setting, monitoring and measuring performance, providing feedback and taking necessary action.

7.   Formal review and feedback - Here a review of performance over a period (could be annual or half – yearly) takes place covering the aspects like achievements, progress and problems as the basis for the next part of the continuous cycle – a revised performance agreement and performance improvement and personal development plans. It can also lead to performance ratings. This is not appraisal but review. The review includes the following points:

- The achievement of objectives

- The level of competency

- Whether core values have been upheld or not

- Areas for future consideration – development of strengths, trainings needs etc

- Feelings related to work

- Aspirations

- The comments of the individual on the support given by their managers

PM Cycle
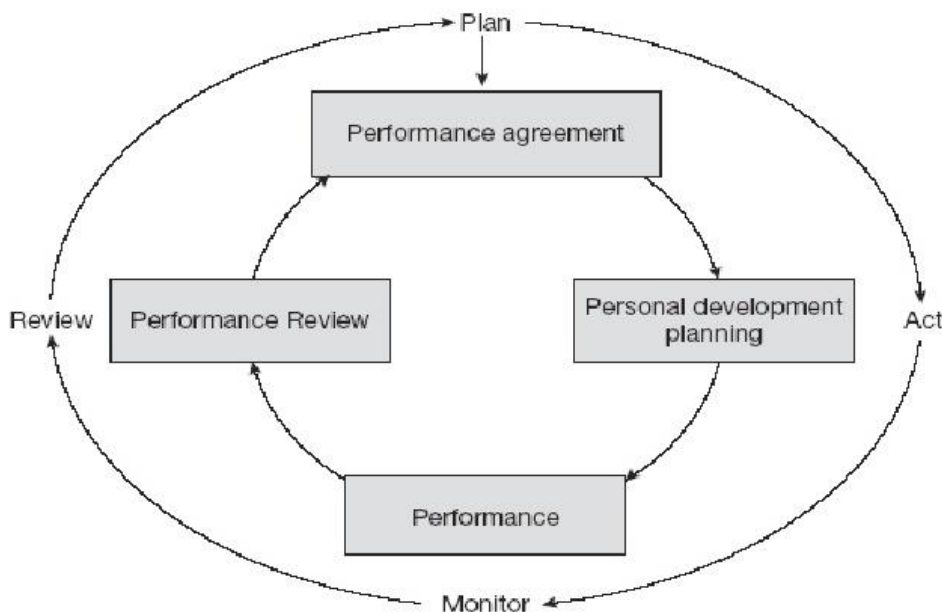
8. Overall Performance Rating - This is where different appraisal schemes come into the picture and the organization decides what ratings it would like to have based on its requirements. The points to be considered here are :

- How many levels of ratings should be there? – Odd no. (3 to 5) or even no. (4 or 6).

- How to describe these levels? – Avoid ratings using Average. A better description for example is – Highly effective, Effective, Developing or Improvable.

- How to achieve a degree of consistency, equity and fairness in ratings? – One can achieve this by choosing between forced distribution, raking, training, peer reviews or monitoring.

Performance Management in Action

Performance management should not be like a system based on periodical formal appraisals and detailed documentation. The activities should be logical in the sense of contributing to an overall approach in which all aspects of the performance management process are designed.

Thus, in every organization there is a need to declare why performance management is important, how it works and how people will be affected by it. The declaration should have the visible and continuous support of top management and should emphasize to develop a high-performance culture and integrate organizational and individual goals. Performance management recognizes the fact that we all create the view of the people who work for the organization and it also makes sense to express that view explicitly against a framework of reference.

PERFORMANCE MANAGEMENT FORM, PART 1

PERFORMANCE AND DEVELOPMENT: AGREEMENT AND REVIEW			
Name:		Forename:	
Job title:		Department:	
Reviewer's name:		Job title:	
PERFORMANCE AND DEVELOPMENT AGREEMENT			
Objectives		Performance measures	
Competencies		Agreed actions	
PERSONAL DEVELOPMENT PLAN			
Learning need	How it will be met	Action by whom	Completion date

PERFORMANCE MANAGEMENT FORM, PART 2

PERFORMANCE AND DEVELOPMENT REVIEW	
Objectives	Achievements
Competencies	Actions taken
Development needs	Actions taken
Comments by reviewer:	
Comments by reviewee:	

Disadvantages of a poorly implemented PM System:

1. **Increased turnover**: If the process is not seen as fair, employees may become upset and leave the organization. They can leave physically or withdraw psychologically.

2. **Use of misleading information**: If a standardized system is not in place, there are multiple opportunities for fabricating information about an employee's performance.

3. **Lowered self-esteem**: Self-esteem may be lowered if feedback is provided in an inappropriate and inaccurate way. This in turn can create employee resentment.

4. **Wasted time and money**: Performance management systems cost money and quite a bit of time. These resources are wasted when systems are poorly designed and implemented.

5. **Damaged relationships**: As a consequence of a deficit system, the relationship among the individuals involved may be damaged, often permanently.

6. **Decreased motivation to perform**: Motivation may be lowered for many reasons including the feeling that superior performance is not translated into meaningful tangible or intangible rewards.

7. **Employee burnout & job dissatisfaction**: When the performance assessment instrument is not seen as valid and the system is not perceived as fair, employees are likely to feel increased levels of job burnout & job dissatisfaction.

8. **Increased risk of litigation**: Expensive lawsuits may be filed by individuals who feel they have been appraised unfairly.

Performance Appraisal

Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improvingthe actual performance and the future potential of the employee. Flippo defines, "performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job." Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future. The performance assessment often includes both the core competencies required by the organization and also the competencies specific to the employee's job.The appraiser, often a supervisor or manager, will provide the employee with constructive, actionable feedback based on the assessment. This in turn provides the employee with the direction needed to improve and develop in their job.Based on the feedback, a performance appraisal is also an opportunity for the organization to recognize employee achievements and future potential.

The purpose of a performance appraisal

The purpose of a performance appraisal is two-fold: It helps the organization to determine the value and productivity that employees contribute, and it also helps employees to develop in their own roles.The following are the best benefits of performance appraisal.

1. **Alignment with corporate goals:** Employee goals are aligned with departmental and corporate vision, mission and goals to be achieved to provide lot more clarity with respect to expectations.

2. **Performance feedback:**Most employees are very much interested in knowing how well they are doing at present and how they can do better in a future. They want this

information to improve their performance in order to get promotions, satisfaction, motivation and merit pay.

3. **Employee training and development decisions:** Performance Appraisal information is used to find out whether an employee requires additional training and development. Deficiencies in performance may be due to inadequate knowledge or skills. Similarly, if the performance appraisal results show that he can perform well in a higher position, then he is imparted training for the higher level position.

4. **Validation of selection process:** Organizations spend a lot of time and money for recruiting and selecting employees. Various tools used in the selection process are application blanks, interviews, psychological tests etc. These tools are used to predict the candidate's performance on the job. A proper performance appraisal finds out the validity of the various selection tools and so the company can follow suitable steps for selecting employees in future.

5. **Promotions:** Past appraisals, together with other background data, will enable management to select proper persons for promotion.

6. **Transfers:** Transfers often involve changes in job responsibilities, and it is important to find out the employees who can shoulder these responsibilities.

7. **Compensation decisions:** Performance appraisal can be used to compensate the employees by increasing their pay and other incentives. The better performances are rewarded with merit pay.

8. **Career Development:** Performance appraisal also enables managers to coach and counsel employees in their career development.

9. **Human resource planning:** The appraisal process helps in human resource planning (HRP) about the knowledge of a person who is capable of being promoted, demoted, transferred, laid off or terminated, management cannot make employment plans for the future.

10. **Lay off/ retrenchment decisions:** Performance appraisal is a good way of taking layoff decisions. Performance appraisal helps in finding the weakest performers to be laid off.

Benefits of Performance Appraisal

Benefit for organization

Employee assessments can make a difference in the performance of an organization. They provide insight into how employees are contributing and enable organizations to:

- Identify where management can improve working conditions in order to increase productivity and work quality.

- Address behavioral issues before they impact departmental productivity.

- Encourage employees to contribute more by recognizing their talents and skills

- Support employees in skill and career development

- Improve strategic decision-making in situations that require layoffs, succession planning, or filling open roles internally

Benefit for employee

Performance appraisals are meant to provide a positive outcome for employees. The insights gained from assessing and discussing an employee's performance can help:

- Recognize and acknowledge the achievements and contributions made by an employee.

- Recognize the opportunity for promotion or bonus.

- Identify and support the need for additional training or education to continue career development.

- Determine the specific areas where skills can be improved.

- Motivate an employee and help them feel involved and invested in their career development.

- Open discussion to an employee's long-term goals.

Methods of performance appraisal

These can be divided into 2 kinds - the traditional methods and the modern method

Traditional Methods	Modern Methods
Ranking Methods	Management by Objectives (MBO)
Paired Comparison	Behaviourally Anchored Rating Scales (BARS)
Grading Method	Assessment Centres
Forced Distribution Method	360-degree appraisal
Forced Choice Method	Cost accounting method
Checklist Method	
Critical Incidents Method	
Graphic Scale Method	
Essay Method	
Field review method	
Confidential Report	

Traditional Methods

1.   Ranking method - This is one of the oldest and simplest techniques of performance appraisal. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance. It is quite useful for a comparative evaluation In this method ranks are given to employees based on their performance.

There are different methods of ranking employees.

i)   **Simple ranking method**– It refers to ranks in serial order from the best employee to the worsteg. If we have to rank 10 best employees we start with the first best employee and give him the first rank this is followed by the 2nd best and so on until all 10 have been given ranks.

Employee	Rank
A	2
B	1
C	3
D	5
E	4

ii)   **Alternate ranking method** - In this method the serial alternates between the best and the worst employee. The best employee is given rank 1 and then we move to the worst employee and give him rank 10 again to 2nd best employee and give him rank 2 and so on.
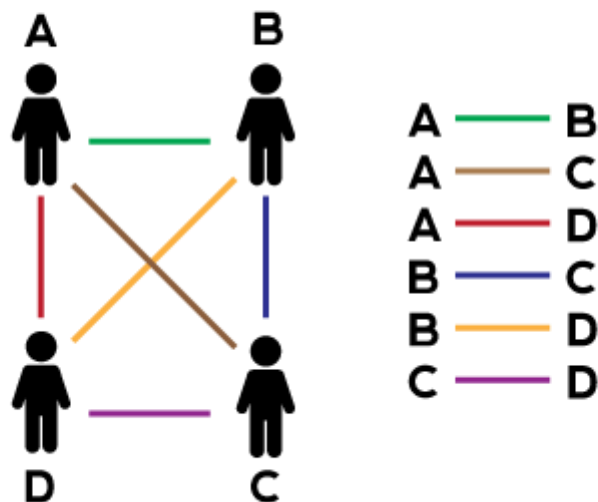
ALTERNATION RANKING SCALE

Trait: _____

For the trait you are measuring, list all the employees you want to rank. Put the highest-ranking employee's name on line 1. Put the lowest-ranking employee's name on line 20. Then list the next highest ranking on line 2, the next lowest ranking on line 19, and so on. Continue until all names are on the scale.

Highest-ranking employee

1. _____   11. _____
2. _____   12. _____
3. _____   13. _____
4. _____   14. _____
5. _____   15. _____
6. _____   16. _____
7. _____   17. _____
8. _____   18. _____
9. _____   19. _____
10. _____   20. _____

Lowest-ranking employee

2. **Paired comparison -** It is a better technique of comparison than the straight ranking method, this method compares each employee with all others in the group, one at a time. In this method each and every person is the group, department or team is compared with every other person in the team/group/department. The comparison is made on certain criteria and finally ranks are given. This method is superior because it compares each and every person on certain qualities and provides a ranking on that basis.

Paired Comparison

Performance Appraisal

Compared with		A	B	C	D	E
				Employees Rated		
	A		-	+	+	-
	B	+		+	+	-
	C	-	-		-	+
	D	-	-	+		+
	E	+	+	-	-	

Job Evaluation

| Compared with		A	B	C	D	E
				Jobs Rated		
	A		1	0	0	1
	B	0		0	1	1
	C	1	1		0	1
	D	1	0	1		0
	E	0	0	0	1	
Total Points		2	2	1	2	3

3.   Grading method – In this method, certain categories of worth are established in advance and carefully defined. There are categories established for employees like outstanding, satisfactory and unsatisfactory etc. The employee is, then, allocated to the grade that best describes his or her performance.

	Unsatisfactory	Fair	Satisfactory	Good	Outstanding
Quantity of work: Volume of work under normal working conditions					
Quality of work: Neatness, thoroughness and accuracy of work Knowledge of job					
Knowledge: A clear understanding of the factors connected with the job					
Attitude: Exhibits enthusiasm and cooperativeness on the job					
Dependability: Conscientious, thorough, reliable, accurate, with respect to attendance, reliefs, lunch breaks, etc.					
Cooperation: Willingness and ability to work with others to produce desired goals.					

4.   Forced Choice Method – Under this method, the rater is forced to answer the ready-made statements as given in the blocks of two or more, about the employees in terms of true or false. Once he is done with the list, it is forwarded to the HR department for the final assessment of the employee.

Forced Choice Performance Evaluation Form	Employee: _____ Department: _____				
Performance Factors	**Performance Rating**				
	Low	**Below Average**	**Average**	**Above Average**	**High**
Understands department functions	Poorly informed about department functions	Has fair knowledge of the department functions	Can answer most questions about the department	Understands all phases of the department.	Has complete mastery of all phases of the department.
Follows directions and company policy without supervision	Requires constant supervision	Requires occasional follow-up	Can usually be counted on	Requires very little supervision	Requires absolute minimum supervision
Accuracy, skill, completeness, and quality of work performed	Seldom meets the requirements and is almost always unsatisfactory	Work is often unsatisfactory and often does not meet requirements	Work is consistently satisfactory and usually meets requirements	Work is sometimes superior and rarely contains mistakes	Work is consistently superior and never contains mistakes

Supervisor: _____ Date: _____

5.   Forced Distribution Method -A method which forces the rater to distribute the ratings of the overall performance of an employee is known as forced distribution method. Group wise rating is done under this method. This method is suitable to large organizations, but the individual traits could not be appraised under this method. Example: a group of workers doing the same job would fall into the same group as superior, at and above average, below average and poor.

FORCED DISTRIBUTION METHOD

Force distribution curve
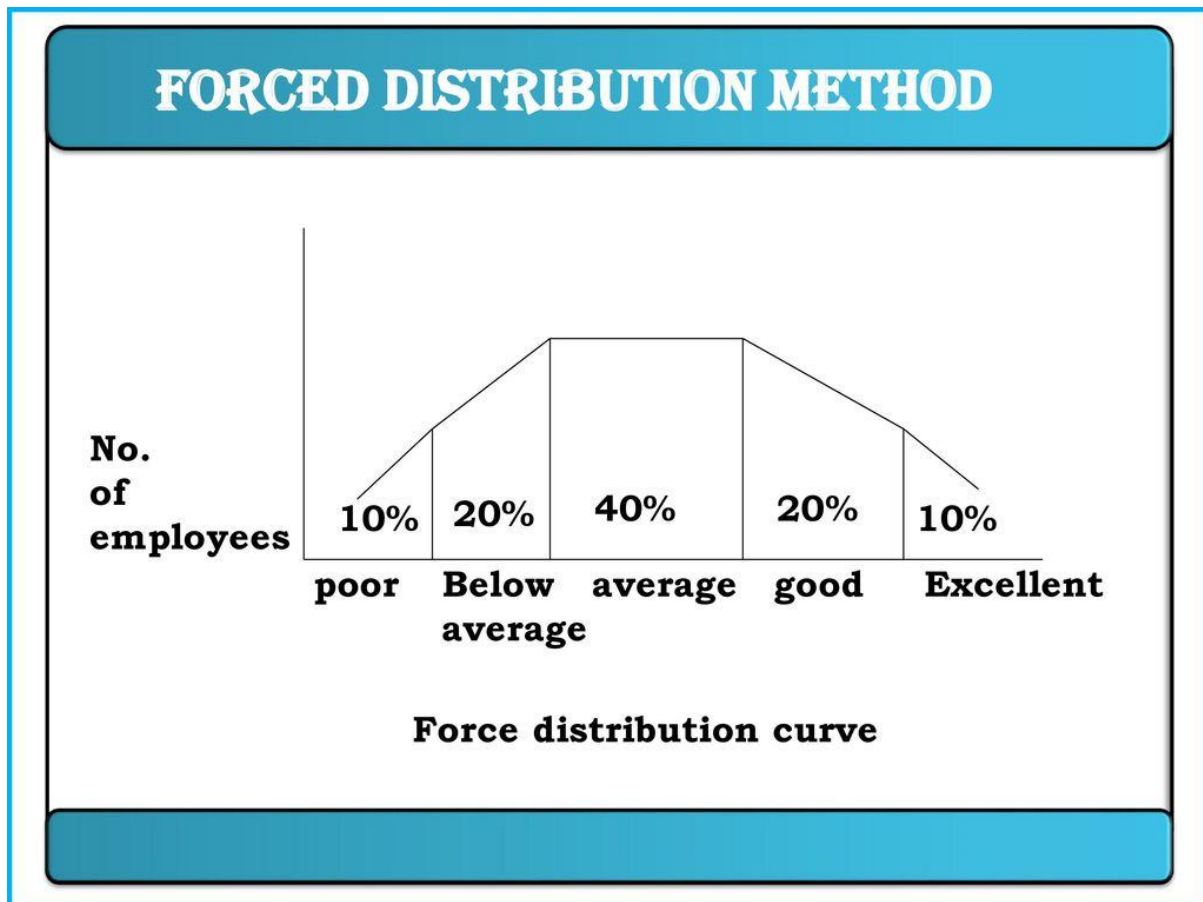
6.   Critical incident method: In this method of Performance appraisal, the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points. The drawback of this method is that the supervisor has to note down the critical incidents and the employee behaviour as and when they occur. This is followed by an analysis of the person, his abilities and talent, recommendations for the future incentives and promotions.

Some of the events or incidents are given below:

- Refused to co-operate with other employees.
- Unwilling to attend further training.
- Got angry over work or with subordinates.
- Suggested a change in the method of production.
- Suggested a procedure to improve the quality of goods.

CRITICAL INCIDENT METHOD

Ex: A fire, sudden breakdown, accident

Workers	Reaction	scale
A	Informed the supervisor immediately	5
B	Become anxious on loss of output	4
C	Tried to repair the machine	3
D	Complained for poor maintenance	2
E	Was happy to forced test	1

7. Field review method: This is an appraisal done by someone outside employees' own department, usually from corporate or HR department. This is useful for managerial level promotions, when comparable information is needed. But problem is an outsider is generally not familiar with employees work environment so observation of actual behaviours not possible.

8. Check list method: In this method the senior / rater is given a list of questions about the job behaviour of the employees. These questions are followed by check boxes. The superior has to put a tick mark in any one of the boxes. The checklist contains a list of statements on the basis of which the rater assesses the employees on the job performance. This method is an extremely simple method and does not involve a lot of time. The same set of questioners can be given for every employee so that there is uniformity in selecting employee.

CHECKLIST METHOD

1. Is regular on the job?   ☐ Yes   ☐ No

2. Does maintain discipline well?   ☐ Yes   ☐ No

3. Shows consistent behaviour to all colleagues?   ☐ Yes   ☐ No

4. Is interested in their job?   ☐ Yes   ☐ No

5. Keeps making mistakes?   ☐ Yes   ☐ No

6. Shows favouritism towards particular colleagues?   ☐ Yes   ☐ No

Fig. 28.3: Sample of Graphic Rating Scale Items and Format

Performance Factor	Performance Rating				
	☐	☐	☐	☐	☐
Quality of work is the accuracy, skill, and completeness of work.	Consistently unsatisfactory	Occasionally unsatisfactory	Consistently satisfactory	Sometimes superior	Consistently superior
	☐	☐	☐	☐	☐
Quantity of work is the volume of work done in a normal workday.	Consistently unsatisfactory	Consistently unsatisfactory	Consistently satisfactory	Sometimes superior	Consistently superior

9.   **Essay Method** - In this method the senior or the boss is supposed to write a narrative essay describing the qualities of his junior. He may describe the employee's strength and weakness, analytical abilities etc. The narrative essay ends with a recommendation for future promotion or for future incentives.

Employee Performance Appraisal
XYZ Company

Employee's Name ———————————————————

Title ————————————————————————

Department ————————————————————

Please write comments about the employee's performance in the space below.

Attribute	Comments
What does this employee do well?	
What aspects of his/her job performance should be improved upon?	
Describe performance challenges.	
Aspects of job to continue doing	
Aspects of job the employee should improve	

Date ————————————————————————

Signature of employee ————————————————

Signature of manager ————————————————

10.   Confidential Report: This method is very popular in government departments to appraise IAS officers and other high level officials. In this method the senior or the boss

writes a report about the junior giving him details about the performance about the employee. The positive and negative traits, responsibilities handled on the job and recommendations for future incentives or promotions. The report is kept highly confidential and access to the report is limited.

