

Emerging Trends in Performance Management System

A Ramesh

#8-30/S/45/10,

Near Scholars School,

New Hema Nagar, Uppal, Hyderabad.

ABSTRACT

In this global scenario there is a tough competition between the organisations. Human resources are considered to be a very important asset for every organisation than that of the technical infrastructure. The success and sustainability of the organisation depends upon the performance of the human capital, hence in this fiercely competitive global market to combat the challenges organisations need a continuous review on the performance of their manpower. Performance management is the process of creating work environment. This paper aims at studying the trends in performance management system, for the betterment of the employee performance to achieve the organisational goals as well as the individual goals.

Implementing structured performance management system lead to the high involvement and commitment of the people in the organisation.

Key words: performance management system, trends, effectiveness of performance management system, betterment.

INTRODUCTION

Performance management is a process by which managers and employees work together to plan, monitor and review an employee's work objectives and overall contribution to the organization. More than just an annual performance review, performance management is the continuous process of setting objectives, assessing progress and providing on-going coaching and feedback to ensure that employees are meeting their objectives and career goals. Traditionally, performance management focused on annual appraisals as the measure of employee's progress.

Managers in each department completed performance appraisals when notified by human resources that an employee had reached his annual hire date. Computer software has changed the ways management measures employee performance. Along with annual performance measures, integrated systems allows to use a wide range of assessment tools to ensure human resources is able to support the strategic goals of the organization. To understand why performance management is changing, we first need to acknowledge the aspects of the old model that are struggling to meet our needs. Based on annual or biannual reviews, the traditional approach is all about setting long-term goals and objectives: it doesn't respond to changing needs or provide in-the-moment feedback. Employees are rated by their managers based on their overall performance for the year, and some companies use forced rankings (where managers rate employees relative to the performance of their peers, distributing ratings into a pre-specified distribution) to further quantify performance. This model is gradually being phased out as new research demonstrates that numerical ratings have a negative impact on engagement and self-confidence. 89% of organisations surveyed for the Global Human Capital Trends 2015 report have recently changed their performance management strategy, or intend to do so within the next two months. Yearly reviews have also been found to be less valuable to both individuals and performance than regular feedback.

Characteristics of an Ideal Performance Management System

Combination of forms, processes and procedures is used by organizations to evaluate their employees' job performance.

The ideal performance management system consists of several elements: job descriptions, performance expectations, appraisals, disciplinary policies and commendations. Although supervisors and employees alike often dread annual performance evaluations and appraisals, many performance management systems function well and provide adequate support for a productive workforce.

Job Descriptions

An accurate job description is a fundamental characteristic of an ideal performance management system. Without a clear understanding of job duties, it's impossible to know what the employee is supposed to be doing. The job description isn't a laundry list of tasks for each title or position; however, it contains the essential functions of each job and the qualifications necessary to perform those tasks.

Training

An ideal performance management system provides training for supervisors who conduct employee evaluations. The training consists of techniques for giving complimentary as well as constructive feedback to employees, learning how to determine when disciplinary review is warranted and how to write up employees for disciplinary action. In addition, supervisors learn how to evaluate employees objectively. Training for employees explains how their performance will be measured and evaluated, as well as what actions are subject to disciplinary review and the policies for receiving disciplinary counselling and notices.

Timeliness

Performance appraisals -- the annual evaluation of employee performance -- must be timely. Although supervisors and employees alike may dread the appraisal season, they may also look forward to know how well their performance ranks when compared to the employer's expectations. A timely performance appraisal works to address problems and deficiencies before they become too serious.

Likewise, employee performances worthy of commendation should be immediately recognized to reinforce the positive behavior and action.

Compensation

Employees generally want to know how their performance is connected to pay. This question often comes up during the interview stage, so it's an important factor for employees, especially workers who have become accustomed to extra rewards for their efforts. An ideal performance management system has a tie-in with compensation, whether it's a certain percentage raise or wage hike based on the employee's level, effort or actual performance and productivity. Money isn't everything, but management consultant and HR expert Dick Grote recognizes the ideal performance management system as being able to "mobilize the energy of every employee in the enterprise toward the achievement of strategic goals."

Advantages and Disadvantages of Performance Management

Most often the experience of performance management is not an amazing one. When someone else manages others or is being managed by another person, it is stressful and lengthy. Performance Management has both positive and negative aspects, and bad performance management affects both the employees and the managers. Likewise, the proper performance management is always pleasing to both the employees and the manager, the performance management system is created for appraising the competence, output and contribution of all the workers. In this way the managers can control the functioning of their companies and guide the employees to work in accordance to the demands and requirements of the companies. It helps to decide and produce a definite number of goods per unit of time; which will be most favourable to the business and growth of the company.

