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RESEARCH ARTICLE

CHANGING FACE OF PERFORMANCE MANAGEMENT SYSTEM

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ABSTRACT

Performance appraisal being a vital part of any organization has undergone a lot of refinement. The refinements have been made keeping in view the changing needs and habits of both the employer and employee. The paper focuses on the various performance appraisal systems propounded in the past and also those adopted by the organizations in the past and present. The organizations are presently working in a dynamic and competitive work place. Different work places provides different challenges and opportunities to the employees and employers, accordingly the performance appraisal system also varies as per different work place. The paper provides possible upcoming systems for performance appraisal considering all the factors affecting the performance appraisal.

INTRODUCTION

With increase in competition, to become successful it has become evident for all the organizations to attract, employ and retain the best of best employees. The employees are to be retained in the organization considering their individual performance and also the organization's performance as a whole. Performance being the major criterion for evaluation of employee potential it is necessary for all the organizations to have an effective performance management system. The performance management is a mean of getting better results from the organization, team and individual by understanding and managing performance within an agreed frame work of planned goals, standards and attributes competence requirements. It is a process for establishing shared understanding about what is to be achieved and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and long term. Managing employees' performance can increase an organization's competitiveness and maximize its productivity. Not only that, it can also increase morale and create stronger teams and propel top performers onto successful careers. All stakeholders in an organization stand to gain from the implementation of a performance management system. A performance management system can be explained as a process of analyzing the outputs of employees so as to ensure a better input for future or revising the inputs. In simple words, the performance management system is a backward process or looking back attitude of the organization.

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The system is the tool used by many of the organizations to evaluate and validate the achievement of objectives. The performance management system not analyses the performance of the individuals but also it tries to identify the factors affecting and motivating the performance goals of performance management system.

Dimensions of performance

The credibility of performance has changed from time to time depending upon the requirements and objectives of the concerned organization. The credibility of performance has changed its dimensions with the rapid change in the organizational structures, competition and dynamic demands.

The dimensions of performance can be enumerated as:

- Wastage
- Risk and reward trade-off
- Cost
- Effectiveness and efficiency
- Quality, quantity and maintenance of standards
- Resource allocation
- Time bound
- Work ethics
- Results and profitability
- Innovation in Research & Development

Goals of Performance Management Systems

Performance management system not only aims at achieving control over the operations and activities of the individuals or the organization as a whole. Rather the essence of performance

management is spread around a lot many objectives, collectively forming the goals of the entire system. The various objectives of the system of performance management are:

- Progress
- Success
- Individual development
- Team spirit development
- SBU development
- Customer relationship development
- Community relationship building

Factors influencing the past performance Management models

Group and organizational purpose: The managers need to clearly and precisely lay down the organizational goals, objectives and ensure that these are well informed to the managers and other employees and make them to realize what the organization expects from them. The organizational goals need to be translated into individual, team and departmental/divisional goals.

Group or organization capacities and resources: The performance management system accompanies with itself, both benefit and cost for an organization. The performance management system to be adopted by any organization should be based upon the capacity and resources available financially and technically.

Human climate in the group or the organization: The internal psychological environment of the group-influences the behavior, style and performance of the manager. It is also, in turn influenced by the behavior and attitude of the manager. Group climate is after all, the collective outcome of the behavior and attitudes of all the members of the group-the manager and all his/her competing and collaborating colleagues, the manager or the leader. People in any group or organization are less anxious about work if both goal clarity and goal agreement are present. Considerable conflict arises when purposes are unclear or when people disagree on what the priorities should be. Without convergence on goals and priorities, groups or organizations cannot develop a climate that facilitates performance.

Measuring what is important: Leaders need to realize that – “what gets measured gets measured”. Robert Kaplan and David Norton’s balanced scorecard approach, in which financial measures are weighed against measures of customer satisfaction and attention, employee attitudes and retention, new product and business development, or readiness for change. A detail about what has happened is important. But much more important is the organization’s current condition in terms what enables or hinders its performance.

Performance management models (past)

People performance potential model: The people performance potential model is a tool which can be complementarily used with other score cards to know measure and evaluate the performance of a team or a group working in large in terms of the various components of the matrix. This model can be applied to identify and resolve the gaps regarding “what mix do we need” and “what mix do we have”. The matrix representing the quadrants of the 2X2 matrix has been derived

from the interpretation made by John Addy in 2004. (Business balls, 2004). The different quadrants represent the performance of the group or team or the organization as a whole by using the terminologies of both the axes.