11.   Graphic rating method: In this method, an employee's quality and quantity of work is assessed in a graphic scale indicating different degrees of a particular trait. Graphic rating scale refers to using specific factors to appraise people. The entire appraisal is presented in the form of a chart. The chart contains certain columns which indicate qualities which are being appraised and other columns which specify the rank to be given The senior has to put a tick mark for a particular quality along with the ranking. Such charts are prepared for every employee according to the department in which they work. Sometimes the qualities which are judged may change depending upon the department.

GRAPHIC SCALE RATING

Employee Name ....

Department ....

Job Title ....

Performance Level / Work Dimension	Poor	Fairly Poor	Fairly Good	Good	Excellent
Attendance			✔		
Behavior towards Subordinates			✔		
Sincerity				✔	
Dependability					✔

Modern methods

Modern methods of appraisal are being increasingly used by companies. Now days one of the striving feature that appraisal involves is, the opinion of many people about the employee and in some cases psychological test are used to analyze the ability of employee.

1. **Management by objectives (MBO):** The concept of 'Management by Objectives' was first given by Peter Drucker (1954). MBO can be defined (MBO) as a process whereby the employees and the managers come together to identify common goals. Employees set their goals to be achieved, the standards to be taken and maintained as the criteria for measurement of their performance and contribution and deciding the course of action to be followed. The essence of MBO is participative goal setting, choosing course of actions and decision making (owning). An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. The effectiveness of MBO depends on top management commitment.

MBO led to the concept of **SMART Goal setting**.

S →	M →	A →	R →	T
Specific	**Measurable**	**Attainable**	**Relevant**	**Time-Bound**
Make sure your goals are focused and identify a tangible outcome. Without the specifics, your goal runs the risk of being too vague to achieve. Being more specific helps you identify what you want to achieve. You should also identify what resources you are going to leverage to achieve success.	You should have some clear definition of success. This will help you to evaluate achievement and also progress. This component often answers how much or how many and highlights how you'll know you achieved your goal.	Your goal should be challenging, but still reasonable to achieve. Reflecting on this component can reveal any potential barriers that you may need to overcome to realize success. Outline the steps you're planning to take to achieve your goal.	This is about getting real with yourself and ensuring what you're trying to achieve is worthwhile to you. Determining if this is aligned to your values and if it is a priority focus for you. This helps you answer the why.	Every goal needs a target date, something that motivates you to really apply the focus and discipline necessary to achieve it. This answers when. It's important to set a realistic time frame to achieve your goal to ensure you don't get discouraged.

CONFIDENTIAL PA Form: 2B	NAME	EMP. P. S. No.	CADRE	GROUP	DEPT.

EXECUTIVES & SUPERVISORS

LARSEN & TOUBRO LIMITED

HUMAN RESOURCE DEVELOPMENT—PERFORMANCE APPRAISAL SYSTEM
PERFORMANCE ANALYSIS AND REVIEW
APRIL ... TO MARCH .....

		NAME	DATE	SIGNATURE
EMPLOYEE				
IMMEDIATE. SUPERIOR				
NEXT SUPERIOR	1.			
	2.			
PERSONNEL/HRD DEPT.				

A PERFORMANCE REVIEW AGAINST OBJECTIVES | B1 By Immediate Superior

A1 By Employee		Outstanding	V. Good	Good	Adequate	Inadequate
AGREED OBJECTIVES & TARGETS (Not more than five)	RESULTS ACHIEVED					
1.						
2.						
3.						
4.						
5.						

A2 SELF REVIEW (By Employee)

SIGNIFICANT CONTRIBUTORS (JOB OR PROFESSION RELATED–NOT COVERED ABOVE)

IMPORTANT FACTORS FACILITATING PERFORMANCE
IMPORTANT FACTORS HINDERING PERFORMANCE

B2 PERFORMANCE AGAINST OBJECTIVES (By Immediate Superior)
OUTSTANDING   V. GOOD   GOOD   ADEQUATE   INADEQUATE (Contd..)

C	**Appraisal of Critical Attributes** (By Immediate Superior)		OUTSTANDING	V.GOOD	GOOD	ADEQUATE	INADEQUATE
C1		**Critical Attributes**					
1.	INNOVATIVENESS	Ability to think new and better ways of doing things that result in introduction of new ideas or improvements of the systems and operations.					
2.	INITIATIVE	Ability to determine and initiate actions that result in improved handiling of jobs, without waiting to be told.					
3.	INTERPERSONAL & TEAM RELATIONSHIP	Ability to interact effectively with people at all levels to gain their confidence and respect and work in a collaborative and participative manner.					
4.	RESOURCEFULNESS	Ability to muster resources to achieve desired results and devise ways and means of solving problems in difficult situations.					
5.	COMMUNICATION SKILLS	Ability to convey thoughts and feelings clearly both through oral as well as written expressions for better understanding.					
	Specific role related attributes (Identified in the beginning of the year)						
6.							
7.							

C2	**Areas of Strengths & Improvements** (By Immediate Superior)
	MAJOR STRENGTHS
	AREAS OF IMPROVEMENTS

C3	**Potential Areas for Growth** (By Immediate Superior)

D	**Recommendations for Training & Development** (By Immediate Superior)		
D1	IN- COMPANY TRAINING PROGRAMMES		
	Description	Code	Description	Code
1.		2.	
D2	OTHER TRAINING PROGRAMMES		
1.		2.	
D3	SPECIFIC DEVELOPMENT PLANS		

Proposed Action (Tick as applicable) | Details of Actions Required

☐ Job Rotation ☐ Job Enlargement ☐ Special Assignment
☐ Deputation to Other Dept. ☐ Other (Please Specify)

E	**Comments by Next Superior (S)**
E1 **E2**	On Specific Development Plans Stated Above in D3 Overall Observations:
F	**For Use by Personnel/HRD Co-ordinator**

Fig. 28.4 : MBO Method of Performance Appraisal at Larsen and Toubro Limited

Advantages and Disadvantages of MBO process

Advantages

- Continually emphasizes on what should be done in an organization to achieve organizational goals.
- Secures employee commitment to attain organizational goals.

Disadvantages

- The development of objectives can be time consuming, leaving both managers and employees less time to do their actual work
- The elaborate written goals, careful communication of goals, and detailed performance evaluation required in an MBO program increases the volume of paperwork in an organization.

2. **Assessment centers**: Assessment centers are places where the employees are assessed on certain qualities talents and skills which they possess. This method is used for selection as well as for appraisal. The people who attend assessment centers are evaluated by multiple techniques and multiple assessors to produce judgments regarding the extent to which an employee /participant displays selected competencies. These techniques include management games, psychological tests, puzzles, questions about different management related situations etc.The trained evaluators observe and evaluate employees as they perform. The major competencies that are judged in assessment centers are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc.Based on their performance in these tests and games, theappraisal is done.
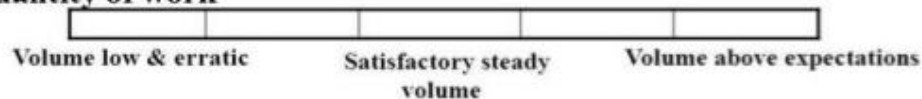
3. **Behaviourally Anchored Rating Scales (BARS):** It is a relatively new technique which combines the graphic rating scale and critical incidents method.Behaviourally Anchored Rating Scales (BARS) are designed to bring the benefits of both qualitative and quantitative data to the employee appraisal process. BARS compare an individual's performance against specific examples of behaviour that

are anchored to numerical ratings. It consists of predetermined critical areas of job performance or sets of behavioural statements describing important job performance qualities as good or bad (for example, the qualities like inter-personal relationships, adaptability and reliability, job knowledge etc). An employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS. Despite intuitive appeal of BARS, findings have not been appealing. BARS use is superior to traditional graphic scales in reducing halo and leniency errors.
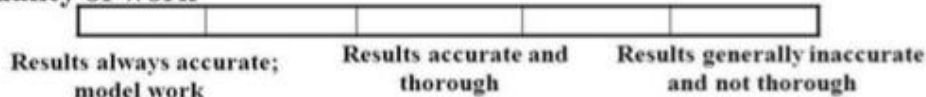
Ratings Example: BARS

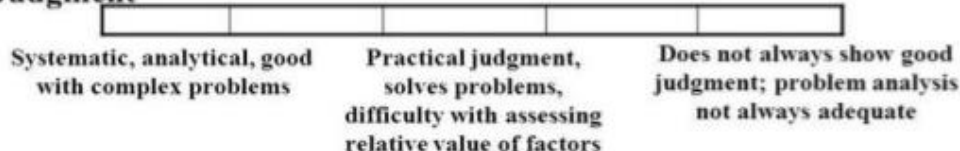Indicate the appropriate level of performance on each factor:

Quantity of work

| Volume low & erratic | Satisfactory steady volume | Volume above expectations |

Quality of work

| Results always accurate; model work | Results accurate and thorough | Results generally inaccurate and not thorough |

Judgment

| Systematic, analytical, good with complex problems | Practical judgment, solves problems, difficulty with assessing relative value of factors | Does not always show good judgment; problem analysis not always adequate |

4. **360 degree feedback:** Known as 'multi-rater feedback', it is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources which come in contact with the employee on his job. 360 degree respondents for an employee can be his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors. Anyone who comes into contact with the employee can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee. This is one of the most popular methods.
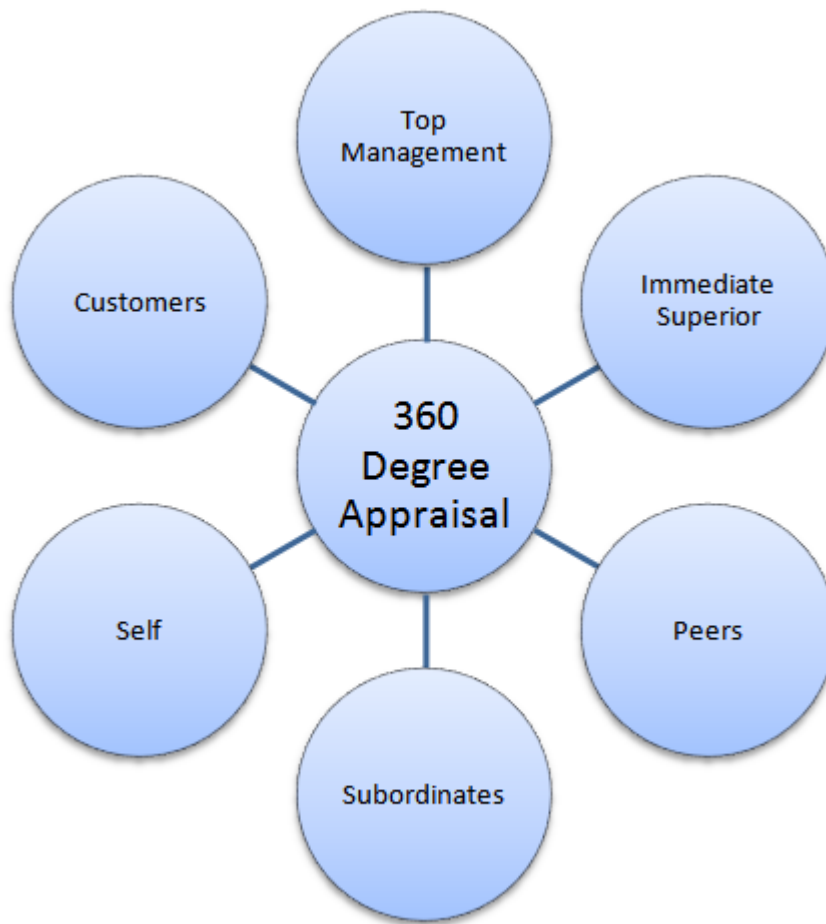
5. Human Resource Accounting Method: Human resource accounting method tries to find the relative worth of HR assets in the terms of money. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc. Whereas their contribution includes the total value added (in monetary terms). The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them.

Process of performance appraisal

1. **Establish Performance Standards with Employees**: The appraisal process begins with establishment of performance standards in accordance with the organisation's strategic goals. These should evolve out of the company's strategic direction- and more specifically, the job analysis and the job description. These performance standards should also be clear and objective enough to be understood and measured. Too often, standard are articulated in ambiguous phrases that tell us little,

such as "a full day's work" or "a good job". What is full day's work or a good job? A supervisor's expectations of employee work performance must be clear enough in his mind so that he will be able to, at some later date, communicate these expectations to his employee, mutually agree to specific job performance measures, and appraise their performance against these established standards.

2.   **Mutually Set Measurable Goals**: Once performance standards are established, it is necessary to communicate these expectations; employees should to guess what is expected of them. Too many jobs have vague performance standards, and the problem is compounded when these standards are set in isolation and without employee input. Communication is a two-way street-mere information transfer from supervisor to employee is not communication.

3.   **Measure Actual Performance**: The third step in the appraisal process is performance measurement. To determine what actual performance is, we need information about it. We should be concerned with how we measure and what we measure. Four common sources of information frequently used by managers address how to measure actual performance-personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the propability of receiving reliable information. What we measure is probably more critical to the evaluation process then how we measure. Selecting the wrong criteria can produce serious, dysfunctional consequences. And what we measure determines, to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent performance as it was mutually set in the first two steps of the appraisal process.

4.   **Compare Actual Performance with Standards**: The fourth step in the appraisal process in the comparison of actual performance with standards. This step notes deviations between standard performance and actual performance so that we can the next step.

5.   **Discuss the Appraisal with the Employee**: This step involves discussion of the appraisal with the employee. One of the most challenging tasks facing appraisers is to present an accurate assessment to the employee. Appraising performance may touch on one of the most emotionally charged activities-evaluation of another individual's contribution and ability. The impression that employees receive about their assessment has a strong impact on their self-esteem and importantly, on their subsequent

performance. Of course, conveying good news is considerably easier for both the appraiser and the employee than convying bad news. In this context, the appraisal discussion can have negative as well as positive motivational consequences.

6.   **If Necessary, Initiate Corrective Action**: The final step in the appraisal in the identification of corrective action where necessary. Corrective action can be of two types-one is immediate and deals predominantly with symptoms. And the other is basic and delves into causes. Immediate corrective action is often described as "putting out fires".
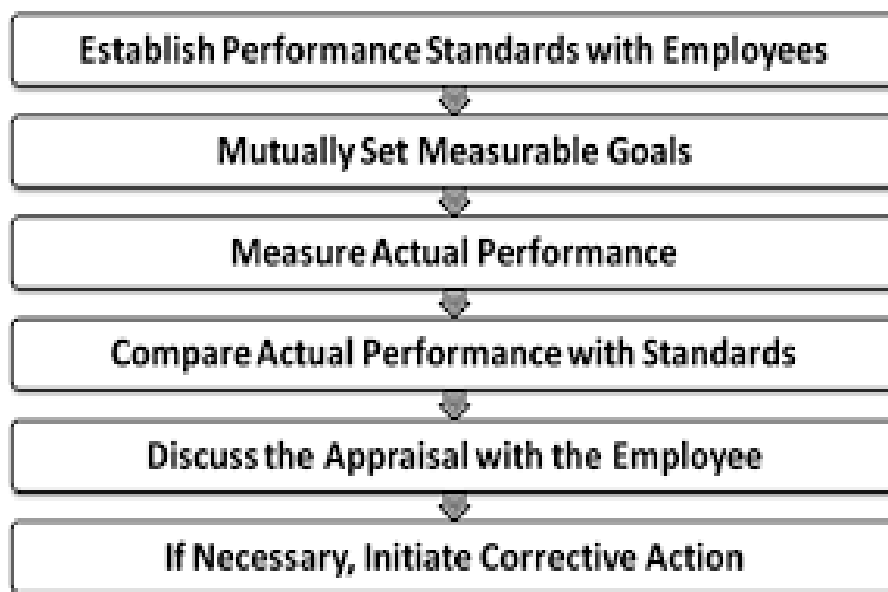
Limitations of Performance Appraisal

The following are the limitations of performance appraisal.

1. **Halo effect-** In this case the superior appraises the person on certain positive qualities only. The negative traits are not considered. Such an appraisal will not give a true picture about the employee. And in some cases, employees who do not deserve promotions may get it.

2. **Horn effect -** In this case only the negative qualities of the employee are considered and based on this appraisal is done. This again will not help the organization because such appraisal may not present a true picture about the employee.

3. **Central tendency** - In this case the superior gives an appraisal by giving central values. This prevents a really talented employee from getting promotions he deserves and some employees who do not deserve anything may get promotion.

4. **Leniency and strictness -** Some bosses are lenient in grading their employees while some are very strict. Employee who really deserves promotions may loose the opportunity due to strict bosses while those who may not deserve may get benefits due to lenient boss.

5. **Spill over effect** - In this case the employee is judged positively or negatively by the boss depending upon the past performance. Therefore, although the employee may have improved performance, he may still not get the benefit.

6. **Fear of losing subordinates and spoiling relations** - Many bosses do not wish to spoil their relations with their subordinates. Therefore, when they appraise the employee, they may end up giving higher grades which are not required. This is an injustice to really deserving employees.

7. **Goodwill and techniques to be used**- Sometimes a very strict appraisal may affect the goodwill between senior and junior. Similarly, when different departments in the same company use different methods of appraisal it becomes very difficult to compare employees.

8. **Paper work and personal biased**- Appraisal involves a lot of paper work. Due to this the work load of HR department increases. Personal bias and prejudice result in bosses favouring certain people and not favouring others.

Difference between Performance Appraisal and Performance Management

Performance Management is NOT Performance Appraisal - It is sometimes assumed that performance appraisal is the same thing as performance management. But there are significant differences.

• Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting.

• In contrast, performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future.

Performance appraisal has been discredited because too often, it has been operated as a top-down and largely bureaucratic system owned by the HR department rather than by line managers. It was often backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs.

Performance appraisal schemes existed in isolation. There was little or no link between them and the needs of the business. Line managers have frequently rejected performance appraisal schemes as being time consuming and irrelevant. Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required.

Performance Appraisal System	Performance Management System
Focus is on performance appraisal and generation of ratings	Focus is on performance management
Emphasis is on relative evaluation of individuals	Emphasis is on performance improvement of individuals officer and his department or team performance
Annual exercise- though normally periodic evaluations are made	Continuous process with quarterly or periodic performance review discussions
Rewards and recognition of good performance is an important component	Performance rewarding may or may not be an integral part
Designed and monitored by the HR department	Designed by HR department but could be monitored by the respective departments themselves
It is a system with deadlines, meetings, inputs and outputs	It is a system with deadlines, meetings, inputs and outputs

Obstacles to Performance Appraisal

The principal obstacles to effective performance appraisal are:

- Lack of support from top management.
- Performance appraisal demands too much of supervisors efforts in terms of time, paperwork, and periodic observation of subordinates performance.
- Supervisors are reluctant to play god by judging others.
- Supervisors do not fully understand the purpose and procedures of performance appraisal.
- Supervisors lack skills in appraisal techniques.
- Performance appraisal is not perceived as being productive.
- Evaluation biases and rating errors, which result in unreliable and invalid ratings.
- Lack of clear, objective standards of performance.
- Failure to communicate purposes and results of performance appraisal to employees.
- Lack of a suitable appraisal tool.
- Failure to police the appraisal procedure effectively.

Potential Appraisal

The potential appraisal refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future–oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy.

Purpose of Potential Appraisal

- To advise employees about their overall career development and future prospects.
- Help the organization to chalk out succession plans.
- Motivate the employees to further develop their skills and competencies.
- To identify the training needs. Motivate the employees to further develop their skills and competencies.
- To identify the training needs.

Techniques of Potential Appraisal

- Self – appraisals

- Peer appraisals

- Superior appraisals

- MBO

- Psychological and psychometric tests

- Management games like role playing

- Leadership exercises etc.

Steps of Potential Appraisal System

Role Descriptions

⬇

Qualities needed to perform the roles

⬇

Rating mechanisms

⬇

Organizing the system

⬇

Feedback

1. **Role Descriptions:** Organizational roles and functions must be defined clearly. To this end, job descriptions must be prepared for each job.

2. **Qualities needed to perform the roles:** Based on job descriptions, the roles to be played by people must be prepared (i.e., technical, managerial jobs and behavioral dimensions).

3. **Rating mechanisms**: Besides listing the functions and qualities, the potential appraisal system must list mechanisms of judging the qualities of employees such as Rating by others, games, tests, records.

4. **Organizing the system**: After covering the above preliminaries, he must set up a system that will allow the introduction of the scheme smoothly giving answers to some puzzling questions:

i. How much weight age to merit in place of seniority in promotion?

ii. How much weight age to each of the performance dimensions – technical, managerial or behavioural qualities?

iii. What are the mechanisms of assessing the individual on different indicators of his potential and with what reliability?

5. Feedback: The system must provide an opportunity for every employee to know the results of his assessment. "He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organizations to appraise his potential and the results of such an appraisal.

