PERFORMANCE MANAGEMENT

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BY

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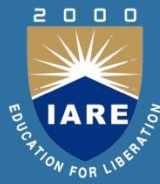**DUNDIGAL, HYDERABAD - 500 043**

Course Outcomes (COs)

CO's	Course Outcomes
CO1	Understand the concept of performance management and reward systems in context.
CO2	Illustrate the performance management process and performance management Strategic planning.
CO3	Examine the concept of choosing a measurement approach, measuring results and behaviors.
CO4	Demonstrate gathering performance information and implementing performance Management system.
CO5	Analyze the appraisal procedure in different types of organizations and also know the recent trends in an organization.
CO6	State the concepts of performance management and employee development.
CO7	Examine the performance management skills and the case on implementation of 360 degree feedback system.
CO8	Discuss reward systems, legal issues and managing team performance.
CO9	Elucidate relevant performance related concepts like benchmarking, six sigma and competency mapping.
CO10	Express the relevant performance related concepts like balance scorecard, Coaching, mentoring Pygmalion effect and job analysis.

UNIT– I
PERFORMANCE MANAGEMENT AND REWARD SYSTEM

Introduction to performance management

- ➢ Definition of Performance Management (PM)
- ➢ The Performance Management Contribution
- ➢ Disadvantages/Dangers of Poorly-implemented PM systems
- ➢ Definition of Reward Systems
- ➢ Aims and role of PM Systems
- ➢ Characteristics of an Ideal PM system
- ➢ Integration with Other Human Resources and Development Activities

Performance management is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization.

It is a Continuous Process of

- ➢ Identifying performance of individuals and teams
- ➢ Measuring performance of individuals and teams
- ➢ Developing performance of individuals and teams
- ➢ Aligning performance with the strategic goals of the organization

Contributions of PM Systems

For Employees

The definitions of job and success are clarified

Motivation to perform is increased

Self-esteem is increased

Self-insight and development and enhanced

For Managers

Supervisors' views of performance are communicated more clearly

Managers gain insight about subordinates

There is better and more timely differentiation between good and poor performers

Employees become more competent

For Organization

Organizational goals are made clear

Organizational change is facilitated

Administrative actions are more fair and appropriate

There is better protection from lawsuits

Reward system exists in order to motivate employees to work towards achieving strategic goals which are set by entities. Reward management is not only concerned with pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, training, development and increased job responsibility.

Performance Management and Reward Practices. 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.

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.

Reward management consists of analyzing and controlling employee remuneration, compensation and all of the other benefits for the employees. Reward management aims to create and efficiently operate a reward structure for an organization. Reward structure usually consists of pay policy and practices, salary and payroll administration, total reward, minimum wage, executive pay and team reward.

The benefits of performance management extend to enhancing broad cross-functional involvement in decision-making, and calculated risk-taking by providing greater visibility with accurate and relevant information, to execute an organization's strategy.
Performance management involves many managerial roles, which shows you must be a communicator, a leader and a collaborator as well. Each individual in the team should understand exactly what their responsibilities are and what the expectations from them are, and how to work accordingly to reach the goals.

Many organizations jump from one improvement program to another, hoping that one of them will provide that big, elusive result. Most managers would acknowledge that pulling levers for improvement rarely results in a long-term sustained change. The key to improving is integrating and balancing multiple programs sustainably. You cannot break the chain by simply implementing one improvement program and exclude the other programs and initiatives.

There should be a strong bonding between the issues and the strategy of an organization. The manner in which an organization implements performance management can be influenced by its history, goals, mission, vision, strategic priorities, and the various problems it faces in its economic, political, demographic and technological environment.

SCOPE OF PERFORMANCE MANAGEMENT SYSTEM

- 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;
- Recognizing and promoting performance culture;

Performance management is about aligning individual objectives to organizational objectives and ensuring that individuals hold the corporate core values. It provides for expectations to be defined in terms of role responsibilities and accountabilities expected to do, skills expected to have and behavior expected to be.

The overall aim of performance management is to establish a good culture in which individuals and teams take responsibility for the improvement of their own skills and their organizations.

Specifically, performance management is all about achieving the individual objectives according to the organizational objectives and ensuring that every individual is working towards it.

Another aim is to develop the capacity of individuals to meet the expectations of the organization. Mainly, performance management is concerned with the support and guidance for the people who need to develop.

Performance management is a pre-planned process of which the primary elements are agreement, measurement and feedback.

The following are the characteristics of performance management

Measures outputs of delivered performance

It is concerned with measuring outputs of delivered performance compared with expectations expressed as objectives. Its complete focus is on targets, standards and performance measures. It is based on the agreement of role requirements, objectives and performance improvement and personal development plans.

