

Performance Management Systems – Its Challenges

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ABSTRACT

A performance management system is the key factor used in determining whether an organization can manage its human resources and talent effectively. Performance management provides information on who should be trained and in what areas, which employees should be rewarded, and what type of skills are lacking at the organization or unit level. Therefore, performance management also provides information on the type of employees that should be hired. When implemented well, performance management systems provide critical information that allows organizations to make sound decisions regarding their people resources.

The paper endeavors to emphasize the Performance Management practices in eight organizations across sectors in the Indian scenario. It inspects concerns in the performance management procedure and offers suggestions.

KEYWORDS: Performance Management, Appraisal Methods, Employee Evaluation, Performance Appraisal.

INTRODUCTION

Performance Management is an ongoing process. It does not take place just once a year. Performance management is a continuous process including several components. These components are closely related to each other and the poor implementation of any of them has a negative impact on the performance management system as a whole. The components in the process are shown as seen in Diagram 1.

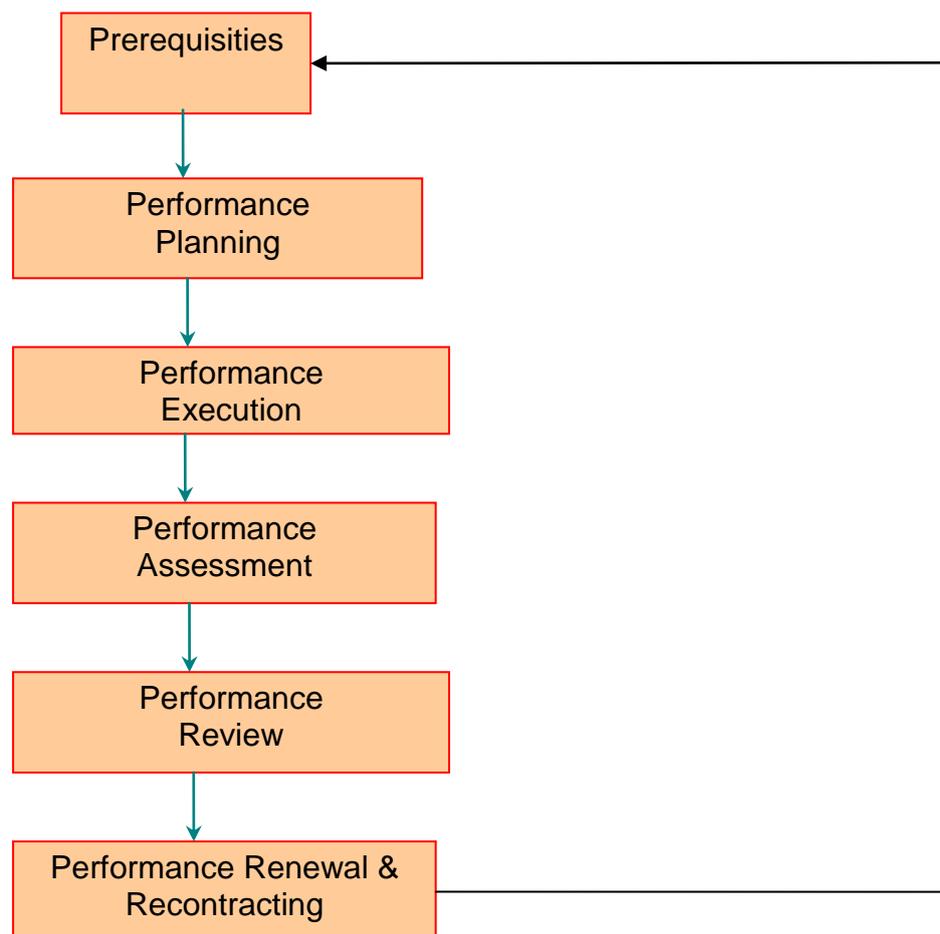


Diagram 1: Performance Management Process

A brief description of each of these components can be explained as follows:

i. Prerequisites:

There are two important prerequisites that are required before a performance management system is implemented: (1) knowledge of the organization’s mission and strategic goals and (2) knowledge of the job in question.

ii. Performance Planning:

The performance planning discussion includes a consideration of both results and behaviours, as well as a developmental plan. A consideration of behaviours includes discussing competencies, which are measurable clusters of Knowledge, Skills and Abilities (KSAs) that are critical in determining how results will be achieved. At a minimum, the plan should include identifying areas that need improvement and setting goals to be achieved in each area.

iii. Performance Execution:

At the performance execution stage, the following factors must be present; commitment to goal achievement, ongoing performance feedback and coaching, communication with supervisor, collecting and sharing performance data and preparing for performance interviews. Also supervisors have primary responsibility over the following issues of; observation and documentation, updates, feedback, resources and reinforcement.

iv. Performance Assessment:

In the assessment phase, both the employee and manager are responsible for evaluating the extent to which the desired behaviours have been displayed, and whether the desired results have been achieved.

v. Performance Review:

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion

vi. Performance Renewal and recontracting:

This final stage is identical to the performance planning component. The main difference is that the renewal and recontracting stage uses the insights and information gained from the other phases.

OBJECTIVE

The objective of the research is to stress the magnitude of the course of the performance management scheme. After this, we need to recognize and investigate a remedy to meet the disputes that may follow.

METHODOLOGY

The Research Methodology is based on primary data available through interviewing around eight Personnel managers. It also includes secondary data available through various web-site portals, books and e-articles. The integration of the information is used to imply behaviours and modes to meet the arising testing of the processes involved in the Performance Management function.

FINDINGS

Methods of Performance Appraisal:

There are many types of performance appraisal methods. Some of them are:

- 1) Job results/outcome
- 2) Essay method
- 3) Ranking
- 4) Forced Distribution
- 5) Graphic Rating Scale
- 6) Behavioural Checklist
- 7) Behaviourally Anchored Rating Scales (BARS)
- 8) Management by Objectives (MBO)

Job Results

Though not an appraisal method per se, job results are in themselves a source of data that can be used to appraise performance. Typically, an employee's results are compared against some objective standard of performance. This standard can be absolute or relative to the performance of others.

Results indexes are often used for appraisal purposes if an employee's job has measurable results. Examples of job results indexes are rupee volume of sales, amount of scrap, and quantity and quality of work produced. When such quantitative results are not available,

evaluators tend to use appraisal forms based on employee behaviours and/or personal characteristics.

Essay Method

The essay method involves an evaluator's written report appraising an employee's performance, usually in terms of job behaviours and/or results. The subject of an essay appraisal is often justification of pay, promotion, or termination decisions, but essays can be used for developmental purposes as well.

Since essay appraisals are to a large extent unstructured and open-ended, lack of standardization is a major problem.