Example - Potential Appraisal at Philips India: Philips India has combined performance and potential appraisal together. It is basically based on the conceptual background as used by Philips N. V. for potential appraisal.

The various criteria used by Philips N.V. are divided into four types:

1. Conceptual Effectiveness: Vision, business orientation, entrepreneurial orientation and sense of reality.

2. Operational Effectiveness: Result orientation, individual effectiveness, risk taking and control.

3. Interpersonal Effectiveness: Network directedness, negotiating power, personal influence and verbal behaviour.

4. Achievement Motivation: Drive, personal ambition, innovativeness, and stability.

Each of the criterions is then measured on five-point scale. The final grading is based on the appraisal by management development review team that consists of members from functional areas with whom the appraisees have close interaction in the normal course of their job. A 2 × 2 matrix is used to demonstrate the combination of performance and potential appraisal as shown in the figure.

Fig. 28.6: Potential Appraisal at Philips India

A brief description of four classifications of appraises are as follows:

1. **Low Potential – Low Performance**: These employees are low on both dimensions. These can be advised to improve performance otherwise the result will be planned separation.

2. **High Potential – Low Performance**: In order to utilize their high potential, these employees are shifted either to new locations or new departments. If still they do not improve their performance, they are reclassified as question mark for planned separation.

3. **Low Potential – High Performance**: They are performers termed as solid citizens. They lack potential for higher job. Therefore, they are encouraged to do their present jobs better.

4. **High Potential – High Performance:** They are termed as stars. More developmental efforts are directed towards them.

PERFORMANCE MANAGEMENT SYSTEM

Measuring Performance   (Module-2)

Mitrabinda Nayak

Why measure?

It is necessary to keep in mind that "What gets measured gets done" and "If you can't measure it, you can't manage it."

To improve performance, one needs to know what the current performance is. Agreeing and reviewing objectives is an important aspect of performance management.As a process, performance measurement is not simply concerned with collecting data associated with a predefined performance goal or standard. Performance measurement is better thought of as an overall management system involving prevention and detection aimed at achieving conformance of the work product or service to your customer's requirements. Additionally, it is concerned with process optimization through increased efficiency and effectiveness of the process or product. These actions occur in a continuous cycle, allowing options for expansion and improvement of the work process or product as better techniques are discovered and implemented.

Improvements to performance have to start from an understanding of what the level of current performance is in terms of both results and competencies. This is the basis for identifying improvement and development needs in the individuals. Mainly, it provides the information required for career planning and continuous development by identifying strengths to be enhanced as well as weaknesses to be overcome.

This can only be achieved if there are reliable performance measures. Performance management also gives opportunities to good performers to take charge of their own performance. This cannot be done unless they can measure and monitor their own goals.

Performance measurement serves the following purposes:

- Ensures customer requirements have been met
- Provides standards for establishing comparisons

- Provides visibility and a scoreboard for people to monitor their own performance levels
- Highlights quality problems and determines which areas require priority attention
- Gives an indication of the costs of poor quality
- Justifies the use of resources
- Provides feedback for driving the improvement effort

What should be measured

It can be argued that what gets measured is often what is easy to measure. And in some jobs what is meaningful is not measurable and what is measurable is not meaningful. It was asserted by Levinson that: 'The greater the emphasis on measurement and quantification, the more likely the subtle, non-measurable elements of the task will be sacrificed. Quality of performance frequently, therefore, loses out to quantification.'

Measuring performance is relatively easy for those who are responsible for achieving quantified targets, for example sales. It is more difficult in the case of knowledge workers, for example scientists. But this difficulty is alleviated if a distinction is made between the two forms of results – outputs and outcomes.

Criteria for Performance Measures

Performance measures should be:

- be related to the strategic goals and measures that are organizationally significant and drive business performance
- be relevant to the objectives and accountabilities of the teams and individuals concerned – they are effective only if they are derived from the statements of accountabilities or are based on well-researched competence frameworks, or both
- focus on measurable outputs and accomplishments and ranges of behaviour which can be precisely and clearly defined (behaviour is how people act and how they conduct themselves, which is observable as it occurs)
- indicate the data or evidence that will be available as the basis of measurement
- be verifiable – provide information that will confirm the extent to which expectations have been met

- be as precise as possible in accordance with the purpose of the measurement and the availability of data

- provide a sound basis for feedback and action

- be comprehensive, covering all the key aspects of performance so that a family of measures is available.

Classification of Measures

There are various types of measures selected on the basis of the criteria listed above, the most important being that they are relevant, significant and comprehensive.

Measures or metrics can be classified under the following headings:

- Finance – income, shareholder value, rates of return, costs

- Output – units produced or processed, throughput, new accounts

- Impact – attainment of a standard (quality, level of service etc), changes in behaviour (internal and external customers). Completion of work / project, level of take-up of a service, innovation

- Reaction –judgement of others, colleagues, internal and external customers

- Time – speed of response or turnaround, achievements compared with timetables, amount of backlog, time to market, delivery times.

The following indicators can be used in government set-ups:

- Productivity indicators that focus on the amount of work completed within a defined length of time

- Utilisation rates that refer to the extent to which available services are used

- Time targets that refer to the average time taken to carry out defined units of work – for example, the time to process appeals.

- Volume of service – the amount of work done

- Demand / service provision

Expressing measures

Measures can be expresses in four different ways:

i. **Counts** – the number of times an accomplishment takes place

ii. **Ratios** – the no. of times an accomplishment takes place divided by the no. of times it could have taken place

iii. **Percentages** - the proportion of actual achievement to total available achievement

iv. **Financial impact**– of achieving or failing to achieve a result

Focus of performance measures

The focus for senior managers is likely to be based on definitions of key result areas (KRAs) that spell out their personal responsibility for growth, added value and results.

The performance of managers, team leaders and professional staff also is measured by reference to definitions of their KRAs. The achievement of quantitative targets is still important, but more emphasis will be placed on competence requirements.

The focus of performance agreements and measures will vary considerably between different occupations and levels of management as shown in in the following figure.

Senior Managers	Managers,team leaders and professional staff	Administrative,clerical and support staff	Production works
Objectives	Competences	Task standards	Work outputs
Key result areas		Main tasks	Standards

In administrative, clerical jobs, performance measures will be related to key activities which continue standards of performance and work objectives which will be considered as the main source of measuring performance.

The *Family of Measures* includes the following types of indicators:

Terminology	Definition	Examples
Input	Value of resources used to produce an output.	• Dollars budgeted/spent • Staff hours used
Output	Quantity or number of units produced. Outputs are activity-oriented, measurable, and usually under managerial control.	*Output:* • Eligibility interviews conducted • Library books checked out • Children immunized • Prisoners boarded • Purchase orders issued
Efficiency	Inputs used per unit of output (or outputs per input).	• Cost per appraisal • Plans reviewed per reviewer
Service Quality	Degree to which customers are satisfied with a program, or how accurately or timely a service is provided.	• Percent of respondents satisfied with service • Error rate per data entry operator • Frequency of repeat repairs • Average days to address a facility work order
Outcome	Qualitative consequences associated with a program/service, i.e., the ultimate benefit to the customer. External forces can sometimes limit managerial control. Outcome focuses on the ultimate "why" of providing a service.	• Reduction in fire deaths/injuries • Percent of job trainees who hold a job for more than six months • Percent of juveniles not reconvicted within 12 months • Adoption/redemption rate of impounded animals

Types of Measures

We can study the types of measures to evaluate the performance for the following :-

A) Organizational
B) Team
C) Individual

A) Types of Performance Measures for an Organization

The three most important things that need to be measured in a business are customer satisfaction, employee satisfaction and cash flow. Keeping this in mind the different approaches to measuring organizational performance are as follows:

i) **A Balanced Scorecard**

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

The Evolution of Balanced Scorecard

The concept of the balanced scorecard was first touted in the Harvard Business Review in 1992 in a paper written by Robert S Kaplan and David P Norton. The paper introduced the idea of focusing on human issues as well as financial ones and measuring performance across a much wider spectrum than businesses had done before. Kaplan and Norton published their ideas in full in The Balanced Scorecard: Translating Strategy into Action in 1996 and it became a business bestseller.

 The Balanced Scorecard (BSC) is a performance measurement framework which has strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. The BSC provides a method for organisation to systematically develop a comprehensive system of planning and control. It helps in getting a performance measurement system that translates organisation strategy into objective measures, targets and initiatives.

The term itself signifies its meaning. The term "scorecard" signifies quantified performance measures and "balanced" signifies the system is balanced between:
• Short-term and long-term objectives
• Financial and non-financial measures
• Lagging and leading indicators
• Internal and external performance perspectives

Why Use a Balanced Scorecard?

1. Improve organizational performance by measuring what matters
2. Increase focus on strategy and results
3. Align organization strategy with workers on a day-to-day basis
4. Focus on the drivers key to future performance
5. Improve communication of the organization's Vision and Strategy
6. Prioritize Projects / Initiatives

Original Business Perspectives- The Balanced Scorecard model suggests that we view the organization from 4 perspectives, then develop metrics, collect data and analyze it relative to each of these perspectives.

The 4 Business perspectives as per Kaplan and Norton are:

1. **Financial (shareholder) perspective**

Goals - increased profitability, growth, increased return on their investment

Measures - cash flows, cost reduction, economic value added, gross margins, profitability, return on capital/equity/investments/sales, revenue growth, working capital, turnover.

2. **Customer perspective**

Goals - new customer acquisition, retention, extension, satisfaction

Measures - market share, customer service, customer satisfaction, number of new/retained/lost customers, customer profitability, number of complaints, delivery times, quality performance, response time.

3. **Internal perspective**

Goals - improved core competencies, improved critical technologies, reduction in paperwork, better employee morale

Measures - efficiency improvements, development/lead/cycle times, reduced unit costs, reduced waste, amount of recycled waste, improved sourcing/supplier delivery, employee morale and satisfaction, internal audit standards, number of employee suggestions, sales per employee, staff turnover.

4. **Innovation and learningperspective**

Goals - new product development, continuous improvement, employee development

Measures - number of new products and percentage of sales from these, number of employees receiving training, training hours per employee, number of strategic skills acquired, alignment of personal goals with the Scorecard.

Financial
How do we appear to shareholders?

Customer
How do our customers perceive us?

Balanced Scorecard*

Internal
At what processes should we excel?

Innovation
What should we learn to grow and prosper?
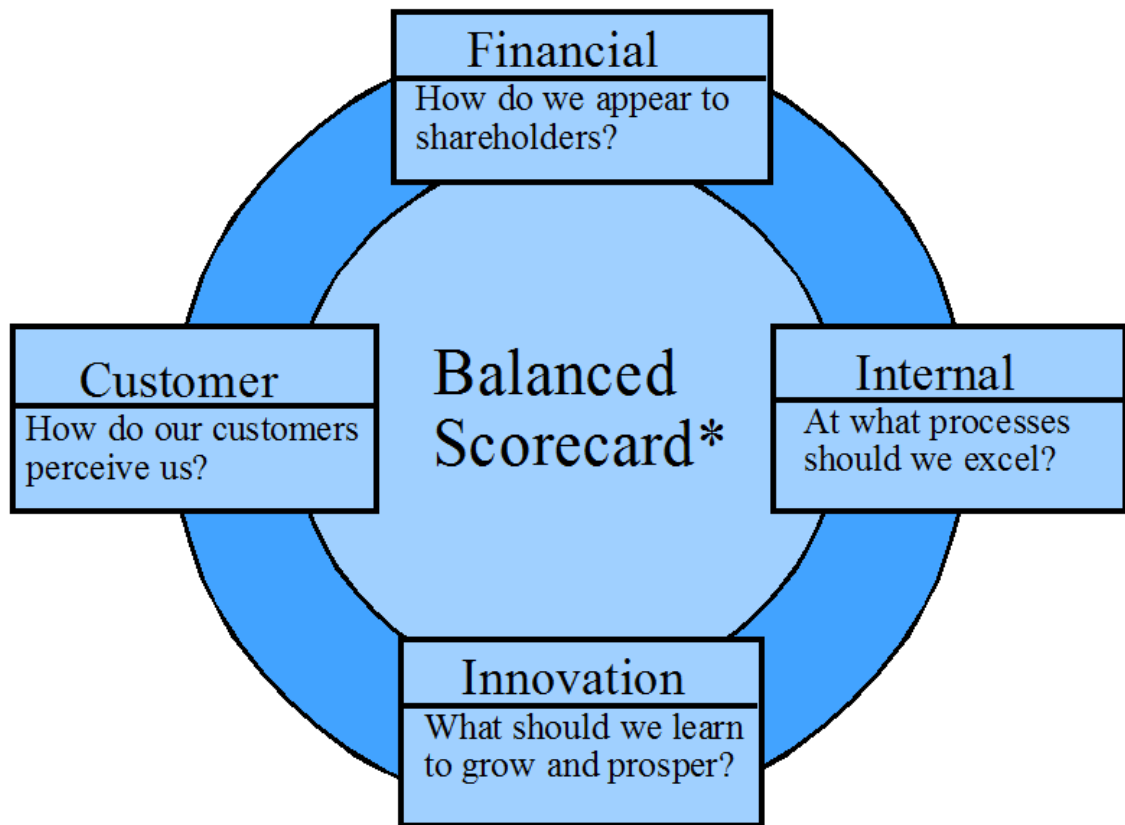
* Adapted from Tatikonda & Tatikonda Figure 2, p. 51.
https://maaw.info/ArticleSummaries/ArtSumTatikondaTatikonda98.htm

Balanced Scorecard Framework*
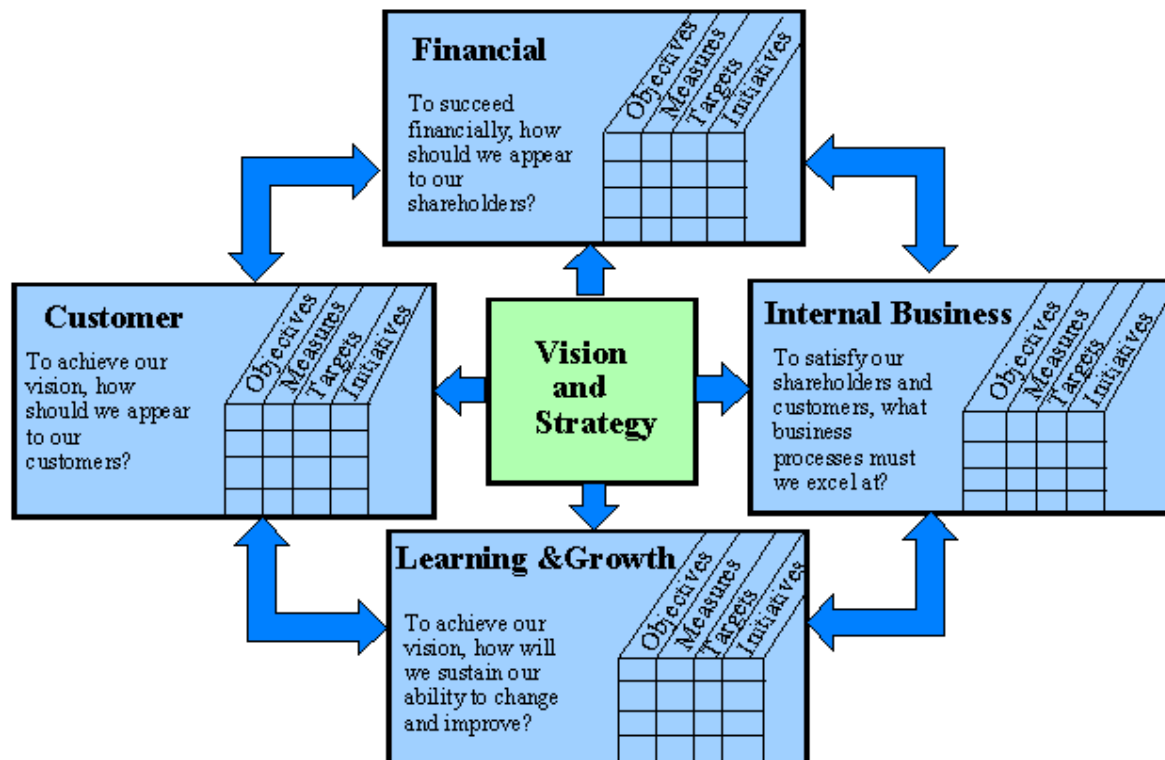
* Adapted from Kaplan & Norton. 1996. *The Balanced Scorecard*. Harvard Business School Press: 9. Original from HBR Jan/Feb 1996, p. 76.

Implementation of the Balanced Scorecard

Kaplan and Norton identified a number of stages for implementing the Scorecard. These include a mix of planning, interviews, workshops and reviews. The type, size and structure of an organisation will determine the detail of the implementation process and the number of stages adopted.

The main steps include:

1. **Be clear about organisational strategy and objectives**- As the Scorecard is inextricably linked to strategy, the first requirement is to clearly define the strategy and ensure that senior managers, in particular, are familiar with the key issues. Before any other action can be planned, it is essential to have an understanding of:

i)   the strategy

ii)   the key objectives or goals required to realise the strategy

iii) the three or four critical success factors (CSFs) that are fundamental to the achievement of each major objective or goal.

Starting with strategy and objectives is vital and will help organisations to avoid doing the wrong things really well. See Related Checklists below for more on developing corporate mission and strategy.

2. **Develop a strategy map**- Strategy mapping is a tool developed by Kaplan and Norton for translating strategy into operational terms. A strategy map provides a graphical representation of cause and effect between strategic objectives and shows how the organisation creates value for its customers and stakeholders. Generally speaking, improving performance in the objectives under learning and growth enables the organisation to improve performance in its internal processes, which in turn enables the organisation to create desirable results in the customer and financial perspectives.

3. **Decide what to measure**- Once the organisation's major strategic objectives have been determined, a set of measures can be developed. It is vital to ensure that the measures chosen reflect the strategic objectives and help to align action with strategy. As a guide, there should be a total limit of 15 to 20 key measures linked to those specific goals (significantly fewer measures may not achieve a balanced view, and significantly more may become unwieldy and deal with non-critical issues). The 4 main perspectives with a list of goals and measures is drawn out.

4. **Amend the Scorecard if appropriate**- Each organisation must determine its own strategic goals and the activities to be measured. Some organisations have found that Kaplan and Norton's template fails to meet their particular needs and have either modified it or devised their own Scorecard. Public sector organisations, for example, may have different aims and objectives and may have to tailor the Scorecard to reflect this.

5. **Finalise the implementation plan**- Further discussions, interviews and workshops may be required to fine-tune the detail, and agree the strategy, goals and activities to be measured, ensuring that the measures selected focus on the critical success factors. At this stage, it is critical to be clear about 'what good looks like'. It may be worth identifying the Key Business Processes and drawing up a matrix of Key Business Process and Critical Success Factors. Key Business Processes that have an impact on many Critical Success Factors should attract more attention and improvement efforts than those which influence no or few Critical Success Factors. Before implementation, targets, rates and other criteria must be set for each of the measures, and processes for how, when and why the measures are to be recorded should be put in place.
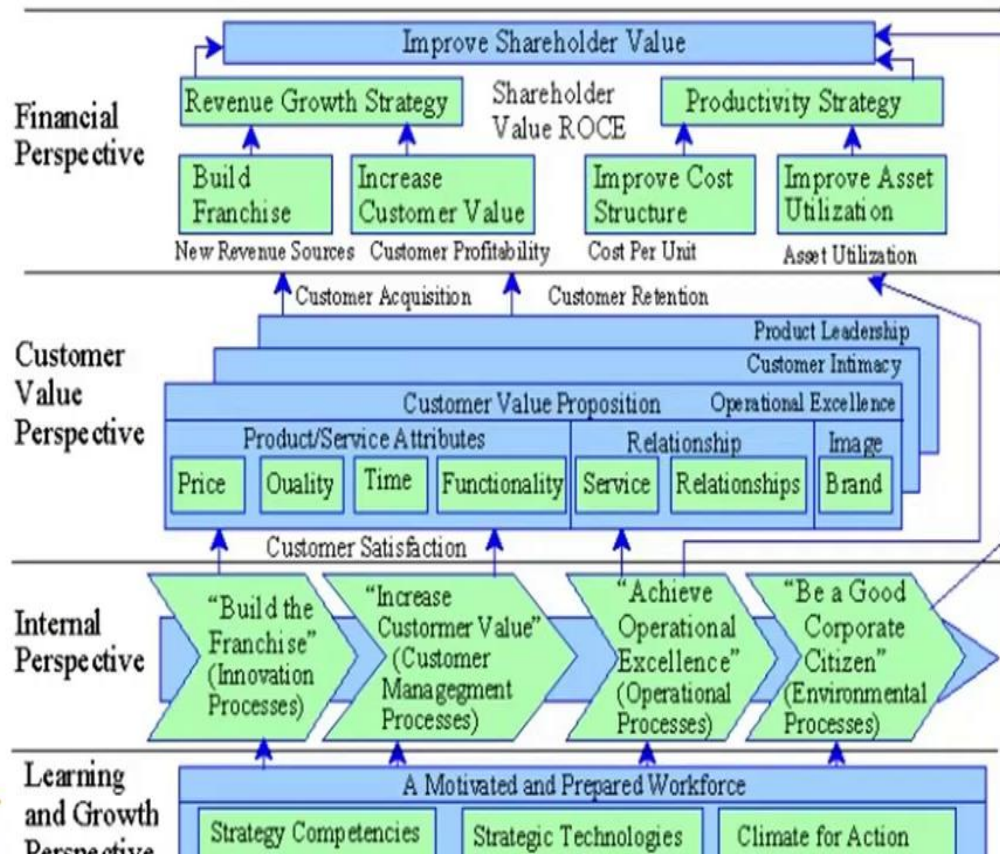
6. **Implement the system**- An implementation plan should be produced and the whole project communicated to employees. Everyone should be informed at the beginning of the project and kept up to date on progress. It is vital to communicate clearly with employees. Explain the purpose and potential benefits of the system to them and make sure that everyone is aware that they have a role to play in achieving corporate goals. Thepersonal objectives need to be linked with the organisational goals. Ideally this will be achieved through an organisational performance management system. The system for recording and monitoring the metrics should be in place and tested well before the start date, and, as far as possible, training in its use should be given to all users. The system should automatically record all the data required, though some of the measurements may need to be input manually.