Concerned with inputs and values

Performance management is also concerned with inputs and values. The inputs are the knowledge, skills and behaviors required to produce the expected results from the individuals.

Characteristics of an Ideal PM System

Strategic congruence	Thoroughness	Practicality	Meaningfulness
Specificity	Identification of effective and ineffective performance	Reliability	Validity
Acceptability and fairness	Inclusiveness	Openness	Correctability
	Standardization	Ethicality	

UNIT– II
PERFORMANCE MEASUREMENT

Definition: Performance planning is a systematic and structured approach to successfully achieve the desired goals of an individual or team throughout the assessment year. A plan is chalked out for the team or an individual(s) keeping in mind the broader objectives of the organization.

Description: Performance planning is a crucial part of an employee's growth in the organization. An effective performance planning system will be easy to understand, as well as to implement. It would also be accurate enough to provide the performance of an employee throughout the year.

There are four basic objectives of performance planning. The first one is to communicate basic responsibilities that the individual has to perform on a daily basis. It could be reporting, data management, etc.

The fourth is to create an adequate career development plan for the individual which would keep him/her motivated. If an employee is well aware of his/her career as well as growth plan, he/she will be self-motivated.

The performance planning tool should be effective in monitoring as well as measuring the results. It should identify key performance levels which can easily be quantifiable. Performance metrics which are easy to identify are helpful in making comparisons.

Approaches to Measuring Performance

- Trait Approach
  - Emphasizes individual traits of employees
- Behavior Approach
  - Emphasizes how employees do the job
- Results Approach
  - Emphasizes what employees produce

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Herman Aguinis, University of Colorado at Denver

- ⊙ What does a good job look like?

- ⊙ How many or how much is needed?

- ⊙ How long should it take?

- ⊙ When are the results needed?

- ⊙ How accurate or how good is acceptable?

- ⊙ Are there budget considerations?

- ⊙ Are there safety considerations?

- ⊙ Are there legislative or regulatory requirements that require strict adherence?

- **Strategic:** To create effective performance metrics, you must start at the end point with the goals, objectives or outcomes you want to achieve and then work backwards. A good performance metric embodies a strategic objective. It is designed to help the organization monitor whether it is on track to achieve its goals. The sum of all performance metrics in organization (along with the objectives they support) tells the story of the organization's strategy.

- **Simple:** Performance metrics must be understandable. Employees must know what is being measured, how it is calculated, what the targets are, how incentives work, and, more importantly, what they can do to affect the outcome in a positive direction.

CHARACTERISTICS OF EFFECTIVE PERFORMANCE METRICS

- **Owned:** Every performance metric needs an owner who is held accountable for its outcome. Some companies assign two or more owners to a metric to engender teamwork. Companies often embed these metrics into job descriptions and performance reviews. Without accountability, measures are meaningless.

- **Actionable:** Metrics should be actionable. That is, if a metric trends downward, employees should know what corrective actions to take to improve performance. There is no purpose in measuring activity if users cannot change the outcome. Showing that sales are falling isn't very actionable; showing that sales of a specific segment of customers is falling compared to others is more actionable.

- **Timely:** Actionable metrics require timely data. Performance metrics must be updated frequently enough so the accountable individual or team can intervene to improve performance before it is too late. Some people argue that executives do not need actionable or timely information because they primarily make strategic decisions for which monthly updates are good enough. However, the most powerful change agent in an organization is a top executive armed with an actionable KPI.

- **Referenceable:** For users to trust a performance metric, they must understand its origins. This means every metric should give users the option to view its metadata, including the name of the owner, the time the metric was last updated, how it was calculated, systems of origin, and so on. Most BI professionals have learned the hard way that if users don't trust the data, they won't use it. The same is true for performance metrics.

- **Accurate:** It is difficult to create performance metrics that accurately measure an activity. Part of this stems from the underlying data, which often needs to be scanned for defects, standardized, deduced, and integrated before displaying to users. Poor systems data creates lousy performance metrics that users won't trust. Garbage in, garbage out. Companies should avoid creating metrics when the condition of source data is suspect.

- **Accuracy:** Accuracy is also hard to achieve because of the way metrics are calculated. For example, a company may see a jump in worker productivity, but the increase is due more to an uptick in inflation than internal performance improvements. This is because the company calculates worker productivity by dividing revenues by the total number of workers. Thus, a rise in the inflation rate, which artificially boosts revenues. Which is the numerator in the metric increases worker productivity even though workers did not become more efficient?

- **Correlated:** Performance metrics are designed to drive desired outcomes. Many organizations create performance metrics but never calculate the degree to which they influence the behaviors or outcomes they want. Companies must continually refresh performance metrics to ensure they drive the desired outcomes.

- **Game-proof:** Organizations need to test all performance metrics to ensure that workers can't circumvent them out of laziness or greed or go through the motions to make a red light turn green without making substantive changes.