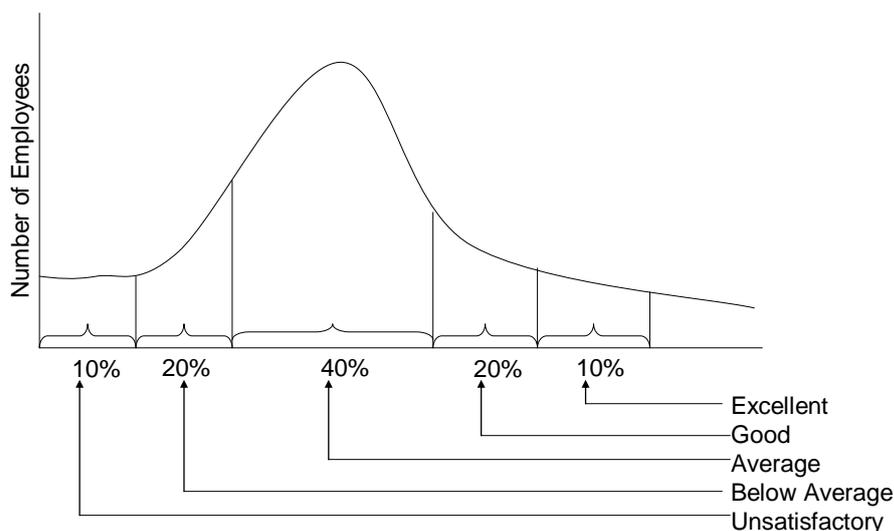
Ranking

Ranking methods compare one employee to another, resulting in an ordering of employees in relation to one another. Rankings often result in overall assessments of employees, rather than in specific judgments about a number of job components. Straight ranking requires an evaluator to order a group of employees from best to worst overall or from most effective to least effective in terms of a certain criterion. Alternative ranking makes the same demand, but the ranking process must be done in a specified manner (for example, by first selecting the best employee in a group, then the worst, then the second-best, then the second-worst, etc.).

Forced Distribution

Forced distribution is a form of comparative evaluation in which an evaluator rates subordinates according to a specified distribution. Unlike ranking methods, forced distribution is frequently applied to several rather than only one component of job performance.

Diagram 2: Forced Distribution Method of Performance Appraisal



Graphic Rating

Graphic rating scales are one of the most common methods of performance appraisal. Graphic rating scales require an evaluator to indicate on a scale the degree to which an employee demonstrates a particular trait, behaviour, or performance result. Rating forms are composed of a number of scales, each relating to a certain job or performance-related dimension, such as job knowledge, responsibility, or quality of work. Each scale is a continuum of scale points, or anchors, which range from high to low, from good to poor, from most to least effective, and so forth. Scales typically have from five to seven points, though they can have more or less. Graphic rating scales may or may not define their scale points.

Behavioural Checklist

A behavioural checklist is a rating form containing statements describing both effective and ineffective job behaviours. These behaviours relate to a number of behavioural dimensions determined to be relevant to the job.

Items from a behavioural checklist for a salesperson's job

Instructions: Please check those statements descriptive of an employee's behaviour.

1. Calls on customers immediately after hearing of any complaints
2. Discusses complaints with customer

3. Gathers facts relevant to customers' complaints
4. Transmits information about complaints back to customers and resolves problems to their satisfaction
5. Plans each day's activities ahead of time
6. Lays out broad sales plans for one month ahead
7. Gathers sales information from customers, other salesmen, trade journals, and other relevant sources

Behavioural checklists are well suited to employee development because they focus on behaviours and results, and use absolute rather comparative standards. An advantage of behavioural checklists is that evaluators are asked to describe rather than evaluate a subordinate's behaviour. For this reason, behavioural checklists may meet with less evaluator resistance than some other methods. An obvious disadvantage of behavioural checklists is that much time and money must be invested to construct the instrument.

BARS - Behaviourally Anchored Rating Scales

Behaviourally anchored rating scales (BARS) are rating scales whose scale points are defined by statements of effective and ineffective behaviours. They are said to be behaviourally anchored in that the scales represent a continuum of descriptive statements of behaviours ranging from least to most effective. An evaluator must indicate which behaviour on each scale best describes an employee's performance.

BARS differ from other rating scales in that scale points are specifically defined behaviours. Also, BARS are constructed by the evaluators who will use them. There are four steps in the BARS construction process:

1. Listing of all the important dimensions of performance for a job or jobs
2. Collection of critical incidents of effective and ineffective behaviour
3. Classification of effective and ineffective behaviours to appropriate performance dimensions
4. Assignment of numerical values to each behaviour within each dimension (i.e., scaling of behavioural anchors)