7. **Publicise the results**- The results of all measurements should be collated on a regular basis - daily, weekly, monthly, quarterly or as appropriate. This will potentially comprise a substantial amount of complex data and it will be necessary to decide who will have access to the full data: senior management only, divisional or departmental heads, or all employees. Alternatively, partial information may be provided on a need-to-know basis. Decide how the results will be publicised, through meetings, newsletters, the organisation's intranet or any other appropriate communication channels.

8. **Utilise the results**- Any form of business appraisal is not an end in itself. It is a guide to organisation performance and may point to areas (management, operational, procedural) that require strengthening. Taking action based upon the obtained information is as important as the data itself. Indeed, management follow-up action should be seen as an essential part of the process of appraisal.

9. **Review and revise the system**- After the first cycle has been completed, a review should be undertaken to assess the success, or otherwise, of both the information gathered and the action taken, in order to determine whether any part of the process requires modification. Refrain from using the same Scorecard measures year upon year. Review the existing metrics and, where appropriate, remove flawed metrics and replace them with more reliable ones. Be prepared to introduce additional measures to reflect current circumstances, for example metrics measuring an organisation's ethical performance.

Balanced Scorecard Strategy Map

Financial Perspective

Improve Shareholder Value

Revenue Growth Strategy	Shareholder Value ROCE	Productivity Strategy

Build Franchise	Increase Customer Value	Improve Cost Structure	Improve Asset Utilization
New Revenue Sources	Customer Profitability	Cost Per Unit	Asset Utilization

Customer Value Perspective

Customer Acquisition   Customer Retention

Product Leadership
Customer Intimacy
Operational Excellence

Customer Value Proposition

Product/Service Attributes				Relationship		Image
Price	Quality	Time	Functionality	Service	Relationships	Brand

Customer Satisfaction

Internal Perspective

"Build the Franchise" (Innovation Processes) → "Increase Customer Value" (Customer Management Processes) → "Achieve Operational Excellence" (Operational Processes) → "Be a Good Corporate Citizen" (Environmental Processes)

Learning and Growth Perspective

A Motivated and Prepared Workforce

Strategy Competencies	Strategic Technologies	Climate for Action

Corporate examples

- Balance score card
  for hospitals

CLINICAL QUALITY
- Adverse Events (AEs)
- Clinical Outcomes
- Mortality
- Nosocomial Infections

FINANCIAL VIABILITY
- Net Revenues
- Volume
- Growth
- Inventory Turnover

Balanced Scorecard

- Patient Experience
- Staff Loyalty
- Provider Satisfaction
- Critical Care Capture Rate

CUSTOMER LOYALTY

- Accreditation Readiness
- Staff Efficiency
- Readmission Rate
- Length of Stay (LOS)

OPERATIONAL EFFECTIVENESS

Strategy: Give our customers the best IT experience		Goal: What we want to accomplish	Objective: How we are going to accomplish the goal	Measure	Target
Financial	Allote the budget to support the business goals and objectives. Use smart, transparent financial interactions.	Show cost savings.	Maintain IT cost efficiency	Expenses as a % of budget	5% per employee
			Use process value analysis on initiatives.	% initiatives with cost savings	80%
		Develop staff awareness of costs and benefits of new processes.	Use CBA to make SMART decisions.	% initiatives with cost benefit	60%
Customer	Collaborate with customers to identify and understand their needs and expectations. Achieve satisfaction through service and product delivery.	Identify customer needs and inefficiencies and implement solutions.	Provide time-sensitive and effective technical support.	# service calls closed per time to reach	30 per 5 days
		Build better customer relationships.	Ensure software products are stable.	# reports of software-specific issues	<5 per month
Internal Processes	Use innovation to improve internal processes. Maximize the resources by implementing new strategies.	Improve process delivery.	Provide a reliable IT architecture.	% service calls related to architecture	<5%
		Improve service delivery.	Improve user experience.	% improvement on user survey	>10% per quarter
			Act as a software training and knowledge base.	# trainings and information requests	20 per month
Learning & Growth	Achieve a culture of growth and development to develop our employees to improve employee engagement and satisfaction.	Prepared and trained workforce.	Provide quality assurance.	# staff per call necessary	1 per call
			Provide proactive security.	# security trainings staff attending	2 per month
		Accomplish goals and finish projects.	Analyze user issues.	# user groups led	4 per month
			Search out training opportunities.	# identified per quarter	5 per quarter

Department Level Scorecard Example
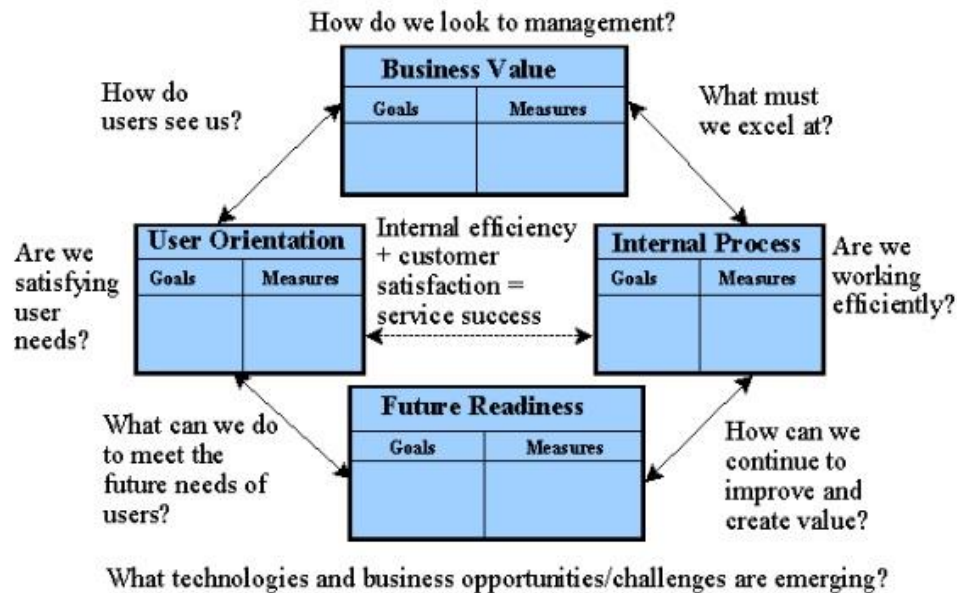
To date, some form of a Balanced Scorecard is used by nearly 60% of Fortune 500 companiesSome of the companies that use the BSC management system include:Apple, Inc., Exxon Mobil Corporation, Ford Motor Company, General Electric Company, Honeywell, IBM, Pfizer Inc., Thomson Reuters, University of California, University of Denver, Wells Fargo Bank.

Examples of BSC:

Smith National Bank

	Strategy			
	Objectives	Measures	Targets	Initiatives
Financial	Increase Margins	Increase in Dollars' Profit	30% Revenue	Lower Interest Rate and Therefore Increase Lending
Customer	Decrease in Loan Interest Rate	Smaller Percentage	Decrease by 2%	Decrease Advertised Interest Rate
Internal Business Processes	Increase Lending	Quantity of Money Being Loaned	$10,000 Increase	Decrease Interest Rate
Learning & Growth	Monitor Demand For Loans	Number of Loans Being Taken Out	40 Loans	Adjust Interest Rate as Needed

Adapted from the Balanced Scorecard by Robert S. Kaplan and Dave P. Norton. Harvard Business School Press. 1996.

Balanced Scorecard Example

STRATEGY MAP		BALANCED SCORECARD		ACTION PLAN	
PROCESS: MANUFACTURING EXCELLENCE THEME: ROCE > xx%, VOLUME = xx,xxx units	OBJECTIVES	MEASUREMENT	TARGET	INITIATIVE	BUDGET

FINANCIAL PERSPECTIVE

Long-Term Shareholder Value ROCE > xx%

Improve Productivity — Grow Revenue

Objectives	Measurement	Initiative
Operating Cost & Efficiency	Cost/Unit, Efficiency	Monthly Monitoring
Capacity Utilization	% Utilization	Weekly/Monthly Monitoring
Capability Utilization	Trial Prod. / Spare Parts Prod	Monthly Monitoring
Brand / Image	Warranty Cost	Weekly/Monthly Monitoring

CUSTOMER PERSPECTIVE

OFFER PRODUCTS & SERVICES THAT ARE CONSISTENT, TIMELY and LOW-COST

Low Cost — World Class — Customer Satisfaction — Enhance Brand

Objectives	Measurement	Initiative
Low Cost Manufacturing	Man-hour per Unit	Weekly Monitoring
World-Class Quality Standards	Defect per Unit	Daily Monitoring
World-Class Delivery Timing	Sales Delivery	Daily Monitoring
Knowledgeable & Skilled Partner	Direct Pass Rate	Daily Monitoring
High Customer Satisfaction	Market Feedback	Weekly Monitoring
Reinforce Brand Image	Sales Volume	Monthly Monitoring Prod. & Sales Mtg.

INTERNAL PERSPECTIVE

ENSURE OPERATIONAL EXCELLENCE WITH INNOVATION AS WELL BEING SOCIALLY RESPONSIBLE

Operational Excellence — Process Innovation — Alliances with SBUs — Socially Responsible

Objectives	Measurement	Initiative
Productivity	Cycle Time	Hourly Monitoring
Delivery	Meet Daily Plan / WIP	Daily Monitoring / Daily Monitoring
Continuous Improvement	KAIZEN / ICC	Monthly follow-up / Specific Programmed
NPI	Timely Introduction	Weekly Follow-up
Safety & Health	Industrial Accident / Commuting Accident	Cross Audits / Defensive Driving
Environment	Toxic Waste Disposal / ISO 9002	Facility Readiness / Certification

LEARNING & GROWTH PERSPECTIVE

STRATEGIC JOB & SYSTEMS

Skills — Info. System

Objectives	Measurement	Initiative
Develop the Necessary Skills	R&D & Development	Training and Skill Build-up
Information Systems Availability	ALC, Procurement, Financial	Set-up, Test and Validation
Strategic Awareness	Alignment	Communication Programmed

BUDGET: OPEX RM XX M, CAPEX RM xx M

Advantages of Balanced Scorecard

- Translation of strategy into measurable parameters
- Communication of strategy
- Alignment of individual goals with strategic objectives
- Helps align key performance measures with strategy at all levels of an organization.
- Provides management with a comprehensive picture of business operations.

- Facilitates communication and understanding of business goals and strategies at all levels of an organization.
- Maximized Cooperation - Team members are focused on helping one another succeed.
- It provides strategic feedback and learning.
- Initiatives are continually measured and evaluated against industry standards

Potential Pitfalls & Criticisms

- Lack of a well-defined Strategy - The balanced scorecard relies on a well defined strategy and understanding of linkages between strategic objections and metrics. Without this foundation the implementation could fail.
- Too much focus on the lagging measures - Focusing on only the lagging measures may cause a lack of priority or opportunity for the leading measures.
- Use of Generic Metrics - Don't just copy metrics from another firm. Identify the measures that apply to your strategy and competitive position.
- Self-serving managers - Managers whose goal is to achieve a desired result in order to obtain a bonus or other self reward.
- Setting measures that don't relate to critical success factors
- Over-measuring the organisation
- Allowing the measurement process to interfere with employees' ability to get on with thejob

ii) **The European Foundation for Quality Management (EFQM) model**

The EFQM Excellence Model was introduced at the beginning of 1992 as the framework for assessing applications for The European Quality Award.It is a widely used organisational framework in Europe and has become the basis for a series of national and regional Quality Awards. The EFQM model's is used as a management system that encourages the discipline of organisational self-assessment.

The EFQM Excellence Model is a practical tool to help organisations to do this by measuring where they are on the path to Excellence; helping them understand the gaps; and stimulating solutions. It is applicable to organisation irrespective of size

and structure, and sector. Self- assessment has wide applicability to organisations large and small, in the public as well as the private sectors. The outputs from self-assessment can be used as part of the business planning process and the model itself can be used as a basis for operational and project review.

The EFQM Model is a non-prescriptive framework that recognises there are many approaches to achieving sustainable excellence. Within this approach there are some fundamental concepts which underpin the EFQM model. However, these concepts are not fixed. It is accepted that they will change overtime as excellent organisations develop and improve. It provides an integrated approach to performance management in that it provides the basis to assess how well the things are done.The performance of the organisation is also assessed in terms of the results that are achieved.

There are 9 elements in the model out of which 5 are 'Enablers' and 4 are 'Results'.
Enablers - The five enablers assess and question whether there are effective approaches in place to enable the achievement of what the organisation has planned to deliver in terms of its results.
Results - The four results areas question whetherthere are comprehensive measures in place which can monitor and track performance and assess whether strategic objectives have been met.

The link between the Enablers and the Results is two way. If there is a need to improve the results, then a change to one or more enabling factors needs to take place. In the same way, if a change to an enabling factor is made, the impact this will have on the results needs to be tracked and traced.
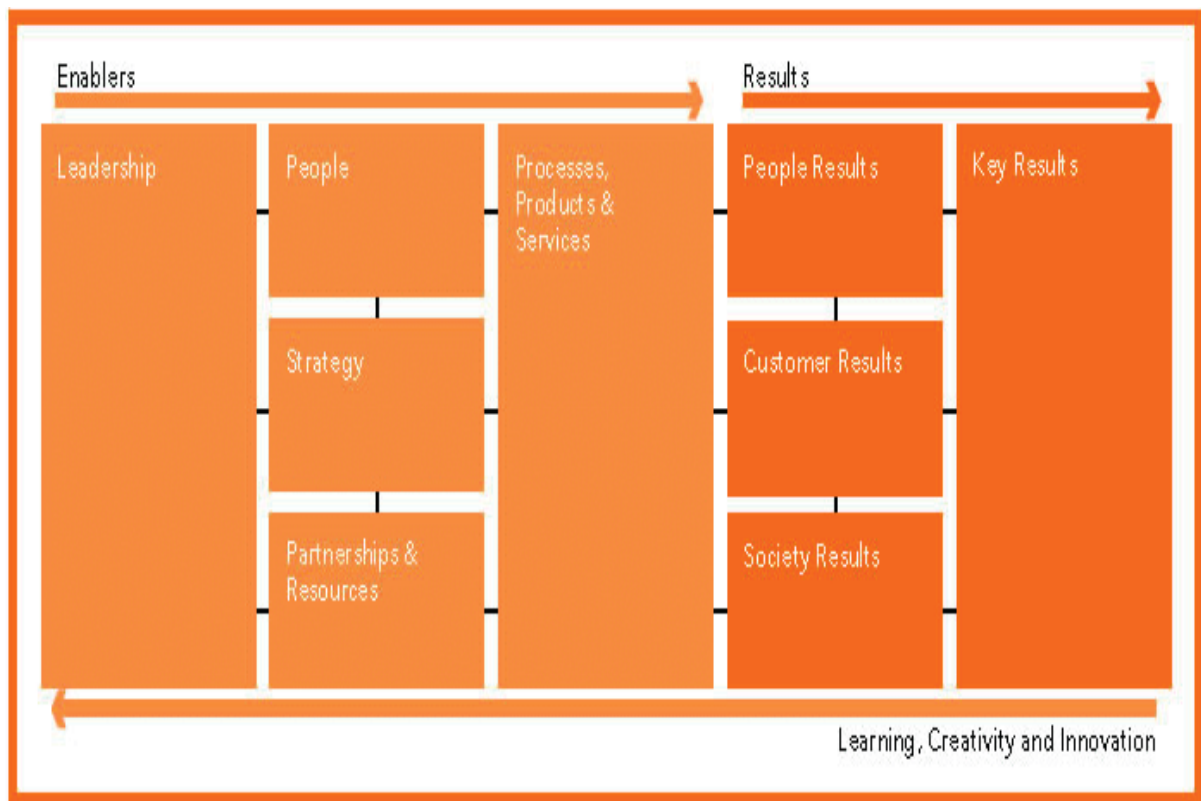
The 9 elements are as below:

1)   Leadership – How the behaviour and actions of the executive team and all other leaders inspire, support and promote a culture of total quality management (TQM).

2)   Policy and Strategy – How the organization formulates, deploys and reviews its policy and strategy and turns it into plans and actions.

3)   People Management – How the organization realizes the full potential of the people.

4)   Resources – How the organization manages resources effectively and efficiently

5)   Processes – How the organization identifies, manages, reviews and improves its processes

6)   Customer Satisfaction – What the organization is achieving in relation to the satisfaction of its people.

7)   People Satisfaction – What the organization in achieving in relation to the satisfaction of its people.

8)   Impact on Society – What the organization is achieving in satisfying the needs and the expectations of the local, national and international community.

9) Business Results – What the organization is achieving in relation to its planned business objectives and in satisfying the needs and expectations of everyone with a financial interest or stake in the organization.

The EFQM model can help performance management by:

- Developing a fuller understanding of how business results are achieved, and processes continually improved
- Offering mechanisms for tackling systems problems in the workplace
- Promoting performance management as a two-way dialogue
- Providing a positive and universal framework for the description of jobs and roles
- Helping to align individual and business objectives
- Pointing the way to identifying, defining and building the competencies that the organization needs its people to demonstrate.

iii) The Economic Value Added Model (EVA)

EVA is the invention of Stern Stewart & Co., a global consulting firm, which launched EVA in 1989. EVA is Economic Value Added, a measure of economic profit. EVA is a performance metric that calculates the creation of shareholder value. It distinguishes itself from traditional financial performance metrics such as net profit and EPS. EVA is the calculation of what profits remain after the costs of a company's capital - both debt and equity - are deducted from operating profit.

Technically speaking EVA is nothing but the residual income after factoring the cost of capital into net operating profit after tax

EVA's most important use is in measuring and rewarding performance inside the firm. It is said, if carried out consistently, EVA should help us identify the best investments, that is, the companies that generate more wealth than their rivals. All other things being equal, firms with high EVAs should over time outperform others with lower or negative EVAs.

iv) Other traditional financial measures

The traditional financial ratios are :

1. Return on Equity (ROE)

2. Return on Capital Employed (ROCE)

3. Earnings per Share (EPS)

4. Price / Earning Ratio (PE Ratio)

5. Return on Sales

6. Asset Turnover

7. Overall Overhead / Sales Ratio

8. Profit or Sales or Added Value per employer

9. Output per Employee (productivity)

B) Types of Performance Measures for a Team

Team – A team is a group of people with a full set of complementary skills required to complete a task, job, or project.

The three main types of teams based on task complexity and membership configuration dimensions are:

i)   **Work or service teams**:These teams are engaged in routine tasks, including manufacturing or service tasks.An example is a group of people working at the assembly line is a car manufacturing plant such as Toyota or Honda.

ii)   **Project teams:**These teams are assembled for a specific purpose and are expected to dis band as soon as their specific tasks have been completed.The tasks are outside the core production or service of the organization and are therefore not as routine as those of work or service teams.

iii)   **Network teams:**These teams include members who are not constrained by time or space and members who are not limited by organizational boundaries.Usually, team members are geographically dispersed and stay in touch via telecommunications technology such asvideo conference and mobile phones.

Principles of Team Performance Management

The basic principles of team management are as follows :

1. **Make sure your team is really a team:**There are different types of teams.Before a team component is introduced in the performance management system, we need to make sure the organization has actual teams.

2. **Make the investment to measure:**Measuring team performance as is the case with measuring individual performance, takes time and effort.

3. **Define measurement goals clearly:**Defining how the data will be used is a decision that must be made before measures of team performance are designed.Use a multi method approach to measurement:The measurement of team performance is complex.Thus, multiple methods and sources of data are often necessary.