UNIT– III
PERFORMANCE MANAGEMENT SKILLS

PERFORMANCE APPRAISAL: Performance appraisal is defined by Wayne Cascio as "the systematic description of employee's job relevant, strength, weakness. Performance appraisal may be conducted once in every 6 months or once in a year. The basic idea of the appraisal is to evaluate the performance of the employee, giving him a feed back. Identify areas where improvement is required so that training can be provided. Give incentives and bonus to encourage employees etc. Companies use different methods of appraisal for identifying and appraising the skills and qualities of their employees. The different methods used can be explained with the help of following diagram.

Traditional Methods

1. Paired comparison
2. Graphic Rating scales
3. Forced choice Description method
4. Forced Distribution Method
5. Checks lists
6. Free essay method
7. Critical Incidents
8. Group Appraisal
9. Field Review Method
10. Confidential Report
11. Ranking

Modern Methods

1. Assessment Center
2. Appraisal by Results or Management by Objectives
3. Human Asset Accounting
4. Behaviorally Anchored Rating scales
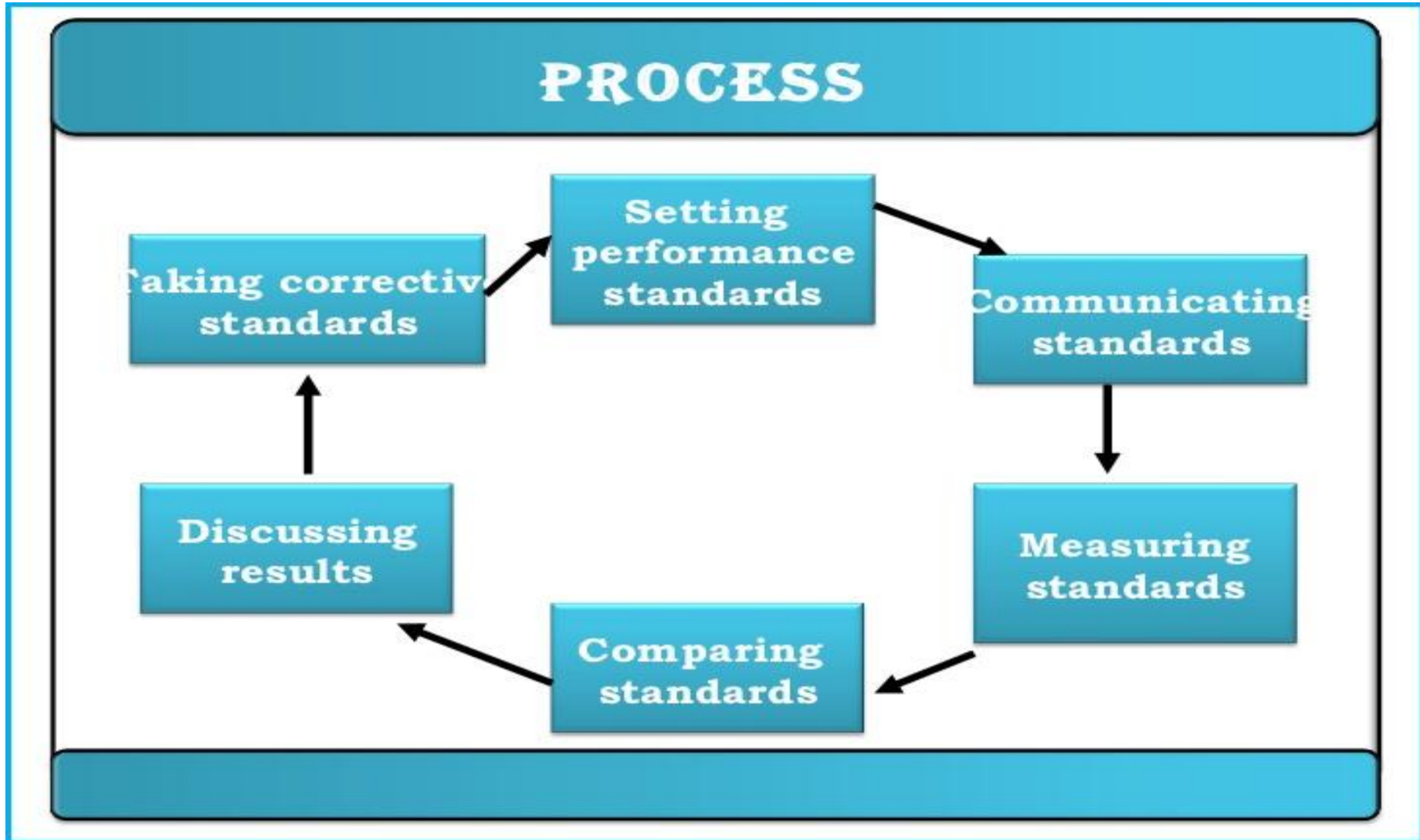
Feedback to the employee: - Performance appraisal is beneficial because it provides feedback to the employee about his performance. It identifies the areas for improvement so that employee can improve itself.