Advantages of Performance Management:

Interactions are often performance based:

The popular concept about performance management is lengthy, unnecessarily complex and hectic, but in reality

performance management is essential for properly controlling a company. Effective and well-planned performance management is worthwhile for both the employers and the employees, as through performance management the regular small mistakes and petty negligence's can be rectified easily.. With performance management the employers take regular feedback and often have performance based interactions with the workers so that they can properly evaluate. The performance concerns are discussed between the employees and the employers, this interactions and discussions creates awareness amongst the employees about the problems faced by the company, so they try to rectify the problems and in this way the company's growth is achieved.

Progress of employees is the Aim:

All companies should always try for the progress of their employees; as the workers join a company to achieve development in their field of work and it is the duty of the organisation to guide the employees and assist them in achieving efficiency and competence. This is done best when there is performance management in a company; when it is followed properly all the inefficiencies of the workers can be observed and rectified through suitable measures. Thus performance management is a significant part of successful company planning.

Remunerations for successful employees:

The remunerations and bonuses given by the companies to the successful workers act as effective incentives to inspire the workers for better performance. The employees will correlate their remunerations with the appreciation of the company for their hard work. Along with words of encouragement from managers and seniors; the monetary incentives inspire the workers to perform better.

The lazy and insincere workers are identified and removed:

There will be some workers who are insincere and lack the commitment to perform as required by the organisation. Performance management helps to identify

these under-performers; after a performance appraisal these under-performers can be listed and then the managers and the authority may take the decision of what to do with them. Either these workers should be asked to work following guidelines of the company and give the necessary effort or the insincere employees would be removed as they always slow down the progress of the company.

Helps in successful career planning:

Performance Management provides both the employees and the employers with valuable career insights and real professional information which is immensely valuable when one takes career decisions or does career planning. The strong points and aspirations of employees can be clearly discerned through their performance management documents; and the employees can take future career decisions depending on this. The performance management files consist of the employees' professional objectives, his career plans, his achievements and his weaknesses and also the manager's opinion about him as an employee of the company. It provides both official training and progress plans based on the performance outcome of the employees.

Disadvantages of Performance Management:

Lengthy and Complex:

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

Partialities and Favouritism:

The company managers are often partial and favouritism is also practised; this hampers the process of performance management. Hence to keep away partialities from the PA is difficult as it is solely dependent on the senior and manager to remain impartial and unbiased to conduct a proper Performance appraisal.

A faulty performance evaluation is the outcome of a manager who has preconceived notions and evaluates performance of employees based on biases.

Employees may suffer from low self-esteem:

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

Become a hindrance in the employee's progress:

Sometimes the experience of performance management is unpleasant and stressful; it becomes an obstacle in the progress of the employee. The managers may discourage and dissuade the employees through performance management if over emphasise is done on the errors and mistakes of the employees; and the achievements and often overlooked. Then the employees will feel that they are not given enough due for their hard work, their achievements; the company only highlights their failures without praising them for the achievements. Always performance management should be a process of constructive support, encouragement and a celebration of the achievements; the mistakes and errors should be subtly pointed out and solutions also should be provided to the employees.

Global Trends in Performance Appraisal Program

There is a high level of dissatisfaction with traditional performance management. The shift to the next generation of performance management will require organisations to evolve existing practices, rather than revolutionise their approach, according to Mercer.

"The traditional performance management model has served Australian employers well for decades and there are many elements worth retaining," said Nice. "However, there are some fundamental changes that need to be made if organisations are to foster a high

performance culture and remain an attractive value proposition to current and prospective employees." The performance appraisal process has become the heart of the Human resource management system in the organisations. Performance appraisal defines and measures the performance of the employees and the organisation as a whole. It is a tool for accessing the performance of the organisation. The important issues and points concerning performance appraisal in the present world are:

The focus of the performance appraisals is turning towards career development relying on the dialogues and discussions with the superiors. Performance measuring, rating and review systems have become more detailed, structured and person specific than before.

- Performance related pay is being incorporated in the strategies used by the organisations.
- Trend towards a 360-degree feedback system
- The problems in the implementation of the performance appraisal processes are being anticipated and efforts are being made to overcome them.
- In India, the performance appraisal processes are faced with a lot of obstacles, the most prominent being the lack of quantifiable indicators of the performance.

