
PERFORMANCE MANAGEMNT SYSTEM: IT'S TIME TO BUILD THE EMPLOYEE

Rasheeqa Tabassum

Asst. Professor

Periyar Management and Computer College

Affiliated to GGSIP University New Delhi

ABSTRACT: *Organizations are under pressure to adapt as well as perform well in a rapidly changing and complex business environment. This is pushing a shift in all HR processes along with performance management. Years ago performance management system was top-down delegation of objectives and flowing them through the organization. People were measured on the basis of what they achieved in past. Today, the roles are much broader and varied, It does not mean only achieving targets, but also looks how these targets are achieved. The shift in performance management thus includes development of behavioral and values based to measures people. The sound of performance management has led different organizations to reexamine their approaches. But how to develop this without initiating complicated systems is also a critical consideration for many business organizations. Most of these are adopting a careful approach, observing the external changes and developments, conducting internal research and making for change once they are clear of their organizational goals. This paper is secondary research paper showing the reasons for revamping annual performance and also studies recent performance review process adopted by the top companies. The data is collected from the journals, magazines, newspaper , websites , company report etc.*

KEYWORDS: Annual review Process, Performance Management Systems, Build Employee.

1. INTRODUCTION: -

When People come to their workplaces, they not only come with their knowledge and technical skills, etc., but also with their personal feelings, aims, motives, attitude, values etc. Therefore, employee management does mean managing conceptual or technical skills but also other valuable factors of the human resources. No machine or technology will work without human effort. It is only the Human Resource who make or mar an organization. Thus it is quite necessary, How to induce the people to make an organization but not to mar it? Every organization is interested in having an answer to this question. The answer to this question is somehow around below three areas, These are- 1. Getting the right people who can make an organization. 2. Preparing those people to acquire required capabilities to make the successful organization. & 3. Motivating them to contribute their resources continuously for running the organization successfully. Thus The performance management approach in current challenging world needs to be more flexible and adaptable, so that it can be associated with the frequent changing future of the business.

1.1 HUMAN RESOURCE MANAGEMENT

According to Leon C. Megginson, the term human resources (HR) can be defined as “The total knowledge, skills, creative abilities, talents and aptitudes of an organization’s workforce, as well as

the value, attitudes and beliefs of the individuals involved”. Thus Human resources management include “employing resources, developing, maintaining and compensating their services with the job and

organizational requirements with a view to contribute to the goals of the organization, individual and the society

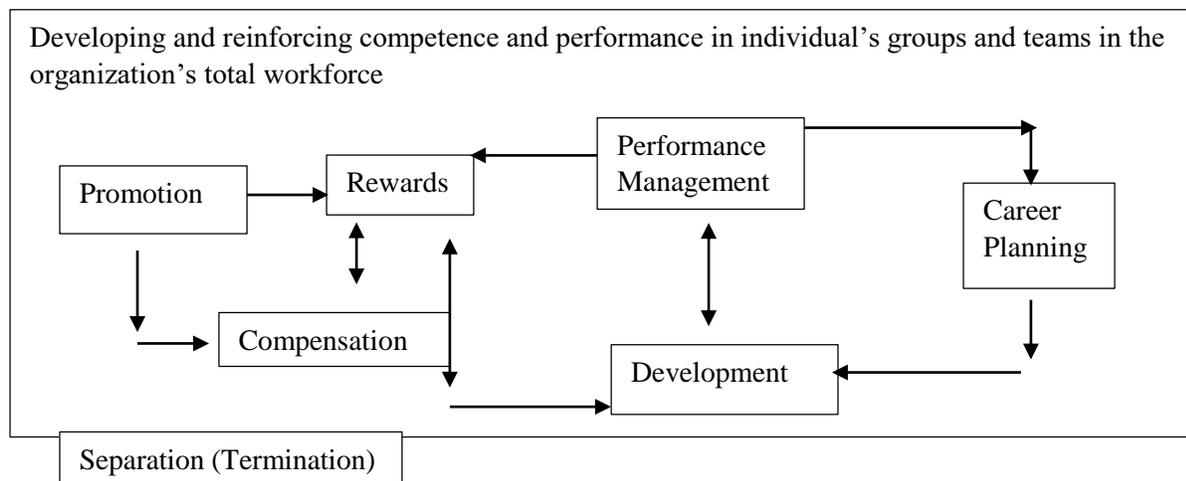
1.2 HUMAN RESOURCES DEVELOPMENT

Human Resource Development is the process of improving, moulding and changing the skills, knowledge, creative ability, aptitude, attitude, values, commitment etc., based on present and future job and organizational requirements.