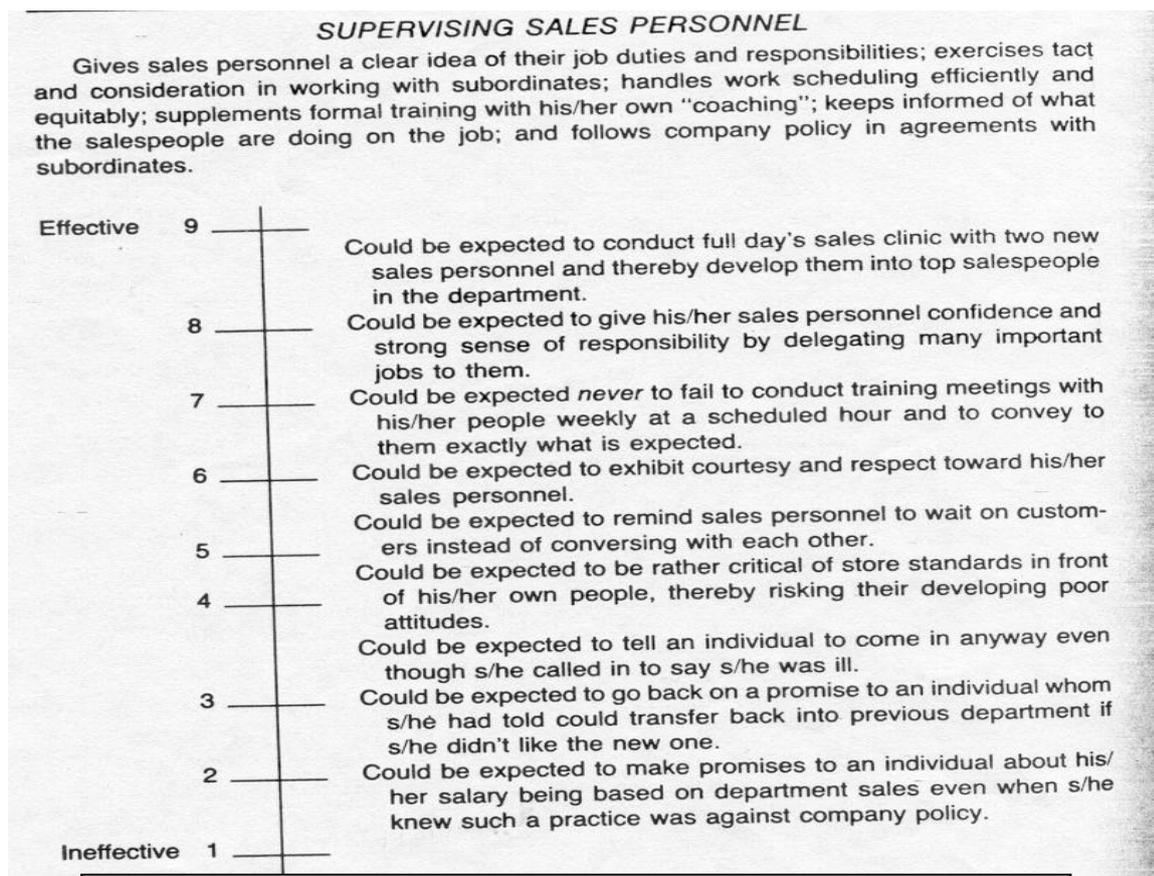


Diagram 3: Behaviourally anchored rating scales (BARS)

Management by Objectives

Management by objectives (MBO) involves setting specific measurable goals with each employee and then periodically discussing his/her progress toward these goals. The term MBO almost always refers to a comprehensive organization-wide goal setting and appraisal program.

Thus, the Performance Management System and various methods of Appraisal have been discussed in detail.

Similarly, on collating the data from the eight Indian organizations, a summary of the findings is illustrated in charts 1 to 8 below:

CHART 1:

Organization/ Industry	Performance testing	Performance key
A global management consulting, technology services and outsourcing company.	PM is not completely integrated into other people-management processes.	Management Group Review is used to achieve consistency in ratings across different parts of the organization.