4. **Focus on process as well as outcomes**:Behavioural process oriented measures as well as results are as useful for team performance management systems as for individuals.

5. **Measuring long term changes:**Although short term processes and results are easier to measure, it is important to also consider long term measures of performance.

Team members need to have the following **competencies** to be able to succeed:

i)   Interpersonal understanding
ii)   Influence on each other
iii)   Customer – service orientation
iv)   Adaptability
v)   Teamwork and cooperation
vi)   Group communication
vii)   Achievement orientation
viii)   Organizational commitment

Performance measures for teams

Performance measures for teams will be related to the purpose of the team and its objectives. Team performance measures are likely to fall in either of the following categories:

i)   Output

ii)   Activity levels

iii)   Customer Service and satisfaction

iv)   Financial results

Types of Measures

This can be either output / result measures of team performance or input / process measures.

Output / Results	Input / Process
Achievement of team goals	Support of team process
Customer satisfaction	Participation
Quantity of Work	Oral & Written Communication
Quality of Work	Collaboration & Collective effort
Process Knowledge	Conflict Resolution
Maintenance of technical systems	Planning and Goal - setting
	Participative decision-making
	Problem solving and analytical skills
	Credibility and trust
	Interdependence
	Interpersonal relations
	Acceptance & change
	Adaptability & Flexibility

Team Performance Management Process

The components of the team management process are :

1. **Prerequisites**

• The first component of performance management process involves two prerequisites.First, there is a need to have good knowledge of the organizations mission. This prerequisite is present regardless of whether there is an emphasis on team performance.

• Second, there is need to have a good knowledge of the job in question. In the case of individual jobs, a job analysis is conducted to determine the key components of a particular job: what task need to be done, how they are to be done and what knowledge, skills and abilities are needed to do them.

- There are KSAs that are especially conducive to team performance.Examples include the following:

i) Communication:Giving and receiving constructive feed back, listening, and sharing information and ideas.

ii) Decision making:Help the team make decision. Collaboration:Dealing with conflict effectively, committing to the team and its goals, valuing the diversity and experience of other team members, and sharing accountability.

iii)Team leadership:Taking on the role of team leader, including knowing how to extract the best out of the team

iv)Self control:Keeping emotions under control and not displaying negative actions even when faced with opposition or even hostility from others.

2. **Performance Planning**

- The second component of performance management process includes the consideration of results and behaviours.

- It planning involves the creation of developmental plan.Each of these issues need to be considered at the team level, results expected of the team, behaviours expected of team members, and developmental objectives to be achieved by the team and its members.

- A discussion of results must include key team accountabilities, specific objectives for each key accountability and performance standards.A discussion of behaviours need to include competencies.

- Finally, the developmental plan includes a description of area that need improving and goals to be achieved in each area.The plan includes goals not only for the team as a whole, but also developmental objectives for individual performance that will benefit team performance.

3. **Performance Execution**

- The third component of performance management process involves performance execution.Autonomous teams are solely responsible for performance execution, however, when a team has a supervisor, then both the team and the supervisor share responsibility for performance execution.For example, team members need to be committed to goal achievement and should take a proactive role in seeking feedback from one another as well as from the supervisor.

- The supervisor also has some important responsibilities, including observing and documenting team performance and relative contribution of team members, updating the team on any change in the goals of the organization and providing resources and reinforcement so that team members will be motivated to succeed.

4. **Performance Assessment**

- The fourth component of performance management process is performance assessment.All team members must evaluate one another's performance as well as the performance of the overall team.

- Peer evaluation are a key component of the assessment stage because they lead to higher level of work-load sharing, cooperation and performance.Involvement of each team member in the evaluation process increases their ownership and commitment to the system.

- Self-appraisal also provides important information to be discussed during the performance review.In the absence of self-appraisal, it is often not clear to supervisors whether the team and its members have a real understanding of what is expected of them.

- Three types of performance need to be assessed:

    i)   Individual performance or task performance

    ii)   Contextual performance

    iii)   Team performance as a whole.

5. **Performance Dimensions**

- Team performance as a whole can be measured using the following four performance dimensions:

i) **Effectiveness**:This is the degree to which results satisfy team stakeholders including both internal and external customers.

ii) **Efficiency**:This is the degree to which internal team processes support the achievement of results, team growth and team member satisfaction.

iii) **Learning and growth**:This is the degree to which the team is able to learn new skills and improve performance over time.Specific measures can include innovation, documented learning, best practices and process involvement.

iv) **Team members' satisfaction**:This is the degree to which team members are satisfied with their team membership. Specific measures can include team members perceptions regarding the extent to which teamwork contributes to their growth and personal well-being.

6. Performance Review

- This component of performance management process is the performance review, which takes place when the team members meet with the supervisor or manager to discuss how they have been working.

- In organizations that are structured around autonomous teams, there may not be a supervisor or manager.In that case, a team leader or representative would meet with a performance review board, which includes representatives from all teams.

- At-least two meetings are needed. First, the supervisor meets with all members of team together.The focus of this meeting is to discuss the overall team performance including results achieved by the team as a whole.Information for this meeting comes from team members evaluating their collective performance, other teams evaluating the team in question, and the supervisors evaluation.

- Second, the supervisor meets each team member individually.The focus of this meeting is to discuss how the individual behaviours contributed to team performance.Information for this meeting comes from individuals evaluating their own

performance, peer ratings of the individuals performance, and the supervisors evaluation.

7. Performance Renewal and Re-contracting

- The final component of performance management process involves renewal and re-contracting.Essentially, this component is identical to the performance planning stage; however, performance renewal and re-contracting uses information gathered during the review period to make adjustments as needed.

- For example, some new key accountabilities and competencies may be included.Conversely, some goals may have to be adjusted either upward or downward.

C) Types of Performance Measures for an Individual

Employee Review

Date of Review:	

Employee Name:	
Job Title:	
Salary:	

Date- Next Review:	

Criteria	Score	Comments
Team Player		
Meets Deadlines		
Organizational Skills		
Leadership Ability		
Interaction with Co-workers		
Attendance		
Quality of Work		

Comments:

Yearly Appraisal Form

Reviewing Date: _____

Employee Name: _____

Employee ID #: _____

Position: _____

Current Salary: _____

Date of Next Review: _____

Performance Category	Scores	Remarks
Ability at the position		
Attendance		
Leadership Ability		
Ability to meet deadlines		
Organizational Skills		
Quality of Work		
Team Work Ability		
Team Player Abilities		

Future Goals Discussed: _____
_____
_____

Supervisor / Appraiser Comments: _____
_____
_____

Employee Comments: _____
_____
_____
_____

Supervisor/ Appraiser Signatures: _____

Employee Signatures: _____

What Makes a Good Performance Measure?

The typical performance measurement guidance usually says performance measures should be SMART a commonly used mnemonic acronym in performance management. It provides criteria for drafting strong goal statements. The concept originated in 1954 when Peter Drucker published a book about management by objectives. The idea is to ensure each goal statement fits all of the criteria in the acronym. The letters S and M usually mean specific and measurable, but the rest have numerous interpretations

- S = Specific, Strategic
- M = Measurable
- A = Achievable, Attainable, Action-Oriented, Agreed-upon, Aligned, Ambitious
- R = Relevant, Realistic, Resourced, Reasonable, Results-based
- T = Time-bound, Time-based, Time-limited, Timely, Time-sensitive

Additional characteristics of strong performance measures outside the S.M.A.R.T. framework are listed below.

- **Easy to understand**
- **Encourage the right behaviour**
- **Visible/transparent to those involved**

Guidelines for defining Performance Measures

Performance measures need to be agreeable at the same time as objectives are defined. This provides a fair assessment of the progress and achievements for both individuals and teams. It also provides a basis for feedback.

The following are the guidelines for defining performance measures:

1. Measures should relate to results and observable behaviours
2. The results should be within the control of the team or individual and be based on agreed targets.
3. Behavioural requirements (competencies) should be defined and agreed.
4. Data must be available for measurement.

5. Measures should be objective.

Performance Reviews

A performance review is a formal regulated feedback mechanism in which managers and other key stakeholders assess an employee's work performance. The purpose is to identify their strengths and weaknesses, offer constructive feedback for skill development in the future, and assist with goal setting.The performance review is a summary of the ongoing feedback the employee has received throughout the specified time period and working with them on their goals for the future. It is not just looking behind; it is future focused for the employee and the organization.

Whichever methodology you choose for performance reviews, a well-planned and executed performance review boosts employee engagement and sets the tone for creating a culture of feedback and continual development at your organisation.

Importance of Performance Review

- Gives an employee a summary of how they have performed and goals for the future.
- Provides clear and objective feedback based on organizational and employee goals.
- States the areas the employee needs to improve and whether they are meeting the expectations of the position.
- Is a written record of employee performance.

Basis of Performance Review

The five key elements of performance review meetings are:

1. Measurement – Assessing results against agreed targets and standards
2. Feedback – Providing information on how a person has been doing
3. Positive Reinforcement – Emphasizing what has been done well so that it is done even better in the future.
4. Exchange of views – Ensuring that the discussion ensure a free and frank discussion by both the parties.
5. Agreement – Jointly coming to an understanding about what has to be done by both the parties to improve performance.

What to do before the Performance Review

- Have frequent conversations with your employees on their goals, their performance.
- Train supervisors in Performance Reviews.
- Make clear that supervisors understand to rate employees equitably.
- Discuss the halo/horn effect and how to avoid it.
- Communicate the Performance Review process to all employees and how it relates to their compensation.
- Do this frequently so it is understood.
- Let employee know that the performance review is coming up and ask them to put together areas they would like to discuss

Preparing for the meeting

Reviewer's side –

The reviewer is the person conducting the review. He should take into account how well the individual has done in achieving his objectives, how much has he achieved since his last meeting, the feedback that needs to be given with the evidence, the factors that have affected his performance, the future course of action, the possible directions that the employees career can take and the possible objectives for the next review period.

Reviewee's side –

The individual being reviewed (reviewee) needs to list out his achievements in meeting his objectives, his progress since the last meeting, the areas in which he feels he can improve and how, his T&D needs and aspirations for the future. He has to do a self-appraisal for this.

Self-Appraisal – This means getting people to analyse and assess their own performance. This has the following advantages :

i)   helps generate less inhibited and more positive discussion.

ii)   involves reviewees directly in the review process

iii)   is likely to reduce defensive behaviour

iv)   provides scope to run the review meeting as a constructive dialogue

However, this also has the following disadvantages:

i)   Individuals should have clear targets and standards against which they can assess their performance.

ii)   There has to be a climate of mutual trust between the two parties.

iii) The reviewee must believe that the reviewer will not take advantage of his honest self-assessment.

iv)   The reviewee might over assess his performance.

Guidelines for the Review meeting

The meeting aims at discussing the following points:

i)   What individuals have learned or need to learn?

ii)   Where they have to go?

iii) Where they are going?

iv)   How they are going to get there?

v)   What they believe they know and can do?

vi)   What help or guidance can be provided to them?

The **agenda for the review meeting** is set by both the parties by a pre-discussion. This may consist of the following items:

i)   A review of the key elements in the job

ii)   A point-by-point examination of the results of the objectives, actions and the achievement of the PDP discussed in the last meeting.

iii) A discussion and agreement on the performance objectives for the next period

iv)   A discussion and agreement in the reviewee's developmental objectives

v)   A Performance Development Plan (PDP) should be formulated for the next period

vi)   An agreement on the action plans to conclude the meeting

Characteristics of a Constructive Review Meeting

A constructive review meeting should :

1. Encourage reviewees to do most of the talking

2. Listen actively to what they say

3. Allow scope for reflection and analysis

4. Analyse performance, not personality
5. Consider the whole period of review and not isolated events
6. Recognise achievements and reinforce strengths
7. End the meeting positively with agreed action plans

Performance Review Skills

The reviewer should possess the following skills to conduct a proper review meeting.

A. Asking the right questions
B. Listening
C. Giving feedback

A.   Asking the right questions

There are two kinds of approaches to this:

i)   **Open questions –** These are general questions and nor specific. They encourage people to open up and talk freely. They create an atmosphere of calm and friendliness. Some examples of these kinds of questions are as follows:

- How do you feel about that?
- How can we build on that in future?
- Tell me, how did you handle that situation?
- Tell me, how is your project going?

ii)   **Probe questions –** These seek specific information on what has happened and why. For example :

- To what extent do you believe that …….?
- Have I got the right impression? Do you feel…?

B.   Listening – This is an art which needs to be practised. Good listeners :

- Concentrate on the speaker and are aware to subtle body language or nuances of what is being said.
- Do not interrupt unnecessarily but respond quickly when required.
- Ask questions to clarify their meaning.

C.   Giving feedback – Feedback should be given based on fact and not subjective judgement. The aim is to be able to explain the action that will be taken based on the review of their performance. The following are the guidelines for giving feedback:

- Build feedback into the job
- Provide feedback on actual events
- Describe but don't judge
- Refer to specific behaviours
- Ask questions
- Select key issues
- Focus on positive aspects
- Show understanding

Reward Systems & Legal Issues

Performance Management Linked Reward System

Reward is an incentive plan to reinforce the desirable behavior of workers or employers and in return for their service to the organization. Compensation and Reward system plays vital role in a business organization.

To connect two ends of the rope, a knot is required; to make it lengthy and useful for long run. Likewise, the tie up between the reward and performance should be made for employee retention and their commitment to work, which ultimately improvise the contributing factor of the employee. Employees should perform well to be rewarded and the approach designed for this is "**Pay for Performance**". Apart from the base pay, which is based on job description, a variable pay should be announced for their outstanding performance. Although the pay raise motivates the employees to an extent, ultimately they want them to be appreciated and recognized in a society for their work, here comes the employee recognition program. Many employees become less committed to work not because of their low pay structure, but for the lack of recognition. Both types of rewarding system should be ensured for higher motivation, retention, engagement and job satisfaction.

Pay for Performance (PFP) or Performance Related Pay (PRP)

The term "pay-for-performance compensation" refers to performance-based pay programs where an employee is incentivized and rewarded for achieving goals or objectives.PRP plans are extremely popular and almost 75% of organizations currently leverage pay-for-performance compensation as part of their overall compensation plan.

Objectives of PFP

- Stimulates higher level of performance
- Establishes a high performance culture
- View of justice and equality

Some of the common organisation PFP plans are :

- **Incentives**:One of the most common pay-for-performance scheme is awarding compensation incentives when an employee has achieved certain management-set goals, such as a specified sales target. This incentive can be based on team/department target or an individual target.
- **Profit-sharing**:Employees who typically participate in profitsharing schemes often receive a stated percentage of the company's profits, if they meet a set revenue profit.
- **Gain-sharing**:This incentive is used when companies share any productivity or profitability improvements with the relevant employees.
- **Goal-sharing**:Similar to gain-sharing, goal-sharing places an emphasis on employees to reach certain management-set goals.

Whichever incentive scheme you choose, a good pay-for-performance needs to be supported by a reliable, clear and transparent performance data collection which employees feel they are fairly measured and evaluated against.

Benefits of Performance-based Rewarding approach

An effective Performance-based Rewarding approach can bring out multiple benefits to an organization and employees,

i. Decreased attrition rate - This empowers employee retention in long run and commitment. Due to decreased attrition rate and increased employee

retention, recruitment cost is less which helps in the financial stability of the organization.

ii. Motivate employees to perform better, aligning with the organizational goals - Employees get a clear insight of what should be done to meet the goals.

iii. Employee involvement (Participation Management) – This is increased which results in autonomy, more productivity and satisfaction. Employees feel that they are part of a big success, enabling more confidence and innovation in work.

iv. Enforces Healthy Competition - Rather than working on routine jobs, employees volunteer to work on challenging jobs to increase their recognition levels in the working society. It enforces healthy competition among individuals to perform better.

v. Employee gets a chance to learn and enhance their skills, which highlights their development in career.

For the real success of the system, rewards should be implemented without any bias or oversight. When employees perform well, he should be acknowledged rightly by the supervisors. HR department should not make this process to follow over a night; its importance has to be stressed to the supervisors and employees at all levels. When a perfect system is implemented, it results in higher retention of talented employees and greater profits to the organization.

There are certain rules to be followed while linking performance to rewards. These rules are a matter of **procedural justice**. They are :

i. **Consistency Rule**– The allocation processes should be consistent between people and over time.

ii. **Bias-Suppression Rule –** Bias of any kind should not be there during the allocation process.

iii. **Accuracy Rule –** It is necessary to base the allocation on as much accurate information as possible.

iv. **Correctability Rule –** Opportunities must exist to modify and reverse decisions made at various points in the allocation process.

v. **Representativeness Rule –** All the subgroups in the organization and their concerns should be take into account.

vi. **Ethicality Rule** – The fundamental moral and ethical values have to be taken into consideration.

Reward Management

Reward Management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization.

Aim of Reward Management

- Reward employees according to what the organization values and wants to pay for.

- Reward employees for the value they create.

- Reward the right things to convey the right message about what is important in terms of behaviors and outcomes.

- Develop a performance culture.

- Motivate employees and obtain their commitment and engagement.

- Operate fairly – employees feel that they are treated justly in accordance with what is due to them because of their value to the organization.

- Function consistently – decisions on pay do not vary arbitrarily and without due cause between different people or at different times.

- Operate transparently – employees understand how reward processes operate and how they are affected by them.

Objectives

- Support the organisation's strategy

- Recruit & retain

- Motivate employees

- Internal & external equity

- Strengthen psychological contract

- Financially sustainable

- Comply with legislation

- Efficiently administered

Components of Reward System / Classification of rewards
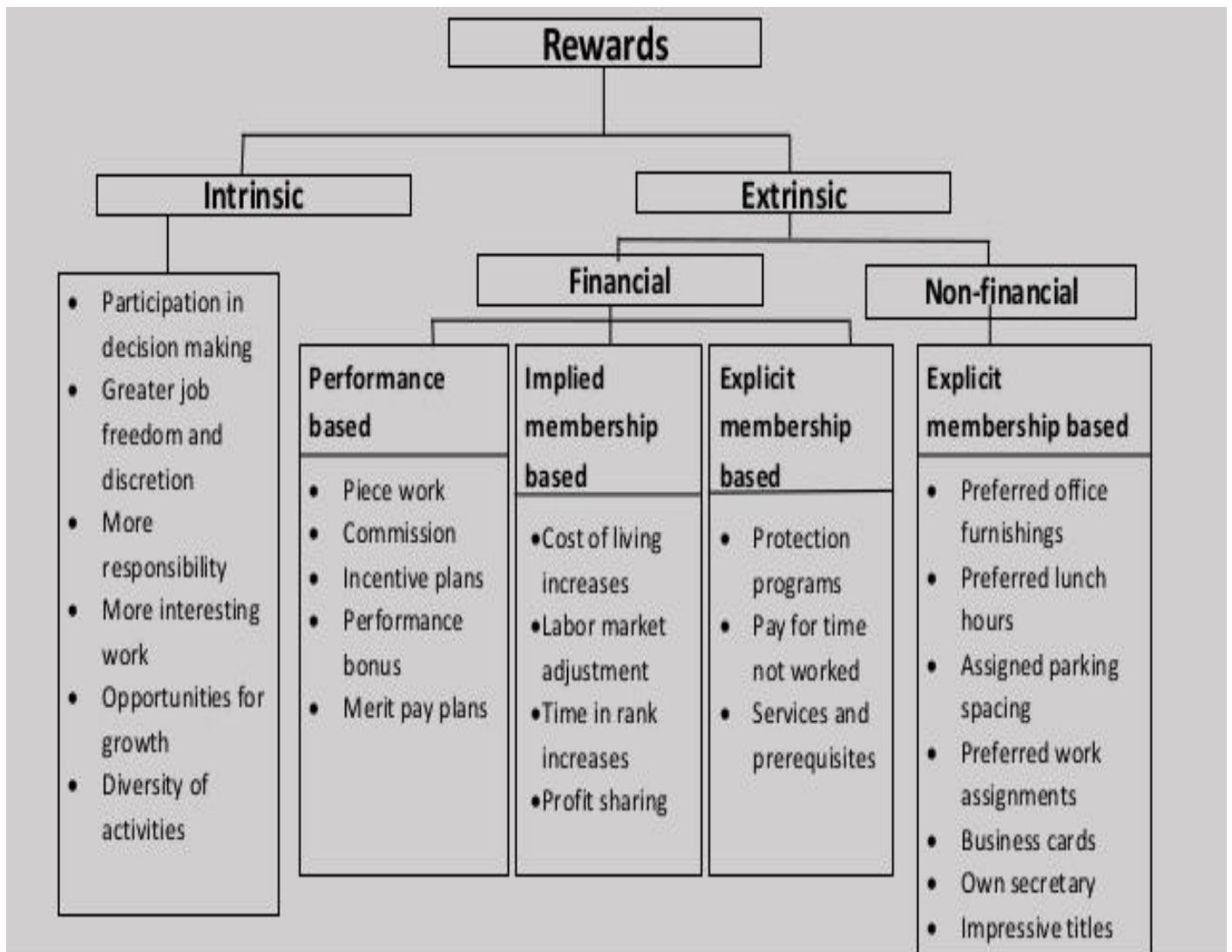
Intrinsic rewards: The satisfaction one gets from the job itself. These include pride in one's work, feeling of accomplishment, being a part of team job enrichment, shorter work-weeks, job rotation etc.