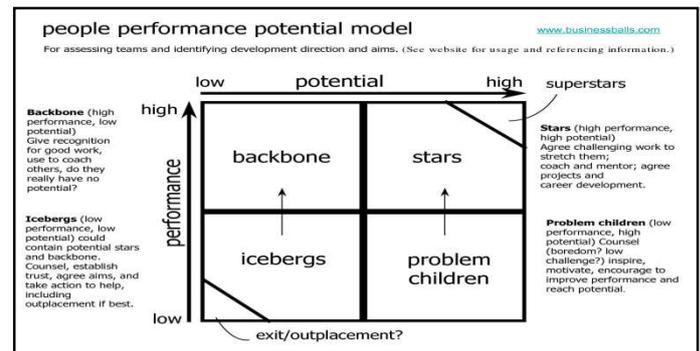


Fig. 1. People Performance Potential Matrix

Performance engineering model, Thomas Gilbert (1978): In 1978, Thomas Gilbert offered a performance matrix, which was one of the first HPT models. He suggested that the manager responsible for performance is, “using the behavior engineering model to analyze alternative ways to achieve accomplishments more efficiently by looking at: (1) environmental methods, (2) people programs, and (3) management actions” (p. 35). In Gilbert’s model, the category of environment refers to all factors of performance that are not related to the performer or the actions a manager can take (1978). The organization of a work group, rules of work, and work space with the right temperature, lighting, and noise levels are all a part of the environment. A people program refers to the workers’ skills, the knowledge they have, and the attitude they bring to the job. Management refers to the actions a manager can take, including providing feedback, information, and incentives (1978) (Jr., October 2013). The performance engineering model essentially aims to find the gap between the “what is to be” and “what is”. The gaps may be in any form within the organization or outside the organization. Identification of gaps helps in reducing and/or eliminating those gaps through resolutions of engineering solutions. The solution focuses on two factors: (a) what has to be changed and (b) how the things have to be changed. (Nickols, 2010).

Present system of performance management

360 Degree Appraisal: The latest approach to performance evaluation is the use of 360-degree evaluations. It provides for performance feedback from the full circle of daily contacts that an employee might have, ranging from mailroom personnel to customers to bosses to peers. 360-degree evaluations are consistent with evidence that employee performance varies across contexts and that people behave differently with different constituencies. The use of multiple sources, therefore, is more likely to capture this variety of behavior accurately. By relying on feedback from co-workers, customers, and subordinates, organizations are hoping to give everyone more of a sense of participation in the review process and gain more accurate reading on employee performance.

720 Degree Appraisal: 720 degree performance appraisal would be a vital tool as it is used to appraise the performance of an employee from different dimensions and helps to overcome the barriers of bias, prejudice and discrimination.

The performance is appraised from 5 dimensions and feedback or the appraisal meeting is conducted twice (pre and post feedback) to ensure the efficient performance of the employee. Including the pre and the post feedback, that plays a vital role, the 720 Degree performance appraisal has 7 phases:

- Pre-appraisal feedback
- Self appraisal
- Peers/ colleagues appraisal
- Customer appraisal
- Sub-ordinates appraisal
- Managers/superiors appraisal
- Post-appraisal feedback

BARS (Behaviorally Anchored Rating Scales): One increasingly popular performance appraisal approach is behaviorally anchored rating scales (BARS). These scales combine major elements from the critical incident and graphic rating scale approaches. The appraiser rates an employee according to items along a numerical scale, but the items are examples of actual behavior on a job rather than general descriptions or traits.

Multi-person comparisons: Multi-person comparisons compare one individual's performance with that of one or many others. It's a relative, not an absolute, measuring device. The three most popular approaches to multi-person comparisons include group order ranking, individual ranking, and paired comparison. The group order ranking requires the evaluator to place employees into a particular classification such as —top one-fifth or —second one-fifth. The individual ranking approach requires the evaluator merely to list the employees in order from highest to lowest. In the paired comparison approach, each employee is compared with every other employee in the comparison group and rated as either the superior or weaker member of the pair. After all paired comparisons are made; each employee is assigned a summary ranking based on the number of superior scores he or she received.

Multi Source Feedback: Individuals are not working in isolation, so the manager cannot be expected to rate the individual without peer input. For example; Google asks individuals to nominate 3-8 peers for feedback. Increasingly companies are also supplementing this with "real-time feedback" to and from managers, peers, direct reports, and others.