GLOBAL TRENDS

The emergence of following concepts and the following trends related to Performance appraisal can be seen in the global scenario:

360 Degree Appraisal

360 degree feedback, also known as 'multi-rater feedback', is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come in contact with the employee on his job. Organisations are increasingly using feedback from various sources such as peer input, customer feedback, and input from superiors. Different forms with different formats are being used to obtain the information regarding the employee performance.

Team Performance Appraisal

According to a wall street journal headline, “Teams have become commonplace in U.S. Companies”. Most of the performance appraisal techniques are formulated with individuals in mind i.e. to measure and rate the performance of the individual employee. Therefore, with the number of teams increasing in the organisations, it becomes difficult to measure and appraise the performance of the team. The question is how to separate the performance of the team from the performance of the employees. A solution to this problem that is being adopted by the companies is to measure both the individual and the team performance. Sometimes, team based objectives are also included in the individual performance plans.

Rank and Yank Strategy

Also known as the “Up or out policy”, the rank and yank strategy refers to the performance appraisal model in which best-to-worst ranking methods are used to identify and separate the poor performers from the good performers. Then the action plans and the improvement opportunities of the poor performers are discussed and they are given to improve their performance in a given time period, after which the appropriate HR decisions are taken. Some of the organisations following this strategy are Ford, Microsoft and Sun Microsystems. The Mercer research, which took in 64 organisations across 18 countries including Australia, identified eight emerging trends that employers need to understand to evolve their thinking on performance management:

1. Performance management will evolve – not disappear: the focus will shift away from annual performance evaluations to a continuous dialog on performance, development and coaching – more about talent management than purely management against objectives.
2. Closer link to corporate culture and values: a shift away from “fixing” performance to enabling employees to be at their best. Embed this as an ongoing activity, rather than a once a year “event”.

3. Different approaches for different parts of the workforce: different types of jobs (e.g. sales versus senior executives versus designers/developers) need different types of models – one size doesn’t fit all.
4. Abandon the performance rating: the rating ends up being a label but not helpful for enabling performance. If ratings aren’t eliminated altogether then they will be simplified into broader categories.
5. Separate performance from reward: formulaic approaches to reward, based on performance ratings, are questionable particularly where the objectives are more qualitative or delivered through team collaboration.
6. Continuous feedback: the frequency, focus and quality of interactions will all change to enable a more real time conversation about feedback and more contemporary data on how the employee is tracking.
7. Technology to enable, rather than record: mobile technology can be used to allow for more immediate and personalized feedback.
8. Enable managers to become leaders: development of managers to enable them to become better coaches and mentors for their employees. Enable them to focus conversations with employees on capabilities and performance rather than what went wrong.

The new model

The new approach is all about ability and flexibility, so there is no universal approach as companies search for solutions that work best for them. However, there are, a couple of characteristics that these new models have in common.

- Real-time feedback
- Tailored approach
- Team-centric goals

- Integration
- Categorisation

Real-time feedback

One of the most prominent changes across the board is the increase in feedback. This increased transparency means that employees are always aware of where they stand, and it prevents managers from delaying tough conversations with under-performers.

Tailored approach

Research has shown that setting clear goals and objectives are essential to the success¹ of any performance management strategy, this system focuses on coaching individuals to succeed in their roles and managing to their strengths.

Team-centric goals

The new models also focus heavily on collective goals, aiming to improve collaboration and performance by setting targets that require the strength of an entire team to meet.

Integration

Technological advances mean that performance management is no longer an isolated HR initiative and can be integrated into our day-to-day lives.

It allows both employees and managers to set specific goals for each fiscal year and requires review meetings at least every eight weeks. At the yearly rewards check in, managers can assign rises and bonuses based on how well an individual has met their targets.

Categorisation

The new models all acknowledge that understanding workforce is critical, and categorisation goes hand-in-hand with all of the four points. If we're regularly meeting with employees, it is that much easier to identify who the high potential individuals are. The agility of the new approach, with its real-time feedback and individual focus, enables managers to instantly identify talent. By disassociating the process from HR and managing to strengths, managers can move these

folks more quickly into situations where their skills yield the most value.

SOURCE OF DATA

This study is purely depends upon secondary data which is collected from the websites, published literature, research papers, articles, magazines, and various other sources.

CONCLUSION

When implementing performance management system in the organisation, the culture and structure of the company need to be considered. The success of the organisation depends upon the committed work force, but the techniques used must be fair and equitable for every employee. Managers must create an environment which the employees should adopt the changes in the organisation. In every activity sector new trends emerge, while old trends are left behind or revamped into something new to fit the overall context in that specific area of activity.

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