Extrinsic rewards : Includes money, promotions and fringe benefits or a write up in the company magazine.

Financial rewards : Direct-through wages, bonuses, profit sharing etc., or indirect-through supportive benefits like pension schemes, leave encashment, purchase discounts etc.

Non-financial rewards: Incentives make life on the job as more attractive like standard and well facilitated workplace, attractive position, responsibility of choice, work autonomy, job security etc.

Performance based: Rewards may be piece rate pay plans, commissions etc.

Membership based: Rewards may be profit sharing, increase in dearness allowances, seniority based or time bound promotions etc.

Qualities of a good reward system

- Performance based: Better performer must receive better reward than the average and poor performer.

- Transparent and predictive: Employees must be familiar with the reward system and the reward must be distributed transparently. Employees should be able to calculate and predict their reward in an advance. Employees become enthusiastic and motivated if they are aware about the type, size and quality of reward.

- Cost effective: Reward must have the quality of balancing the cost benefit ratio. The reward received by the employee should not exceed the benefit received by the organization.

- Need based: The reward system must match with the need or requirement of the employees. If reward system doesn't meet the need of employees, it will not motivate the employees to perform better in the future.

- Unbiased: Reward must be unbiased and fair. Employees identical to their job performance should be rewarded equally.

- Competitive: Reward system must be competitive to other organization's provision. Reward must be revised timely. Good reward system will attract and retain the competent employees.

Determinants of reward

i. Performance

ii. Efforts

iii. Seniority

iv. Skill held

v. Job difficulty

vi. Punctuality

vii. Adhering to rules and guidelines

viii. Market competition

Motivating different generations

Baby Boomers (Born: 1946 – 1964): Baby Boomers are most commonly motivated by things other than just financial incentives, with popular motivators being:

- Opportunities for professional development

- Positions of authority

- Recognition for achievements

- Workplace benefits

Generation X (Born: 1965 – 1980): Generation X employees are most commonly motivated by things which offer them a good home / work life balance including:

- Family-based benefits

- Lifestyle benefits

- Corporate wellbeing

- Recognition of achievement

- Professional development opportunities

Generation Y -Millennials (Born: 1980 – 1995): Generation Y employees are most commonly motivated by things which are a little more on the creative and technological side than other generations including:

- Money Opportunities to learn new technologies

- An enjoyable workplace environment

- Short, changeable and fast tasks

- Opportunities to express creativity and opinions

Generation Z (Born: 1996 Onwards): Generation Z employees are most commonly motivated by having their voice heard, equality and other motivators including:

- Respect

- Out of work socialization

- Money saving schemes

- Experience days

- Mentoring platforms

Advantages of Reward Management

A. **Effectiveness Worth**: Creates an increased sense of worth and improved morale in the workplace. Colleagues see that exceptional performance is appreciated by upper management and may step up their own productivity levels with the understanding that their work could be noticed as well.

B. **Loyalty**: When employees are treated like family, they're far less likely to betray the company for personal gain.This reduces the likelihood of issues like office theft, the release of proprietary information and instances of fudging time sheets and expense reports. Employees are more likely to talk positively about their company in the community thus enhancing the business's reputation.

C. **Longevity**: When employees feel valued and appreciated and see they have room for advancement, they are less likely to look for other employment, even if the salary is higher. A company that has seasoned, long-term professionals on staff reduces the costs of continually hiring and training new employees.

D. **Quality**: Recognizing employees for innovative ideas and concepts can lead to increased quality of a company's products and services. Employees who feel their ideas are welcomed and credit is given where it is due may reject complacency and continually strive to perform at top levels.

Linkage of Performance Management to Reward and CompensationSystem

Today organizations are showing a high degree of commitment towards reinforcement of reward practices which are aligned with other HR practices and the goals of the organization for attracting, retaining and motivating employees. Efficient reward practices helps in attracting result driven professionals who can thrive and succeed in performance based environments. Hence, it is a crucial motivator and may contribute towards the enhancement of the productivity of the employees if implemented properly. For example, **Continental Airlines** as a part of their turnaround strategy introduced on time bonus incentive package according to which an employee will gain a bonus of $65 every month for ensuring on time flight operations.

An effective reward system should be linked with the performance development system, which focuses on performance based pay and offers ample learning opportunities along with a healthy work environment. Variable pay can play a crucial role in boosting the performance of the employees especially the star performers instead of the fixed pay packages. Few such reward practices may take the forms of gain sharing, bonuses, team based incentives, profit sharing, ESOP's and equity based incentive awards.

An efficient management of reward system may have a beneficial effect upon the performance in several ways - instilling a sense of ownership amongst the employees, may facilitate long term focus with continuous improvement, reduces service operating costs, promotes team work, minimizes employee dissatisfaction and enhanced employee interest in the financial performance of the company. Few organizations like General Mills, reward their employees for attaining new skills which may add value to the organizational performance and thereby facilitate job rotation, cross training and self managed work teams. Few organizations also recognize exceptional performance by providing recognition awards and lump-sum merit awards for winning employee commitment and attaining long term beneficial results. Example, TISCO, offers instant or on the spot rewards, monthly rewards and annual rewards to its employees under its 'Shabashi scheme'.

A healthy pay for performance strategy should incorporate the following components as is provided in the table given below:

Pay for Performance Strategy		
Category	**Performance Measures**	**Basis for Rewards**
Corporate Leaders	BSC, shareholders returns and EVA	Employee stock ownership and profit sharing.
Business Unit Leaders	Profitability of the unit	Results Sharing.
Functional Leaders	Level of contribution towards the corporate goals	Milestone Awards
General Employees	Specific KRA's achieved measured periodically	Profit/gain sharing, bonuses
Source: Sullivan E (1999), "Moving to a pay for performance strategy: Lessons from the Trenches", In Risher, H(Ed.), Aligning Pay and Results, AMACOM:NY.		

Rewards can be a vital source of motivation for the employees but only if it is administered under right conditions. Few strategies which improve the effectiveness of rewards are given below:

- Linking rewards with the performance
- Implement team rewards for the interdependent jobs for example Xerox.
- Ensuring that the rewards are relevant. Example Wal-Mart, rewards bonuses to the top executives which is based on the company's overall performance whereas the frontline employees earn bonus on the basis of the sales figure or targets attained by their store.
- Ensuring that the rewards are valued by the employees.
- Checking out for the undesirable consequences of administration of any reward practice.

Besides the monetary rewards, the contemporary employees desire for non monetary rewards which may be in the form of better career opportunities, skills development and recognition programs. Many IT and project-based organizations give much importance to non-monetary rewards for maximizing employee satisfaction.

The linkage between performance, rewards and motivation can be established by the following diagram:

Porter-Lawler Model
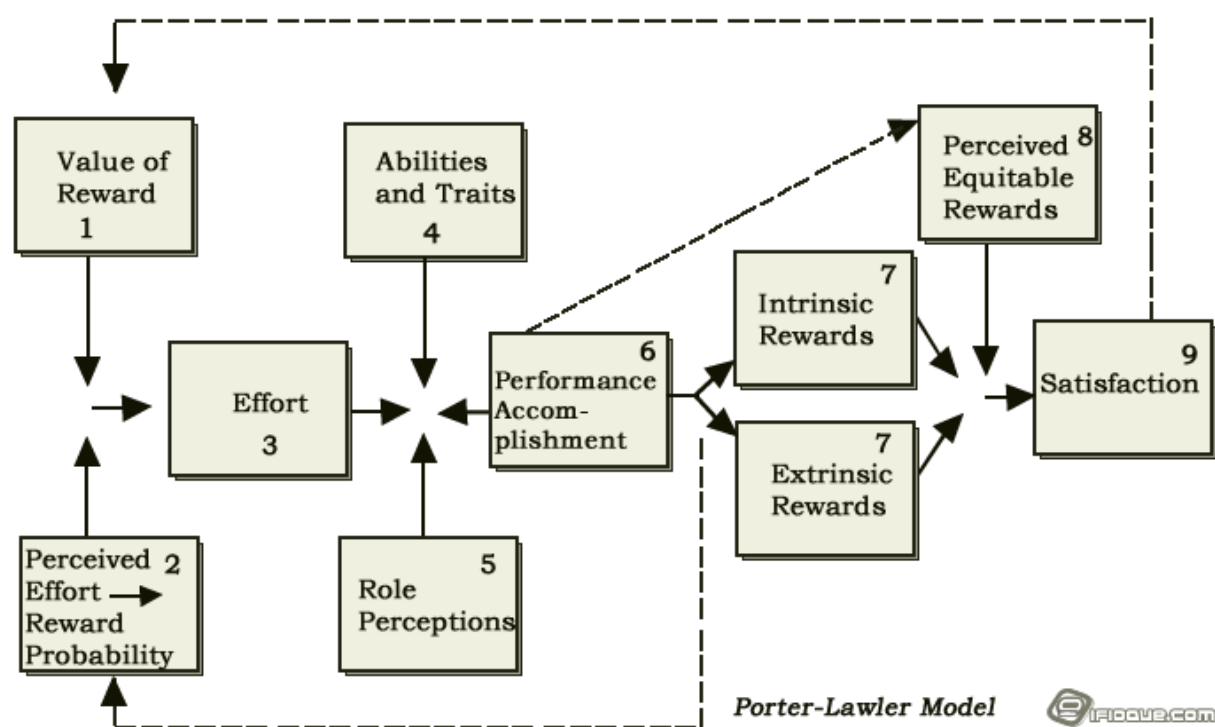
The value of the expected reward to the individual (1) combines with the individual's perception of the effort involved in attaining the reward and the probability of achieving it (2) to produce a certain level of effort (3), this effort combines with the individual's abilities and traits (4) and the way he /she sees the task (5) to yield specific performance level (6), this resulting level of performance leads to intrinsic rewards (or negative consequences if the performance level is lower than expected) that are inherent in the task accomplishment (7a) and perhaps to extrinsic rewards (7b). The individual has his/her own idea about the appropriateness of the total set of rewards received (8) which when measured against the rewards actually received, results in the level of satisfaction experienced by the individual (9). The individual's experience

will then be applied to his / her future assessments of the values of rewards for further tasks accomplishment.

"Do what you get paid for" syndrome

The "Do Only What You Get Paid For" Syndrome means that the closer pay is tied to particular performance indicators, the more employees tend to focus on those indicators and neglect other important job components. Therefore,easily measured stuff swamps important but hard to measure stuff.

The impact of this kind of behaviour is as follows:

- Negative Effects on the Spirit of Cooperation - Employees may withhold information from a colleague if they believe that it will help the other person get ahead

- Lack of Control - Employees often cannot control all the factors affecting their performance.

- Demotivating when pay is influenced by factors outside one's control

- Difficulties in Measuring Performance -make it hard to assign a pay level.

- Unethical behaviour might arise to cut corners, to scheme and receive more than deserved.

Types of Pay for Performance Plans

These are of four types:

A)   Individual based
B)   Team based
C)   Plant wide based
D)   Corporate wide based

Micro Level		Macro Level	
Individual	Team	Business Unit / Plant	Corporate
Merit Pay	Bonuses	Gainsharing	Profit Sharing
Bonus	Awards	Bonus	Stock Plans

Award		Award	
Piece Rate			

Pay for Performance : Assumptions

Payforperformance or incentive systems reward employee performance on the basis of these assumptions:

1.Individual employees and work teams differ in how much they contribute not only in what they do it but how they do it.

2.Company overall performance depends to a large extent on the performance of individuals and groups.

3.To attract, retain and motivate high performers and be fair to all employees a company needs to reward employees on the basis of their relative performance.

PayforPerformance :TheChallenges

- Link pay and performance appropriately
- Use payforperformance as part of a broader HRM system
- Build employee trust

Meeting the Challenges of PayforPerformance Systems

- Promote the belief that performance makes a difference
- Use multiple layers of rewards
- Increase employee involvement
- Use motivation and nonfinancial incentives

Types of Pay for Performance Plans -Individual-based plans

•Merit pay

•Bonus programs

•Lump - sum payments

Advantages

•Rewarded performance is likely to be repeated expectancy theory

•Financial incentives can shape an individual's goals

•Help the firm achieve individual equity

•Fit in with an individualistic culture

Disadvantages

•May promote single-mindedness

•Employees do not believe pay and performance are linked

•They may work against achieving quality goals, and they may promote inflexibility.

IndividualConditions under which individual - based plans are most likely to succeed

•When the contributions of individual employeescan be accurately isolated

•When the job demands autonomy

•When cooperation is less critical to successful performance or when competition is to be encouraged

Types of Pay for Performance Plans - Teambased

Team based plans attempt to support other efforts to increase the flexibility of the work force within a firm. These plans normally reward all team members equally based on group outcomes.

Advantages

- Foster group cohesiveness
- Facilitate performance measurement

Disadvantages

- Possible lack of fit with individualistic cultural values
- Freeriding effect
- Social pressures to limit performance
- Difficulties in identifying meaningful groups
- Intergroup competition leading to a decline in overall performance.

Conditions under which teambased plans are most likely to succeed

- When work tasks are so intertwined it is difficult to single out who did what
- When the firm's organization facilitates the implementation of team-based incentives
- When the objective is to foster entrepreneurship in self-managed work groups

Types of Pay for Performance Plans - Plant-wide plans

Generally referred to as gainsharingprograms because they return a portion of the company's cost savings to the workers, usually in the form of a lump-sum bonus.

Advantages

- Eliciting active employee input
- Increasing the level of cooperation
- Fewer measurement difficulties
- Improved quality

Disadvantages
- Protection of low performers
- Free riders
- Problems with the criteria used to trigger rewards
- Management-labor conflict

Conditions favoring Plant-Wide Plans:
- Firm size
- Small to medium sized plants
- Technology does not limit improvements
- Historical performance takes into account different plants' varying levels of efficiency so as to not penalize efficient plants
- Corporate culture - less likely to succeed in firms with a traditional hierarchy
- Demand for product is relatively stable

Types of Pay for Performance Plans - Corporate-wide Plans

These are macro type of incentive programs and are based on the entire corporation's performance. The types of Plans under this category are :

- Profit-sharing plans - Cash plans where employees receive cash shares of the firm's profits at regular intervals.

- Deferred profit-sharing plans - A predetermined portion of profits is placed in each employee's account under a trustee's supervision.

- Employee stock ownership plans (ESOPs) - A corporation annually contributes its own stockor cash (with a limit of 15% of compensation) to be used to purchase the stockto a trust established for the employees. The trust holds the stock in individual employee accounts and distributes it to employees upon separation from the firm if the employee has worked long enough to earn ownership of the stock.

Advantages

- Financial flexibility for the firm
- Increased employee commitment
- Tax advantages

Disadvantages

- Risk for employees
- Limited effect on productivity
- Longrun financial difficulties.

Conditions favoring corporate-wideplans

- Firm size
- Interdependence of different parts of the business
- Market conditions
- The presence of other incentives

PERFORMANCE MANAGEMENT SYSTEM

Performance Management Applications & Improvements
(Module-3)

Mitrabinda Nayak

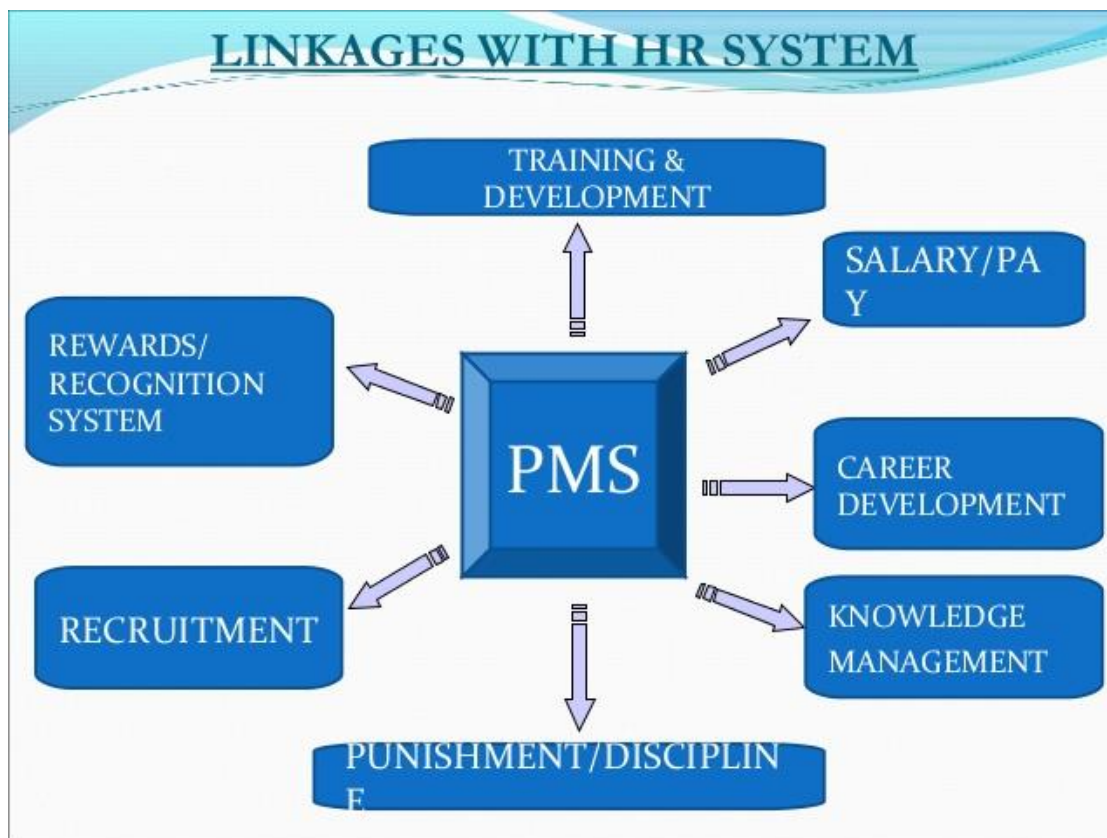**Performance Management in Practice**

Most of the companies have their own system of performance management. There are some basic principles which most companies follow like objective setting yet there is a wide variety when it comes to its application.

After analysing the data collected from different organizations in different sectors, the following broad trends have been identified:

1) Performance Management is regarded as a number of interlinked processes rather than a single system.
2) It is seen as a continuous process.
3) There is an increasing emphasis on inputs.
4) The focus is on development rather than pay.
5) There is a shift towards line managers' accepting and owning performance management as a natural process.
6) There is a rejection of bureaucracy.

1)   **Performance Management as an interlinked process -** The performance system is linked to other HR processes like –
   i)   Salary / Pay
   ii)   Rewards / Recognition systems
   iii)   Career Development
   iv)   Training & Development
   v)   Knowledge Management
   vi)   Recruitment
   vii)   Punishment / Discipline

LINKAGES WITH HR SYSTEM

2) **Performance Management as a continuous process –** Performance Management System is no longer seen as an annual exercise. The different steps involved in it are carried out throughout the year culminating in performance appraisal and review.

3) **Increasing emphasis on inputs –** There is a conscious move towards competence-based inputs. This means that the objective setting stays. From the objectives there is a top down approach which flows downs to individual competence as inputs.

4) **Focus of development –** In the 90's there was a paradigm shift in emphasis from pay to development. The key aspect is to help individuals realise their potential and still contribute to business improvement. There is a strong system of Performance - related – Pay in many organizations, however these are also linked to development of the individual.

5) **Line-manager ownership of performance management –** It is the responsibility of the line manager to ensure that individuals understand the performance management system of the company, are convinced by it from their business units' point of view.

6) **Rejection of bureaucracy –** There is an underlying trend in many organizations where employees are moving away from the bureaucratic form-filling and rating methods to a more

informal setup where the emphasis is one improving the quality of conversations between managers and subordinates rather than gathering data.

Key Features of Performance Management in the Manufacturing & Service Sector

Key Performance Indicator (KPI) – A KPI is a type of performance measurement that evaluates the success of specific business functions. The type of industry and the internal goals of a company usually decide the KPIs on which the business should focus on. KPIs vary depending on the type of business – whether it produces physical products or offers services. Hence we have to understand performance management from the perspective of a manufacturing setup as well as a service industry.

Key performance indicators (KPIs) are the targets that are set to help an organization define and measure progress. KPIs must be quantifiable, and be core-critical success factors of the organization. They should also reflect the organization's goals. There are literally thousands of measures (KPI's) that could be implemented. As with any complex topic, the key to success is finding the few key measurements that impact the business the most. Some of the best measurements will be obvious, but others may need to be uncovered by those experienced in implementing performance management in your industry.