“Human Resources Development (HRD) as a theory is a framework for the expansion of human capital within an organization through the development of both the organization and the individual to achieve performance improvement” (Kelly: 2001). According to Pareek, U. (1991), “HRD is a new systematic approach to proactively deal with issues, related to individual employees and teams, and organizations and a movement to develop organizational capability to manage change and challenge” (quoted by Singh: 2008).

HRD in Organizational context has been defined by T.V. Rao and his definition, has been termed as the national definition of HRD in India. According to Prof. T.V.Rao, “HRD is a continuous process to Acquire or sharpen capabilities required to perform various functions associated with present and future needs of the job, Develop their general capabilities as an individual and enable them to exploit their inner potential. Develop a congenial organizational climate in which dyadic relationship and team collaborations among sub-units are strong and contribute to the professional wellbeing of employees (Pareek and Rao 1981).

Figure: 1 Investing in Human Resource Development & Performance



1.3 PERFORMANCE MANAGEMENT SYSTEM

The performance management gained vast popularity in early 1980's when total quality management programs received huge importance for achieving superior standards and quality

performance. Tools like leadership development, employee training and reward system received an equal impetus together with the traditional performance appraisal process in the new comprehensive and wider framework.

Performance Management is orderly evaluation of individuals with respect to their work and their potential for development. It consists of developing policies, procedures and techniques, helping the functional managers, reviewing and consolidation of reports and evaluating the effectiveness of various program. Thus Performance management is an ongoing process which is carried out between the supervisors and the employees throughout the year. The process is cyclical and continuous in nature.

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

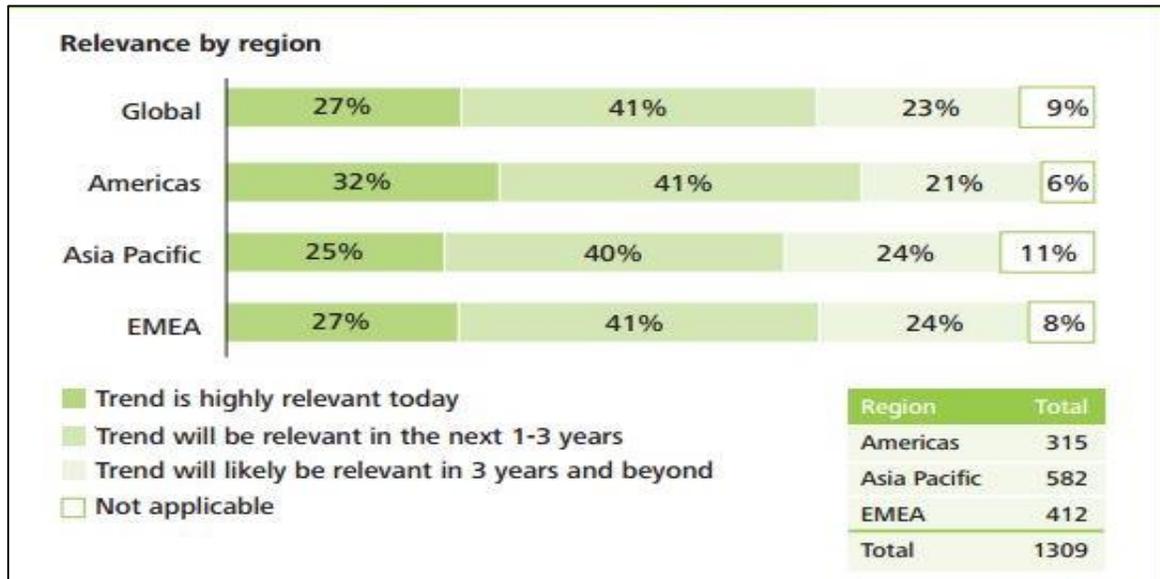
Today Performance management gained its importance because of the competitive pressures in the market start rising and the organizations felt that its time to introduce a comprehensive performance management process into their system for improving the overall productivity and performance effectiveness.

Human Resources (HR) professionals know that performance management is vital to the success of business operations. But our world today is full of variables like technology changes, economic slumps, and a shift in worker demographics. As a result, performance management is increasing in both importance and complexity.

2. REVIEW OF LITERATURE

Erika Boger King *et al* (2013) "The Performance Management Puzzle" studies the emerging trends in performance management that are better fit for the new world of work. These trends include – networked, coach, bottom-up. Outcome focused, democratic, Improves, Internal Rewards, Matrix organization, just in time feedback, strength based. The maximum results shows that trend will be relevant in the next 1-3 years. (Fig-2).