Employee Feedback: Companies seek employee feedback on newly launched processes, from the perspective of fine-tuning and also proactively understanding challenges on the ground. There is also a shift from compliance checking to reviewing the quality of the process.

Rank and yank strategy: Also known as 'in or out policy' the rank and yank strategy refers to the performance appraisal model in which the employees are first ranked from Best to Worst and these rankings are used to identify and separate poor performers from the good performers. Then the action plans for improvement of the poor performers are discussed and they are given a certain time to improve their performance, after which the appropriate HR decisions are taken.

Balanced score card: It is a tool to measure the performance of the employees which was developed by Robert Kaplan and

David Norton. It not only measures the performance of employees but also includes:

- Financial Perspective: Includes measures such as operating income, return on capital employed etc.
- Customer perspective: Includes measures such as customer satisfaction, customer retention, etc.
- Business process perspective: Includes measures like cost incurred on the employee, quality of output etc
- Learning & growth perspective: Includes parameters such as employee satisfaction, employee retention, skills, etc.

Upcoming future trends in systems of performance management

Agile model adoption: Agile performance management is a collaborative, continuous feedback and development practice. Its three key aspects are regular feedback, communication and coaching. These aspects bridge the gap between goal setting and performance evaluation. Agile performance management focuses as much on the process as the end goals. Continuous improvement is the key.

Four pillars of Agile performance management system are:

- More frequent goal setting
- Enable leaders to be coaches
- Public and transparent practices
- Continuous feedback structure

Corporate social networks: Social media has already proven to be highly useful to brands looking to engage with consumers, and the same effect carries over to companies and their employees. The National Business Research Institute said up to 60 percent of companies have their own social networks, and used Microsoft's Town Square and Best Buy's Blue Shirt Nation as examples. These networks can have a big effect by facilitating communication and employee recognition. Building a bespoke social network from the ground up isn't the only option, however.

Greater generational diversity: Millennial are already the most represented demographic in the workforce, but they're far from being dominant. Gen Xers are still very much in the mix, while Gen Z talent (those born around 2000) is starting to graduate college and enter the labor force in droves. This generational mix is also impacted by the fact that more baby boomers are staying on in their jobs because of financial factors. What this all adds up to for businesses is an office rich in generational diversity, which is at once a good thing and a complicated balancing act. While companies can depend on older employees to mentor younger ones, for instance, divides in cultural thinking and professional practices of different generations could prove difficult to address. Managers will need to become more aware of mitigating these differences, as well as leveraging the strengths of a diverse workplace.

Employee experience: Most of the time, it's the customer experience that gets attention; but the new trend in performance management worth looking into is the employee experience. This catch-all term relatively refers to the very first interactions an employee has as a job applicant with the company through to their continued employment. The experience encapsulates the culture they encounter, the environment they work in, the recognition they are given, the

people they work and socialize with and the personal gains they can derive from their job. Shaping a high-level employee experience means at different times catering to individuals (done through more frequent check-ins) and creating an atmosphere that everyone can take part in and enjoy.

Self-Evaluations: Although employee performance management has previously included a self-evaluation component, the latest trends in performance appraisal include an expanded version of this practice. Staffers have an opportunity to highlight what they believe are their most notable achievements and accomplishments, as well as outline the goals and professional development objectives they would like to strive for in the coming year. Employees may also be asked to share their challenges or improvement needs. With this new performance management system, managers, then, have an opportunity to review the submissions in advance of an evaluation.

Conclusion

Performance management is a way of systematically managing people for innovation, goal focus, productivity and satisfaction. It is a goal congruent win-win strategy. Its main objective is to ensure success to all managers i.e., all task teams who believe in its process, its approach and implementation with sincerity and commitment. The manager's success is reflected in organizations' bottom line in terms of achieving its planned goals. Performance Management is an endless spiral, which links several processes such as performance planning, managing performance throughout the year, taking stock of manager's performance and potential. Also it includes recognizing and rewarding success at the end of the year. Performance Management links these processes in such a way that an individual managers' performance is always oriented towards achieving organizational goals. Performance Management creates positive goal oriented task motivation and aims at reducing intra-organizational conflict.

If the organization has an effective, high-performance management process in the areas of planning, measurement and evaluation, control and improvement, it will achieve its vision of the future and its desired outcomes over the long term. An integrated approach to continuous improvement is essential to this achievement.

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