Performance Management in Manufacturing Sectors

Performance management is an approach to helping a business achieve its goals through the planning of critical performance targets and the measurement of progress towards those targets. It can be, and often is, applied at every level of the business. The important **advantages** of PM in a manufacturing setup is as follows:

i) **From Top Floor to Shop Floor -** At its top level, performance management includes strategic plans and the targets needed to achieve those plans. At its most detailed level, it includes targets for the manufacturing operations with such key indicators such as uptime, defects per run, cycle times and others. Performance management lets you drive results through focused execution of strategies across all levels of the business. This gives increased visibility and control. Performance

management helps a company make decisions and then execute them. It can be the backbone that connects all the activities of the business into a system of accomplishing the high level goals that management wants to achieve, and one source of the truth. The approach allows you to build the high level goals of the business, and then to set supporting goals all the way down to individual department metrics.

ii)   **Department Silos -** It also can provide the shared insights for shop level personnel to understand their contribution to higher level goals, and empower these employees to perform better. Today's manufacturers are often structured with disconnected silos, which makes it difficult to avoid conflicting activities, with a potential negative impact on overall company goals. Additionally, manual department forms, or spreadsheets are difficult to consolidate in order to provide insights to higher level goals.

iii)   **In – time Feedback -** Performance management is a real time activity that provides instant feedback when certain activities are not meeting their goals, and to correct them before they negatively impact the organization. Goals can also be easily updated to accommodate new facts, and then reviewed as to their effect on higher level goals. Performance management also establishes alerts and exception reporting to allow quick reactions to minute by minute deviations from targets.

iv)   **Achieving Focus** - Performance management also provides a focus for the organization on the most important factors to success. Key performance indicators (KPIs) are set only for the most critical areas that most impact the results of the organization. This helps to provide a visibility into the actions that make a direct difference in accomplishing critical goals

v) **The Drivers of Performance Management -** Performance management can give you a deep understanding of the levers affecting performance on any dimension of your business- production, supply chain, sales, product lines, customers and channels. Performance management delivers visibility into the true drivers impacting your bottom line. Understanding these drivers can also provide the basis for implementing continuous improvement programs in the organization.

vi) **ERP – A Foundation for Performance Management** - The biggest advantage of an <u>ERP system</u> is the real-time capability - the ability to see what is going on within your company as it happens. You have access to literally thousands of fields of information, and millions of transactions of activity. You can look up information that spans departments so you can see the big picture.

Key Features of Performance Management in the Manufacturing Sector

i) **Aligning with business purpose -**The overall goal of performance management is to align the top level goals of the business to the complex network of activities within the business. Top level goals can include items such as customer satisfaction, product variety, quality and a host of others. For success, it is imperative that all the activities in the business point and execute towards these goals.

ii) **Achieving operational success -** Another overriding goal of performance management to optimize of all the sub processes within the business. Developing feedback for each of the operations can start the incremental process improvements necessary for organization success.It is critical to determine the key performance indicators for each role or operation, and start the process of unit improvement. Measuring each role or operation can also provide the motivational push to initiate incremental improvements.

iii) **ERP Integration -** The first step to measure all activities in the operations is to collect data about all the activities. ERP manufacturing systems have now integrated all the business management functions, including planning, inventory/materials management, engineering, order processing, manufacturing, purchasing, accounting and finance, human resources, and more. Fortunately, the latest ERP manufacturing systems not only collect all this information, but provide an IT structure of how one activity relates to another, thereby allowing a view that crosses departments.

For example, a report of production orders and the associated raw material status is easy to produce, because the relationship of both has been pre-defined. You can imagine the difficulty of creating the report if the linkage between them did not exist (as in manual or piece meal systems).

iv) **Using Data as a Strategic Asset -** Performance management provides the insights needed to exceed the competition. You can only imagine an organization that aligns with each individual's opinions versus one that aligns to the goals of the whole. Performance management can align all these processes into the company-wide goals, and achieve a strategic advantage.

A Simple Example - You have decided that your strategic advantage is to provide the shortest lead times for your customer orders, even if your prices are a little higher. You want to appeal to customers who need quick turnaround for whatever reason. You set this as a strategic goal, and now want to set some focused KPIs to accomplish it. Your KPIs would need to focus on achieving your goal, and would probably emphasize such things as material lead time performance, shop queue time, machine cycle times, and the like. Your employees would then know what you want to emphasize, and can focus their attention on improving those areas. Other goals would exist, but would always be secondary to your lead time strategy.

v)   Starting with a Goal -

Some High Level Common Goals

- On-time delivery
- Quality improvement
- Flexibility
- Reduced inventory
- Shorter lead times
- Improved productivity
- Information sharing
- Continuous improvement
- Cost reduction
- Demand reliability
- Profitability by unit, product, or area
- Market share

Example KPI's in Manufacturing

The KPIs will be used to monitor production at a glance. In selecting these KPIs, it is important to limit the number of KPIs in order to focus on those that are essential for

the overall organization to reach its goals.These production and operational level metrics provide the basis for higher level KPIs, which finally then provide performance measurement to strategic goals. At any time, the higher level KPIs can be drilled down to the lower level KPIs which comprise it, in order to identify the root cause of problem areas.

Shop floor KPIs:

- Operation Due Dates Met
- Material Usage Variances
- Cost of Scrap & Re-work
- Operator Efficiency %
- Labor Rate Variances

Quality KPIs

- Measurement of Corrective Actions to Customer Issues
- Reduction of Returned Materials
- Lead Time Reduction
- Conformance with Outside/Government Regulations

Maintenance KPIs

- Critical Machine Availability
- Downtime
- MTBF (Mean Time Between Failures)
- Maintenance/Dept Budget vs. Actual
- Maintenance Inventory Levels

vi. Delivering Timely, Actionable Information - **The final piece of the performance management puzzle involves delivering the business insights to the decision makers within the timeframe for action. This becomes near impossible for all but computerized systems. For those with modern systems, it is easy to provide real-time visibility into key operating performance targets, and to react as crucial changes occur.**

Performance Management in Service Sector

The service sector consists of the following industries :

a) Hotels and Restaurants
b) Transport (Railways, Airways, Roadways), Transport and Communication
c) Banking, Financial services & Insurance
d) Real estate
e) Public Administration etc

Service industries often rely on exceptional customer service to ensure strong operations and to attract repeat business. Continually setting goals and measuring performance in these key areas helps the business remains competitive, profitable and successful. Helping staffers understand expectations through goal-setting can increase productivity and empower staffers to higher levels of performance.

The main features of Performance Management in the service industry comprises of the following:

1.   Key Objectives - Key objectives in the service industry should include:
   i)   high customer satisfaction levels
   ii)   increased revenue
   iii)   positive word-of-mouth reputation
   iv)   increased market share
   v)   low employee turnover.

Objectives can be measured through customer comment and suggestion cards, online surveys, focus groups and in-person interviews. Management may opt to develop a numerical classification system to gauge and measure performance in key service areas.

2.   Service Initiatives - Service initiatives that can increase performance andgoal meeting include ongoing on-the-job training and peer-to-peer mentoring. Providing regular feedback and offering a mechanism for employees to approach management with concerns and suggestions can help increase overall service performance. Include staffers in the goal-setting process to ensure buy-in and make staffers feel they're being heard.

3. Setting Goals - Developing clear, measurable service goals can help employees in the service industry understand management expectations and set the stage for how an organization wants customers treated. Goals can be set by department or by individual and be monitored and measured through customer satisfaction surveys and performance appraisals. Goals should be clearly defined, have timelines for completion and should be achievable.

4. Performance Indicators - Develop criteria for measuring goal progress and performance. In the service sector, indicators could include high marks on customer feedback surveys, increased repeat business figures, production/output, revenue generation and customer referral numbers. Also take into consideration levels of absenteeism, meeting deadlines, taking initiative, staying on budget and participating in team environments.

5. Performance Evaluation - Staffers in the service industry should be regularly evaluated on their customer attitudes, knowledge of the company's products and services and through customer interaction observance. Employees can be evaluated on their goal progress. Unsatisfactory evaluations should be followed with detailed improvement plans, mentoring and ongoing service training. Consider reverse appraisals to gauge management performance as well as peer-to-peer evaluations to get a well-rounded picture of performance levels.

6. Value of Performance Measurement - Organizations that regularly monitor and measure performance in key service areas can stay ahead of their competition. Having such a system in place allows an organization to monitor customer service attitudes, get employee feedback, notice areas of concern quickly and fix problems before they become costly.

Performance Management System at NALCO

2.2.1 Key Objectives of the Appraisal System

The key objectives of the appraisal system of Nalco are:

- to integrate individual and organisational goals through a system of performance assessment which is linked to the achievement of organisational goals;
- to ensure an objective assessment of executive performance against mutually agreed target well in advance;
- to provide individual executives with continuous and periodic feedback on their performance and identify their developmental need;
- to identify and develop the potential of executive for enhanced performance;
- to build a database and to enable quick and effective administrative decision in respect of career planning, promotion, job rotation and job enrichment.

Steps in the Appraisal Process at NALCO

Table 3.Steps in managerial appraisal process of Nalco

Form	Description of Appraisal Process
A	Performance Target Setting Exercise – The appraiser will inform the appraise about the department/ groups's objective and targets with reference to the internal MOU (memorandum of understanding signed with corporate management) targets of the unit and hands over form A. The appraise will identify a set of key task for the year and Key Performance Areas (KPAs) and fills up form A which is only an exercise sheet, to furnish a set of key task with timeframe and relative weightage.
B	Finalisation of tasks and targets- The appraiser and appraisee mutually agree to a set of key tasks for the year, link each key task with suitable timeframe and assign relative weightages, and finally fill up form B and sign it. This form is also countersigned by reviewing officer(higher in rank to appraiser) for his acceptance.

Form	Description of Appraisal Process
C	Quarterly performance review- Four quarterly performance review meetings take place in which the appraiser and appraisee review performance, record level of achievement, reason for variation and details of special task if assigned.
D1	Annual target achievement appraisal– This is done by appraiser and reviewing officer in at the end of the year. The annual target is compared against achievement (in terms of quantity, quality and time frame/date as the case may be) and percentage achievement is recorded independently by appraiser and reviewing officer. Weighted score of a particular key task/special task is calculated by appraisal cell, giving 70% weightage to appraiser and 30% weightage to reviewing officer. The appraiser also gives his observation about the appraisee which is shown to the appraisee for information. Subsequently the reviewing officer makes his observation as well.
D2 & D3	Managerial skill appraisal – The appraiser makes evaluation of managerial characteristics (traits) i.e. six Performance factors (in D2) and nine potential factors (in D3) at the end of the year. The forms describe the measures for the factors to limit subjectivity and remove confusion for the appraiser. The process suggests the appraiser to maintain record of specific incident separately (both positive and negative incidents) to the extent possible for removing subjectivity. The reviewing officer also rates these aspects. A five point rating scale is used with '1' being 'poor' and '5' being 'outstanding'. Ratings by both carry 50% weightage each. The appraiser is asked to identify three major strengths and weaknesses of the appraisee from a given list or by choosing his/ her own words.
E	Training need identification- In this form, the appraisee identifies his own training need and records the details of programme with justification. The appraiser holds discussion with appraisee and records his recommendation on training need. Finally the reviewing officer gives his/her observation in regarding training needs of the appraisee, which is taken into consideration by the HRD department for implementation subsequently.

(table continues)

(continued)

Form	Description of Appraisal Process
F	Final rating calculation- The appraisal cell of HR department calculates the rating given by the appraiser and reviewing officer and fills up final score and final overall grade of the appraisee.
G (from 2009-10)	Moderation/ normalisation/ rationalisation– The moderation commitee formed at different levels reviews all final ratings based on level and work area of the manager and forces a normal distribution by keeping maximum 15% at the top and 10% at the bottom. A bell curve of rating distribution is achieved.

Performance Management at ITC

Its diversified businesses includes Five segments ; FMCG, Hotels, Paperboards, Paper. It was founded in August 24,1920 as Imperial Tobacco Company. ITC Limited or ITC is an Indian conglomerate headquartered in kolkata, West Bengal.

Performance Management System

- Performance management system includes activities to ensure that goals are consistently being met in an effective manner.
- Performance management can focus on performance of the organization , a department processes to build a product or service ,employees.
- Performance management of individual employees - It can be different and generally includes the following: planning the work, setting goals, offering feedback and reviews ,offering opportunities to learn more in one's field, and rewarding employees who perform well.
- Performance Management Cycle - It's a technique used by company managers and executives to encourage employee growth and job satisfaction. In case of ITC the cycle consists four steps mainly These are Plan, Act, Monitor, Review.
- Performance Appraisal Methods used in ITC
- Performance Appraisal Methods Used in ITC :
  - BARS
  - MBO
  - 360 Degree feedback
  - Balance score card

Performance Management at SBI

- SBI has over 2 lakh employees on its rolls. This will be the very first time in India's largest commercial bank that, each and every employee can analyse their monthly performance against assigned targets.
- SBI launched Performance appraisal system. The new PMS of SBI has been developed in consultation with BCG (Boston Consulting Group).
- The name of PMS of SBI is Career development system/ Sakhsam.
- PMS of SBI involves the following steps
  - Goal setting
  - Fixing KRA for each employee
  - Performance appraisal
  - Feedback mechanism

- In SBI importance is given to budgetary, measurable and non-measurable role assigned to employees.
- **Goal setting** - Individual goal, organizational goal and mutual goals are set for the year.SBI has been strategically investing in enhancing its 'Human Capital' to achieve their individual goals which ultimately helps in achieving its corporate goals.
- **Key responsibility areas (KRAs)** - KRAs are fixed for each & every employee, (Annual, 2017-18) almost 90% of the positions has been made budgetary or measurable. (management study guide). Key responsibility areas (KRAs) refer to a detailed summary of what all an individual is expected to do at the workplace. The tasks and activities that an individual perform in his/her organization which would eventually earn revenues for the organization are their key responsibility areas or in short their KRAs. In SBI KRAs have been standardised for all level of employees having similar work profile. (Annual, 2017-18) The PMS gather data required for fixing KRAs and then analyses performance against the standards. The results of the analysis are then used for Promotions and Rewards and Recognition purpose.
- **Performance appraisal** - The performance appraisal system of SBI is named as career development system (Annual, 2017-18), which evaluate individual employee performance in an objective and transparent manner. This PMS is IT-driven and has been extended to cover all the employees. SBI follows grading system for appraising employee performance. Grading like AAA, AA, A, B & C are used to give grade to employee performance. In performance appraisal system weightage is assigned as follows:
  - ➢ 70% weightage is given to key responsibilities areas assigned to employees
  - ➢ 30% weightage is given to employee's immediate supervisor
- **Review mechanism** - In Indian banking industry for the first time SBI has adopted formal monthly review system where employees can view their monthly performance against assigned targets. The result of performance appraisal is then used for promotion, incentives and rewards to employees. The system also has provision for capturing the developmental needs of the individual employees through competency assessment. High performance is rewarded through monetary benefits, taking decisions on an extension in service, and requests for transfers. SBI also states that Introduction of the new appraisal system is 'not meant to identify low performers'.

Strategies for Improving Performance

It goes without saying that **good performance is often the result of highly engaged employees**. This is someone who is doing great work, owning their job and creating awesome results. They are emotionally connected to the organization and are focused in their efforts and their productivity. They are the kind of employee that we wish everyone was. This isn't always the case for all employees, however, and at times we need to focus our efforts on improving an employee's performance.

There are six key steps to improving performance:

1. Clarify expectations of good performance. Employees need to know what is expected so that they can meet those expectations. This is often communicated through a job description, a performance review and a <u>conversation with their manager</u> so that they can discuss examples of what good performance looks like.

2. Explain consequences of poor performance. Take a performance improvement discussion as an opportunity to be clear on what the consequences are if performance isn't improved and to <u>hold the team member accountable</u>. This isn't to threaten or scare the employee but to emphasize the importance of the need for improvement. You don't want the employee to leave the conversation feeling that the discussion included some "suggestions" for improvement; you want them to understand that there is a sense of seriousness to the situation.

3. Monitor performance and provide specific feedback. When you see behaviour from an employee that needs to change, you need to <u>be specific in your feedback</u>. Vague comments, alluding to a needed behaviour change, or ignoring the situation does not help the situation. The more specific you are with the person, the more likely you are to see things improve. This also applies to positive feedback – if an employee does something awesome, be sure and provide them with specific feedback so that they will continue to give you awesome performance.

4. Provide advice for improvement. Many times, employees are at a loss for ways to change their performance and they can be stuck. If you find that the employee is trying but they continue to produce lacklustre results, have a conversation and give them some examples of what you are looking for. <u>Discuss the situation</u> in a way that can inspire them to try new strategies or attempt tasks differently.

5. Give them time to improve. Employees need time to try out new strategies and opportunities to focus on the desired improvements and to see if their efforts are

effective. It is important to give people enough time before you move forward with any consequences if things haven't improved. <u>The more feedback you provide</u> during this time the better, so that the employee can become clearer on what it is that they are striving for.

6. Follow through on your consequences. As a part of this process, you outlined the consequences of poor performance. If performance has not improved then it is important that you follow through with those consequences. You can always modify the consequences; however, a conversation with the employee is always warranted in that situation.

Striving for great employee performance is a two-way street that takes effort from both the manager and the employee. The more that you can work towards performance improvement as a partnership between the two of you, the more successful you will be. Ultimately, employees want to do a good job and the more you can help them achieve that, the happier everyone will be.

Improving Organizational Performance

To improve organizational performance, top management needs to focus on developing a high-performance culture.The characteristics of such a culture are −

- a clear line of sight exists between the strategic aims of the organization and those of its departments and its staff at all levels;

- management defines what it requires in the shape of performance improvements, sets goals for success and monitors performance to ensure that the goals are achieved;

- leadership from the top that engenders a shared belief in the importance of continuous improvement;

- focus on promoting positive attitude that results in a committed, motivated and engaged workforce.

The momentum for the creation of a high-performance culture has to be provided by the top management. There is a clear sense of mission underpinned by values and a culture expressing what the firm is and its relationship with its customers and employees.

Improving Team Performance

At a team level, performance management approach to teamwork can be used to improve team performance in the following areas –

i.   **Setting Objectives -** Team objectives can be concerned either with the achievement of work targets and standards or with the way in which the team operates.

ii.   **Work Objectives** - Work objectives for teams are formulated in the same way as individual objectives. They may be related to the mission and overall objectives of the organization and the function, unit or department in which the team operates. The team should agree on its overall mission or purpose and then on the specific objectives that will support the accomplishment of that mission.

iii.   **Team working objectives** - Team working objectives could be agreed on such matters as working together, contribution of team members, decision making and getting into action.

iv.   **Work plans** - It is important for teams to get together to create plans for achieving their agreed objectives. Work plans will specify programs (staged as necessary), priorities, responsibilities, timetables, budgets and arrangements for monitoring performance, feedback and holding progress meetings.Work plans can also be useful for the team to discuss the critical success factors — what must be done and how it must be done if its mission and objectives are to be attained.

v.   T**eam performance reviews** - Team performance review meetings analyzes and assesses feedback and control information on their joint achievements against objectives and work plans.

The agenda for such a meeting could be as follows −

- **General review** − of the progress of the team as a whole.

- **Work review** − the results obtained by the team and how well it has worked together.

- **Group problem-solving** − an analysis of reasons for any major problems and agreement of steps to be taken to solve them or to avoid their reoccurrence in the future.

- **Updating of objectives and work plans** − review of new requirements, and amendment and updating of objectives and work plans.

Improving Individual Performance

To improve performance, therefore, attention has to be paid to −

- **increasing ability** − by recruitment (people will want to join the organization), selection (choosing the right people) and learning and developing (people will want to enhance their knowledge and skills);

- **increasing motivation** − by the provision of extrinsic and intrinsic rewards;

- **increasing opportunity** − by providing people with the opportunity to use, practice and develop their skills.

At the individual level, improvement in performance can also be achieved through policies and practices designed to increase learning by coaching, mentoring and self-managed learning. The aim should be to increase 'discretionary learning', which happens when individuals actively seek to acquire the knowledge and skills required to achieve the organization's objectives.

Line managers play a pivotal role in this by encouraging discretionary learning and supporting it through coaching and mentoring. Performance management provides a valuable platform for doing this.

Essentially, the approach covers seven steps −

- **Select the goal** − establish priority areas for action.
- **Define expectations** − targets and standards.
- **Define performance measures** − the basis upon which progress to achieving the goal can be monitored.
- **Plan** − the improvement program.
- **Act** − implement the improvement program.
- **Monitor** − review progress and analysis feedback to ensure the target or standard is achieved.
- **Extend the process** − continue the development program as required.

Analyzing Performance Problems

There are a variety of psychological mechanisms that managers sometimes use to avoid the unpleasant truth that performance gaps exist. The psychological mechanisms have been described as follows –

a) **Evasion through rationalization -** Managers may escape having to demand better performance by convincing themselves that they have done all they can to establish expectations. They overlook the possibility of obtaining greater yields from available resources.