CHART 2:

Organization/ Industry	Performance testing	Performance key
A leading provider of BPO services.	PM for improving weak employees.	An identified, Star Performer sits as a friend/peer to guide the weak ones in presence of a well qualified trainer.

CHART 3:

Organization/ Industry	Performance testing	Performance key
World’s largest and most well known specialty Restaurant chain.	Work as a team.	Usage of 360 degree feedback to evaluate its employees in which every employee was evaluated by his supervisor and his peers.

CHART 4:

Organization/ Industry	Performance testing	Performance key
The largest private sector general insurance company in India.	Employees are expected to study 6 modules in 1 month before the appraisal cycle.	The written test on these modules is a part of parameters assessing employee's apart from their on-the-job Performance. 10% weightage is given to the marks in the test. This affects employee's annual bonus.

CHART 5:

Organization/ Industry	Performance testing	Performance key
One of the largest Exhibition theatre chains company in India.	Understanding the ace performance in the department and helping the management in rewarding them their deserving share.	Bell curve (Forced Distribution) method of appraisal aids this end.

CHART 6:

Organization/ Industry	Performance testing	Performance key
Leading global telecommunications company.	Launch leadership or culture.	Take one behaviour per month and ask each employee to select any one colleague who displays that behaviour best also telling the reason for selection.

CHART 7:

Organization/ Industry	Performance testing	Performance key
One of India's original IT company start ups.	Improvement in performance.	Regular assessment and recognition of performance levels can motivate workers to improve their performance.

CHART 8:

Organization/ Industry	Performance testing	Performance key
A company that has subsidiaries across various areas of finance related business	To motivate individuals.	Sets stretching and challenging goals through Management by objectives approach.

CONCLUSIONS:

Let us conclude that the Performance Management process across eight organizations in the Indian context has been emphasized. The various tests envisaged by these organizations have been highlighted along with the necessary key. The identity of the organizations has been concealed for privacy concerns. The Annexures added help to depict excerpts of Performance appraisal templates used.

ANNEXURES:

Let us look at three Appraisal Templates to understand how it affects the Performance Management processes.

ANNEXURE ‘I’

performance appraisal form template

org/division/dept:		location/based at:	
name:	position:	ref:	
year or period covered:	time in present position:	length of service:	
appraisal date & time:	appraisal venue:	appraiser:	

<p>A1 State your understanding of your main duties and responsibilities.</p>

Part A Appraisee to complete before the interview and return to the appraiser by (date)

A2 Discussion points:

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Part B To be completed during the appraisal by the appraiser - where appropriate and safe to do so, certain items can completed by the appraiser before the appraisal, and then discussed

<p>B1 Describe the purpose of the appraisee's job. Discuss and compare with self-appraisal entry in A1. Clarify job purpose and priorities where necessary.</p>

and validated or amended in discussion with the appraisee during the appraisal.

B9 Other issues (to be covered separately outside of this appraisal - continue on a separate sheet if necessary):

Signed and dated by appraisee:

and by appraiser:

Grade/recommendation/summary as applicable:

Distribution of copies/confidentiality/accessibility details:

FEATURES OF TEMPLATE ‘I’

1. This template is used to a greater extent in Charts 1 to 4.
2. It helps in achieving consistency in imparting fair ratings to employees.
3. It helps gauge team-working competencies enhancement among employees as seen in Part b
4. It aids in assessing weak and strong performers. Subsequently weak performers may be trained and further tested.

ANNEXURE ‘II’

Performance appraisal form template

Administrative and Professional Performance Appraisal Form

Employee Name	Appraisal Date	Hire Date
VP/Organization	Department Name	Time in Position
Position Title	Supervisor's Signature	
Next Level Manager's Signature	*Employee's Signature	

* Employee's signature implies neither agreement nor disagreement with this appraisal. The signature indicates only that the employee has read this evaluation and discussed it with the supervisor.