Figure:2 The Performance Management Puzzle : Survey Highlights



Source: Deloitte

While no single answer has raised that crosses the contradictory needs of the organization and its people, thus search for innovation in performance management is accelerating.

The white paper (Kimberly Schaufenbuel) “Transforming the Traditional Performance Review Process” examines the reason of ineffective traditional performance review systems, why companies are rethinking their approach to the study also highlight few organizations that have agitate their annual review processes. The results shows that managers and HR professionals are reviewing the realities of today’s performance systems and evaluating what they need tomorrow with focus on employee performance and development. It also suggests that organizations foster creativity and innovation in their work teams.

4. Research Methodology:- 4.1 Research Design:- Descriptive 4.2 Type of the Research:- Qualitative 4.3 Type of data:- Secondary data 4.4 Data Collection Technique:- Journals , Magazines News paper , websites etc.

3. OBJECTIVE OF THE STUDY: -

1. To study about the traditional and modern performance appraisal methods.
2. To study about the reasons, why companies changing the annual performance review methods.
3. To study about the type of methods of performance appraisal adopted by the top companies.

3.1 PERFORMANCE APPRAISAL METHODS

Various methods have been devised to measure the quantity and quality of performance. Each method is effective for few purposes and also for certain type of organizations. None can be dismissed or accepted as appropriate for every organization. However all methods of appraisals can be divided into two Past Oriented and Future Oriented.

3.1.1 Past Oriented Methods

1. Rating Scales: It consists of different numerical scales representing performance criterions such as output, attendance, attitude etc. Each scales ranges from excellent to poor. The total numerical scores are computed and final result can be made.

2. Forced Choice Method: In this method the series of statements arranged in the blocks of two or more are given and the rater only indicates which statement is true or false. The rater is forced to make a choice. HR department does final and actual assessment.

3. Forced Distribution Method: Here employees are clustered around a high point on a rating scale. It is assumed that the performance is conformed to normal distribution.

4. Behaviorally Anchored Rating Scales: Statements of effective and ineffective behaviors determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behavior describes the employee performance.

5. Performance Tests & Observations: This is based on the test of knowledge or skills. The tests may be written or an presentation of skills. Tests must be reliable and validated to be useful.

6. Confidential Records: Generally used by government departments, Here the report is given in the form of Annual Confidentiality Report (ACR) and may record ratings with respect to attendance, self expression, team work and leadership, technical ability, reasoning ability, and resourcefulness etc. The system is highly secretive and confidential. Highly subjective can be a disadvantage.

7. Essay Method: In this method the rater writes down the employee description in detail within a number of broad categories such as overall impression of performance, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee. Disadvantages is that the success depends on the memory power of the raters.

3.1.2 Future Oriented Methods

1. Management By Objectives: It means performance is rated against the achievement of objectives stated by the management. MBO process has following steps.

I. Establish goals and desired outcomes for each subordinate.

II. Setting performance standards

III. Compare the actual goals with goals achieved by the employee.

IV. Establish new goals and new strategies for goals not achieved in previous year.

It is more useful for managerial positions. But not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals.

2. Psychological Appraisals: These appraisals are more directed to assess employees potential for future performance. It is done in the form of in-depth interviews along with psychological tests, and conversation with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance.

3. Assessment Centers: This technique was developed in USA and UK in 1943. An assessment center is a location where managers come together to have their participation in job related exercises evaluated by observers. It is more focused on observation of behaviors across a series of selected exercises or work samples. Assesseees are requested to participate in work groups, computer simulations, role playing in baskets exercises and other same activities which require similar attributes for successful performance in actual job. The characteristics assessed in assessment center can be persuasive ability, communicating ability, confidence, resistance to stress, assertiveness, energy level, decision making ability, sensitivity to feelings, creativity and mental alertness and so on.

4. 360-Degree Feedback: In this technique a systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, peers, customers, peers and self too. However anyone who has useful information on how an employee does a particular job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure inter-personal skills, team building skills and customer satisfaction. However on the negative side, receiving feedback from multiple sources can be threatening. Multiple raters may be less adept at providing balanced and objective feedback.

3.2 REASONS OF CHANGING ANNUAL PERFORMANCE METHODS:

3.2.1 Competitive Market Place

A forward thinking manager, is always aware of the importance of competition. Human Resource professionals require a deep and clear understanding of all the components of performance management and role of each components to optimize business results. With insight into key areas of performance management from compensation to succession planning , businesses will be ideally positioned to align, engage, develop and retain their workforce talent for the goodness of the company, today and in future too.