When they do ask for more they are too ready to believe their staff when they claim that they are already overloaded, and they may weakly take in the extra work themselves. Or, they may go to the opposite extreme and threaten workers with arbitrary demands, unaccompanied by specifications of requirements and deadlines for results.

b) **Reliance on procedures**

Managers may rely on a variety of procedures, programs and systems to produce better results. Top managers say, in effect, 'Let there be performance-related pay, or performance management' and sit back to wait for these panaceas to do the trick – which, of course, they won't unless they are part of a sustained effort led from the top, and are based on a vision of what needs to be done to improve performance.

c) **Attacks that skirt the target**

Managers may set tough goals and insist that they are achieved, but still fail to produce a sense of accountability in employees or provide the support required to achieve the goals.

What's a performance problem?

● Missing deadlines

● Being late for meetings

● Not getting compliance training done

● Takes a long time to fulfil his duties

● Using an ethnic joke to kick off sales meeting

What Steps are to be taken

Managing underperformers is a positive process which is based on feedback throughout the year that looks forward to what can be done by individuals to overcome performance problems and how managers can help. The five basic steps required to manage them are as follows:

1) Identify the problem - Analyze the feedback and, as far as possible, obtain agreement from the individual on what the shortfall has been. Feedback may be provided by managers but it can in a sense be built into the job. This takes place when individuals are aware of their targets and standards, know what performance measures will be used and either receive feedback/control information automatically or have easy access to it.With proper feedback, the employees will then be in a position to measure and assess their own performance and, if they are well-motivated and well-trained, they can take their own corrective actions. In other words, a self-regulating feedback mechanism exists. This is a situation that managers should endeavor to create on the grounds that prevention is better than cure.

2) Establish the reason(s) for the shortfall - When seeking the reasons for any shortfalls, the manager should not crudely be trying to attach blame. The aim should be for the manager and the individual jointly to identify the facts that have contributed to the problem. It is on the basis of this factual analysis that decisions can be made on what to do about it by the individual, the manager or the two of them working together. It is necessary first to identify any causes that are external to the job and outside the control of either the manager or the individual.

Any factors that are within the control of the individual and/or the manager can then be considered. What needs to be determined is the extent to which the reason for the problem is because the individual −

- did not receive adequate support or guidance from his/her manager
- did not fully understand what he/she was expected to do
- could not do it – ability
- did not know how to do it – skill
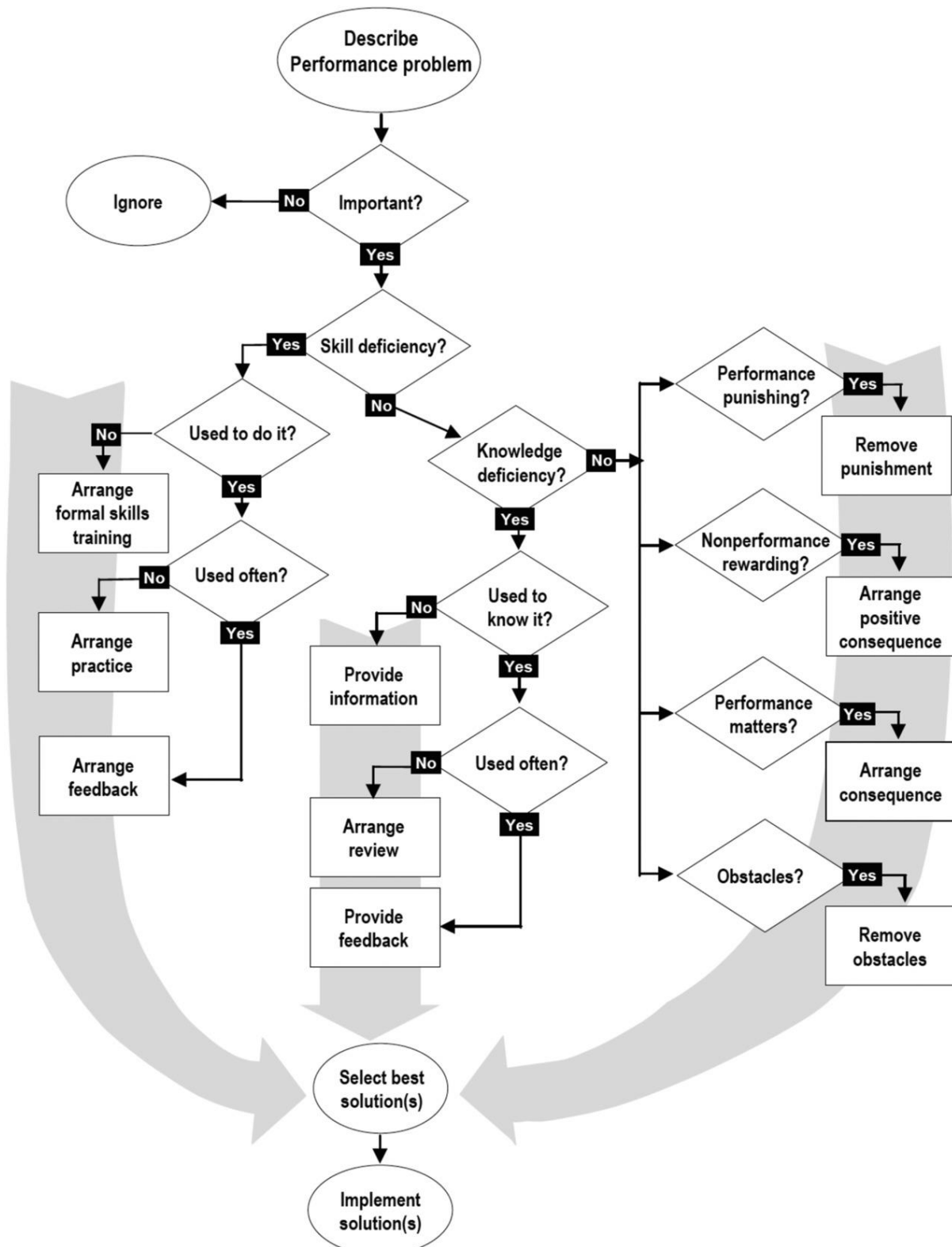- would not do it – attitude

3) Decide and agree on the action required - Action may be taken by the individual, the manager or both parties. This could include −

- the individual taking steps to improve skills or change behavior;

- the individual changing attitudes – the challenge is that people will not change their attitudes simply because they are told to do so; they can only be helped to understand that certain changes to their behavior could be beneficial not only to the organization but also to themselves;

- the manager providing more support or guidance;

- the manager and the individual working jointly to clarify expectations;

- the manager and the individual working jointly to develop abilities and skills – this is a partnership in the sense that individuals will be expected to take steps to develop themselves but managers will provide help as required in the form of coaching, training and providing additional experience.

Whatever action is agreed, both parties must understand how they will know that it has succeeded. Feedback arrangements can be made but individuals should be encouraged to monitor their own performance and take further action as required.

4) Resource the action - Provide the coaching, training, guidance, experience or facilities required to enable agreed actions to happen.

5) Monitor and provide feedback - Both managers and individuals monitor performance, ensure that feedback is provided or obtained and analyzed, and agree on any further actions that may be necessary.

Describe Performance problem

Important? — **No** → Ignore

Yes

Skill deficiency?

Yes → Used to do it?
- **No** → Arrange formal skills training
- **Yes** → Used often?
  - **No** → Arrange practice
  - **Yes** → Arrange feedback

No → Knowledge deficiency?
- **Yes** → Used to know it?
  - **No** → Provide information
  - **Yes** → Used often?
    - **No** → Arrange review
    - **Yes** → Provide feedback
- **No** →
  - Performance punishing? — **Yes** → Remove punishment
  - Nonperformance rewarding? — **Yes** → Arrange positive consequence
  - Performance matters? — **Yes** → Arrange consequence
  - Obstacles? — **Yes** → Remove obstacles

Select best solution(s)

Implement solution(s)

Adapted from *Analyzing Performance Problems* (1984, 1987), Mager, Robert F. and Pipe, Peter. Lake Publishing Co., Belmont, CA.

Performance Counselling & Coaching – Concept, Principles & Skills

An important aspect of Performance Management is Counselling & Coaching. This takes place specifically during performance review meetings but can take place any time during the year. We have counselling and coaching when we feel that there is some problem in terms of behaviour. There are several reasons for misbehaviour. Some of them are as follows:-

- If misbehaviour is due to wrong attitude, values or habits, a counselling session facilitated by a skilled manager may help provide both the manager and the employee concerned with a common desire to improve the situation.
- If misbehaviour is due to lack of skills, knowledge, insufficient prudence or foresight, mentoring or coaching sessions can help, provided that the manager knows what and wants to teach and the employee agrees to learn.
- If the employees are insufficient in knowledge and skills but high in attitudes and habits, the proper management intervention is mentoring / coaching.

Managers must be good coach or mentor. They can only be such if they have gained a certain level of expertise and proficiency that can inspire respect among personnel. If the employees are insufficient in proper attitudes and habits, even high in knowledge and skills, the appropriate management action is Counselling. Managers must be good counsellors. The best form of counselling is by example. In other words, counselling and coaching/mentoring are viewed as developmental programs and are considered positive approaches in aligning employee behaviour with employer's expectations, goals and organizational vision, an element of a continuing process of employee discipline.

The Philosophy of Coaching/Mentoring and Counselling

- To empower the organization
- To express management's concern
- To uplift the spirit
- To empower individual
- To inspire the spirit
- To build a team
- To spread competence

Desired combined results of mentoring and counselling

- A caring organization

- Employees with high morale

- An empowered workforce

- Inspired and passionate individuals

- An entire workforce working as a team

- A widespread competence

- An empowered organization

Counselling

Counselling is defined as a discussion between the employer and the employee about the real or perceived performance deficiency or job- related behavior; the employee's perception of the identified behavior and the employer's involvement in helping the employee correct these behaviors; and the employee's attempt to reduce or eliminate the misconduct or incompetence.

Advantages of counselling

- It is a better form of caring.

- Listening to frustrations of employees makes managers express empathy and sympathy.

- Giving sound advice and counsel, emits positive vibrations and give out sparks of wisdom.

- A self-esteem that suffered a series of traumatic pressures needs some form or revival and revitalization.

- Counselling provides healing process to remedy all these pains. minimizes, if not removes the bitterness of rejection. Whenever management rejects an employee, he suffers. Counselling alleviates these sufferings.

- It is a powerful means of team-building.

- Counsellor and counselee spend time together and share information.

Steps in counselling

- Listen, observe and analyze.

- Empathize

- Identify the problems / issues

- Generate the alternatives

- Assess each alternative

- Let the person choose his alternative

- Assist the person in implementing it.

Tips in Counselling

- Prepare in advance for counselling sessions.

- Conduct the counselling sessions in privacy. Do not allow outside interruptions.

- Focus your attention on the employee's behaviors and performance indicators that led to this counseling session.

- Discuss only these behaviors and indicators and not the employee's character, morality, or personality.

- Be direct and honest. After welcoming the employee, go directly to the reason for your meeting.

- Remain objective without showing emotion.

- Even though some employees may be hostile, remain calm, speaking in a measured voice.

- Keep an open mind. Look for a solution or set of solutions.

- Allow the employee an opportunity to talk.You must be a good listener.

- Never characterize the counseling session as "discipline."

- Do not speak in a punitive or derogatory manner to the employee.

- Be sure to thank the employee for meeting with you and make it clear you are available for further discussion or help.

Coaching

Coaching is a process where a peer or manager works with an employee to motivate her, help develop her skills and provide reinforcement and feedback.

Advantages of Coaching

- It is a form of caring.

- Whenever managers and supervisors mentor /coach, they give something of themselves to the employee.

- They express a concrete form of concern, caring, loving. It is an effective approach at empowerment.

- It gives them preparation and the confidence to just do it and achieve what are expected of them.

- Before employees are expected to deliver results, they should be equipped with the needed skills to do their jobs. It is a means of strengthening the mental faculties.

- This shall train the mind to think as much as the muscle to perform the task.

- People who are coached or mentored are expected to think better and do more. It is a way of enhancing physical ability.

- It is a way of building up physical capabilities, strengthen their stamina, sharpen their skills and improve knowledge level. It is a team-building mechanism.

- The relationship shares hours of working together, and solve problems jointly. They consult, discuss and collaborate. It is a way of democratizing power.

To create a really powerful organization, every single member of the organization should have more knowledge and more competence. It is a way of strengthening the whole organization. When even the lowliest clerk has competence, the whole organization stands to benefit. Whenever one resigns or retires, another equally competent guy is ready to take over.The organization will not crumble when one leaves because everyone is ready to fill the gap.

Steps in Coaching

- Let the employee observe how you work.
- Break up the work into steps.
- Explain the rationale for each step.
- Allow the employee to do it step by step.
- Allow the employee to identify successes and improvement ideas.
- Allow the employee to formulate improvement steps.
- Assist the employee in perfecting his work.

Tips in Coaching

- Know your work.
- Review the basics.

- Be prepared to answer questions about every aspect of the job.

- Know your company.

- Help the trainee overcome the hurdles of unfamiliar company policies and practices.

- Get to know your protégé.

- Learn as much as you can about the person you are mentoring. Learn to teach.

- If you have minimal experience in teaching, pick up pointers on teaching methods from the best trainers you know. o Learn to learn.

- Never stop learning – not only the latest techniques in your own field, but developments in your industry, in the businesses, and in the overall field of management.

- Be patient. Patience is key to success.

- Be tactful, kind and courteous.

- Be gentle but firm, and let the trainee know you expect the best.

- Do not be afraid to take risks.

- Give your protégé assignments that will challenge his or her capabilities. o Failures may occur, but we learn from our failures.

- Celebrate successes.Let the trainees know you are proud of their accomplishments and progress made.

- Encourage your protégé to become a mentor or counsellor.

Coaching Vs Counselling

Performance Monitoring

Performance monitoring may be defined as the process of appraising an environment of continuous learning and development. It will be done by maintaining the employee's performance, enhancing individual competencies to make them more productive for the organization.

Successful business management requires the ongoing monitoring of performance in order to generate data by which to judge the success or otherwise of specific strategies. The improvement in performance can only be realistically achieved when management is properly informed about current performance and to this end it is important to identify key performance indicators (KPIs) that will enable management to monitor progress.

Characteristics of Performance Monitoring

The key <u>characteristics of performance monitoring</u> are given below:

1. In organizations, a performance monitoring plan is a critical tool for planning, managing, and documenting data collection.
2. It is an important part of performance management system to control and measure the behaviours.
3. This helps in maintaining the employees' performance as per the goals and objectives of the organization.
4. Performance monitoring helps in building the strong relationships between the management and employees for their efficient performance.
5. It facilitates career development of employees and provides the training and development opportunity to employees.

Some Monitoring and Mentoring Behaviours of the Manager are as follows:

- They are praising good performance.
- They help in faulting behaviour without rejecting the person.
- They share feelings rather than pronouncing value judgments.
- They believe in demonstrating and demanding integrity in behaviour and intent.
- Nurturing effective employees through continual reaffirmation of their worth to the organization.

Objectives of Performance Monitoring

Performance monitoring explicitly promotes the value that a manager and their managee accept as joint responsibility for monitoring progress on the tasks and goals agreed upon during the initial performance planning or expectation setting meeting and subsequent review meetings. The managers use instruments like written reports, review discussions and on-the-spot inspections to track:

- Timely and quality fulfilment of managing tasks and goals.
- Help and support legitimately needed by the managee's tasks, including those agreed upon during planning and review meetings.
- To improve employee's job performance as well as methods and techniques of measuring.
- Introducing the continuous learning and development process.
- Periodic reviews help the performance manager.
- It helps in correct planning assumptions and errors mid-course before it is too late.
- It monitors and encourages progress, and keep the work on track.
- It strengthens a dyadic relationship between the manager and the employee.

Importance of Performance Monitoring

Performance monitoring is important because of the following reason:

- Performance monitoring provides scope for modification, change, and or alteration of the existing performance management system as per the outcomes measured in the process.

- It helps in reviewing and correcting performance objectives. Because it is linked to the mission and objectives of the organization.

- It identifies areas for competency improvement for the overall development of employees and the organization.

- It continually enhances the performance of employees and making them efficient.

- It helps in realizing the full potential of employees and organizations for excellence in performance.

Process of Performance Monitoring

In this process, the manager observes managee performance through:

- Periodic written reports.
- Scheduled meetings.
- On-the-spot inspections, or field or site visits in case of managees whose location is different from that of the manager.
- Relevant and reliable information from other available sources.

In the entire course of the monitoring process, the manager provides feedback to the managees and asks for feedback from the managees during group or team meetings. They need to discuss common issues, problems, etc.

High-Performance Work Teams

High-Performance work teams comprise a group of highly talented and motivated professionals working together for the achievement of a common goal or business objectives. High-Performance teams assure the highest levels of performance and productivity, unlike average teams by leveraging the business resources optimally and making best utilisation of the available talents or competencies. Such teams drive business excellence and achieve business synergies by way of effective planning and execution of the strategies.

The ten essential characteristics of High-Performance Teams:

1. **Clearly Defined Mission and Goals:** High-Performance teams highlight the work goals or the mission which inherently implies their reason for existence. Apart from this, the teams set interim goals periodically and responsible for planning & implementation of relevant decisions or strategies. The expectations are clearly defined and the team members exist with a strong sense of purpose.

During the stage of Expectation setting, the leader of the team takes care of the following factors:

- Seeing to it whether the expectations are adequately communicated and effectively to the team members.

▪ Ensures understanding of the expectations of the team members by defining and implementing effective communication strategies.

▪ Ascertaining that the team members readily accept and act as per the pre-established expectations.

▪ Providing necessary motivation and resource-driven support to the team members for ensuring the realisation of the expectations.

2. **Open Communication:** The members of the High-Performance work teams enjoy the freedom to share or exchange various types of information, can communicate openly and transparently and give/receive constructive feedback for improving performance at work. Besides this, the team establishes a specific process for the dissemination of vital information amongst the team members.

3. **Mutual Trust and Cohesiveness Amongst the Team Members:** The members of the High-Performance teams have mutual trust, share a strong bonding, respect for each other, cooperate and support each other for the realisation of the superordinate goals. Such teams provide maximum opportunities for social interaction in a cross-functional set-up and facilitate reliability and oneness by offering opportunities to the members for participating in cross-functional training programmes.

4. **Proactive and Qualitative Decision-Making and Problem Solving:** The members of the High-Performance teams are active and experts in resolving complicated issues and implementing vital decisions successfully together as a group. Decisions which are implemented can be process-driven in nature or initiative driven.

5. **Efficient Conflict Resolution Mechanism:** The High-Performance work teams are quick and proactive in understanding the triggering factors or potential sources of conflicts and resolve it with the mutual consent of the team members. Such teams characterise a high level of solidarity and unity, as a result of which are efficient in conflict management by way of effective communication and resolution techniques. The members of the teams are trained in conflict management skills and practising interpersonal and communication skills at work for delivering productive outcomes. The team members work in a participative culture and are contribute their innovative ideas or participate in conversations freely.

6. **Meetings are Productive in High-Performance Teams:** The meetings are well planned and organised, with more focus given on factors which may help in

enhancing overall team performance and maximising productivity. The team members contribute brilliant ideas in the meeting for resolving work-related challenges, participate in decision-making and vital information is shared in the meetings.

7. **Clarity of Roles:** The members of the High-Performance teams have clarity of their roles as well as the responsibilities of others in the team. They are aware of their duties and accountabilities for fulfilling their work-related obligations and interdependence of every member of the team for realising the ultimate mission or objectives.

8. **High-Performance Work Teams are Innovative and Deliver Productive Outcomes:** The members of the High-Performance Teams are more productive and skilled at driving innovative best practices in the workplace, implementing reforms in the systems/processes and achieving record-breaking milestones. The team members are experts in benchmark setting and defining the measures for evaluating the productivity in terms of efficiency (analysing the efficiency of the team processes) and effectiveness (quality of the outcomes). Innovation and productiveness is measured as per eight dimensions: Quality improvement, Time Saving, Cost Control & Reduction, Increase in the Output, Meeting the Committed Deadlines, Adherence with the Safety Regulations and minimisation of accidents, streamlining of the existing systems/processes and enhancing interpersonal communication.

9. **Strong Leadership:** The leaders of the High-Performance teams play a crucial role in setting up strategic framework and course of action for the team members. They define the goals and priorities, ensure effective coordination in various aspects and foster a collaborative environment for enhancing opportunities and delivering successful outcomes. The leaders facilitate a participative culture, encourage active participation by the team members in crucial decisions and provide the necessary support as well as guidance to the members of the team.

10. **Provide Maximum Opportunities for Development to the Team Members:** The team members can have access to maximum opportunities for personal and professional development to the team members. The members of the team can hone their cross-functional skills by way of experiential learning and participate in the project assignments. Various developmental interventions which periodically undertaken in such teams such as classroom training, outdoor training,

self-directed learning, coaching & mentoring and feedback sessions are for the benefit of the team members.