I PERFORMANCE REVIEW - Use additional sheets if necessary.

A. Major Responsibility Area:

Expected Level of Performance:

Actual Performance Results:

How does this support the Organization and/or Department goals?

**Performance
Rating:**

**Performance
Weighting:**

B. Major Responsibility Area:

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E. Major Responsibility Area:

Expected Level of Performance:

Actual Performance Results:

How does this support the Organization and/or Department goals?

**Performance
Rating:**

**Performance
Weighting:**

II SIGNIFICANT ACCOMPLISHMENTS/UNUSUAL OBSTACLES

(Summarize any accomplishments and/or obstacles which may have had particular impact.)

NAME: _____

<p>III SKILLS ANALYSIS / MODE OF PERFORMANCE</p> <p>(This section is used to examine HOW the employee achieved his/her end results. Accordingly, consider the degree to which each of the following skills contributes to the employee's effectiveness. Please indicate the appropriate "Appraisal Code" within each box and illustrate with pertinent job-related examples.)</p>	<p>APPRAISAL CODE</p> <p>+ a strong point</p> <p>s fully satisfactory</p> <p>- needs improvement</p> <p>o not observed</p>
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Professional/Technical Knowledge	Written Communication	Analytical	Initiative
Organizational Planning	Client Relationships	Adaptability/Flexibility	Team Effort
<div style="border: 1px solid black; width: 30px; height: 40px; display: inline-block; vertical-align: middle;"></div> Decision Making			

Comments:

For positions with supervisory accountabilities in addition to the preceding:

Leadership	Goal Setting/Evaluation	Progress Affirmative Goals	toward Action
<div style="border: 1px solid black; width: 30px; height: 40px; display: inline-block; vertical-align: middle;"></div> Decisiveness			
<div style="border: 1px solid black; width: 30px; height: 40px; display: inline-block; vertical-align: middle;"></div> Development of Staff			

Comments:

NAME: _____

IV DEVELOPMENT DISCUSSIONS

A. Recommendations for Development

(List specific recommendations to facilitate continued employee development for professional growth.)

B. Performance Improvement Requirements

(List specific areas in which performance did not meet expectations and improvement is necessary.)

V OVERALL PERFORMANCE RATING:

Code 5 - Performance **clearly** and **consistently exceeds all** job requirements.

Code 4 - Performance **frequently exceeds** job requirements.

Code 3 - Performance **consistently meets** all job requirements.

Code 2 - Performance **meets some but not all** job requirements.

*Code 1 - Performance **consistently fails to meet** job requirements.

* Requires consultation with Human Resources Management

OVERALL PERFORMANCE RATING:

VI EMPLOYEE COMMENTS (Optional):

FEATURES OF TEMPLATE 'II'

1. This template is used to a greater extent in Charts 5 to 6.

2. It helps in Understanding the star performance.
3. The weaker performers are evenly distributed to aid in design of a forced distribution or bell curve
4. It assesses Leadership skills through the eyes of the employee.
5. It promotes collaborative organizational culture.

ANNEXURE ‘III’

performance appraisal form template

EMPLOYEE PERFORMANCE REVIEW

Employee Information

Employee Name:	_____	Date:	_____
Department:	_____	Period of Review:	_____
Reviewer:	_____	Reviewers Title:	_____

Performance Evaluation	Excellent	Good	Fair	Poor	Comments
Job Knowledge					
Productivity					
Work Quality					
Technical Skills					
Work Consistency					
Enthusiasm					
Coorporation					
Attitude					
Initiative					
Work Relations					
Creativity					
Punctuality					
Attendance					
Dependability					
Communicaton Skills					
Overall Rating					

Opportunities for Development

Reviewers Comments

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2. It helps in Regular assessment of employee performance.
3. It also helps in recognition of performance levels.
4. It helps to set stretching and challenging goals.
5. The Management by objectives approach may be well explained by this template.

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