Today HR needs more than automation to eliminate the yearly headaches, an online solution simplifies the follow-up processes. Overall Performance management should be towards improving the performance of the employees in present and future so that the organization perform better in the competitive market..

3.2.2 PMS provides the key to the castle

Of all the HR initiative like recruitment, training, etc., performance management system consistently supports the business maximum than any other initiative. Because you are dealing with your organization's that asset who spend a year and move your organization one year forward and thus the data you obtain should be the most accurate measurement possible of your organization's overall skill and talent.

3.2.3 Future Perspectives

Generally when we made the performance review process it is believe that results will the completion of a cycle. But in reality appraisals are not only the assessments of the past year—they are actually the starting points for the next year. Be sure manager will devote ample amount of time in creating tasks and high-level goals for the upcoming future. These objectives serve as guideposts for employees, and they provide the benchmark against which future performance will be measured.

3.2.4 Expensive, Time consuming & less effectiveness

It can be assumed that one manager has approximately three to four team member thus it is too hard and time taking for the managers to judge an entire year of work from the individuals at one time along with their present work . In this situation the current work of the manager as well as the team affects and its costs to company .Hence the annual review is awkward and uncomfortable for both manager as well as employee's point of view. While some employees are poor performer and not fit and these issues should be addressed immediately, rather than at the end while they completed one year.

3.2.5 Focus should be on building skills &employee development

The most valuable part of an appraisal system should be the development planning, what can one do to improve performance and engagement of their employee and this is often left to a small box on the review form.

The purpose of performance management is to shift the employee curve to the right and upward and encourage improvement. All employees must have development plans tied to their performance process. These plans can be used to target those areas where less performing employees need work to strengthen their skills to prepare top performers for advancement. Further, by tracking these plans throughout the year, HR can help in aligning the performance management process with corporate objectives.

The reasons of redefining the annual performance review can not be limited . It varies from company to company as per their number of employees, nature of the product or services , work culture , organizational structure etc.

TOP COMPANIES CHANGING ANNUAL PERFORMANCE SYSTEM

1. Adobe Check-In : From an Annual Report Card to a continuous Review System.

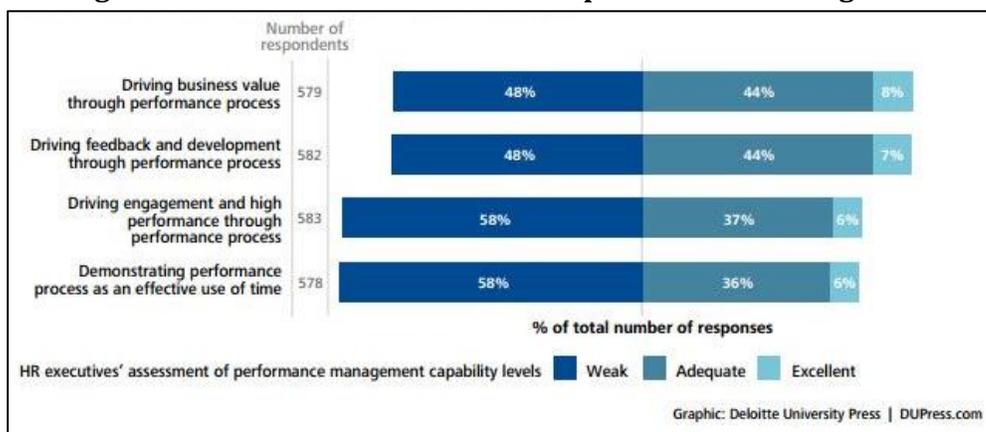
Adobe has created the statistics to show that regular feedback and check-ins make appreciation." Adobe based its decision to move away from traditional performance appraisals on the fact that the annual process required 80,000 hours of time from its 2,000 managers, the equivalent of 40 full-time employees. The main objectives of the “check-ins” is helping their staff to improve clarity about what is required from them and assist in their professional growth and development.

With Check – in there is an goal setting process in which for every eight weeks or before that, Managers will meet with their employees, and have comments and discussion on the objective setting. Not only periodic meetings, manager also give frequent feedback linked to the objectives. Instead of HRs doing the increment, Managers have right to give increments as well as bonuses to their reviewees as per their performance and interaction. This process also helps managers to remove memory bias of extreme performance measure, or fairness from discussions. It has helped Adobe’s employees to believe that their managers and company are helping them in their career and succession .

2. Deloitte: Deloitte’s new app-based system

A results of the survey carried out by Deloitte depicted that 58% of the HR executives believed that existing performance appraisal system did not drive engagement or performance of the employee. It is also discovered that the organization spends around 2 million hours a year on performance management. In response the Deloitte abolished once-a-year reviews and introduced an app-based management system called “Snapshot” . Employees are encouraged to schedule weekly check-ins with their managers, and can utilize the app at any point to elicit feedback on their performance based on the following five factors: business acumen, global acumen, technical capability, leadership skills and relationships. The new software allows for a much higher degree of flexibility, individuality and interaction.

Figure:3 HR executive’s assessment of performance management



Source: Deloitte University Press.

3. IBM using an application based performance review system-“Checkpoint”

One of the leaders in the corporate world to revamped its performance review system. IBM management felt that in order to motivate its employees, it's a needs to reconstruct the present performance review system. To replace a more flexible method of performance in which the employee review criteria could change with the changes in the nature of the job. To follow this step, a survey is conducted among its employees to know the most preferred and acceptable method for performance review. Results shows that employees at IBM neither want to be rated against their peers nor do they want to assess themselves, Employees wants time to time feedback from their managers and know those areas in which they required improvement. On these findings, IBM started working towards betterment of its performance review System.

Virginia Rometty, CEO, Chairman & President, IBM said "Checkpoint is a performance measurement initiative for the new world of work. The program was co-created by employees giving them an opportunity to shift goals throughout the year and gain more frequent feedback. Checkpoint's goals, conversations and evaluations are focused on five dimensions of employee performance: business results, impact on client success, innovation, personal responsibility to others, and skills,".

With the checkpoint, employees can set short term plans during the year and receive feedback from their managers at least every quarter .Managers will assess that employees have achieved expectations for their role in each of the five dimensions or if there's a need for improvement.

4. General Electric's new, flexible approach

A new tool implemented by the company to replace the annual review process This app, called PD@GE (Performance Development at GE) works as an 'online notebook', where managers and employees can easily communicate and exchange regular feedback, ask comments and advice thus save a significant amount of time when it comes to paperwork and forms. Though employees and managers do have an annual meet-up, the atmosphere has shifted into a more productive exchange understanding how employees can best be guided and helped to achieve their objectives.

The tool "PD@GE" has an Instant Feedback tool where any employee can give feedback to anyone else thus helps to overcome the hesitance of Human Nature. With the new tool Insight Mentors/Reviewers/managers can give negative feedback about work, goals and priorities, progress in terms of coaching, development and training needs.

The greatest help the tool has done is to make the year end annual discussions a relevant process. When the employee have the annual discussion with the manager, S/he have Instant Feedback on Work Progress , Goals (priorities) updated at regular frequent interval , discussion of progress on work and other activities and remove memory bias The tool helps to record all these activities and helps to make the process more relevant at scale.

5.Accenture's Rejection Of Rankings

Accenture , one of the biggest IT consulting firm have ended performance reviews and rankings . As stated by Accenture's CEO, Pierre Nanterme, in an interview on September 2015 that the performance of the 330,000 employees will not be judged by the company rankings and annual evaluations. Pierre Nanterme, stated that annual evaluations were expensive and, overall, ineffective. "It's huge," Nanterme said. "We're going to get rid of probably 90 percent of what we did in the past." They realized that ranking demotivate employees

The company believes that instead of feasting on buffet of data at the year end , employees get to snack on actionable data in the whole quarter.

The organization has decided to demolish the rankings system and annual evaluation process. In the new system, the organization is replacing the process with a more fluid system in which employees will receive ongoing response from their managers following assignments. Accenture's new model is designed to enhance performance conversations between the employees and their managers. The company is shifting focus to instant development, instead of annual forced ranking based on the past year data and is using an internal app to help those within the organization relay result.

CONCLUSION:-

People always have a good idea of their own strengths as well as weaknesses Everyone has an open and positive opportunity to share as well. That will starts the dialogue about prospects and fit between their self-assessment and of organization.

The available research shows that companies that set performance objective quarterly generate 32% more positive results from their performance process than those that do once a year. The campiness that do it monthly get even more good results. Thus shows that employees should receive feedback continuously.

Technology is here to stay and it is advancing by the day. Given the inherent flaws of traditional performance management systems and the logical progression toward continuous performance management, it is only natural that software should step in to bridge the gap between the old and the new, and to facilitate the process of regular check-ins, up-to-date feedback and effective communication.

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