Training and development: - Due to performance appraisal it is easy to understand what type of training is required for each employee to improve himself accordingly training programs can be arranged.

Helps to decide promotion: - Performance appraisal provides a report about the employee. Based on this report future promotions are decided, incentives, salary increase is decided.

Validation of selection process: - Through performance appraisal the HR department can identify whether any changes are required in the selection process of the company normally a sound selection process results in better performance and positive appraisal.

Deciding transfers and lay off of the worker: - Employee with specific talent can be transferred to places where their talents are utilized properly; similarly decisions regarding termination of employees depend upon performance appraisal reports.

Human resource planning and career development:- Companies can plan for future vacancies at higher levels based on performance appraisal reports. Similarly career planning can be done for the employee on the performance appraisal report.
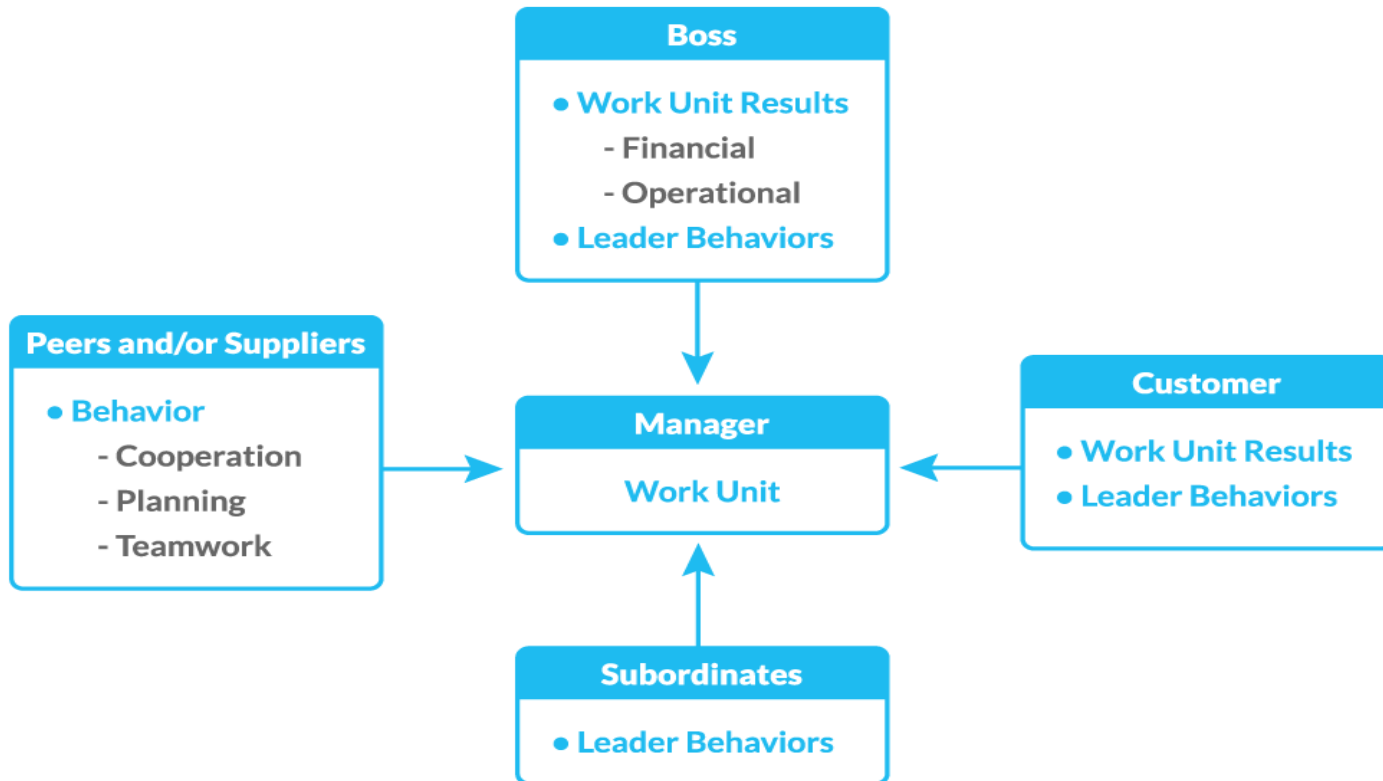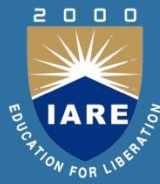
Performance Management Cycle
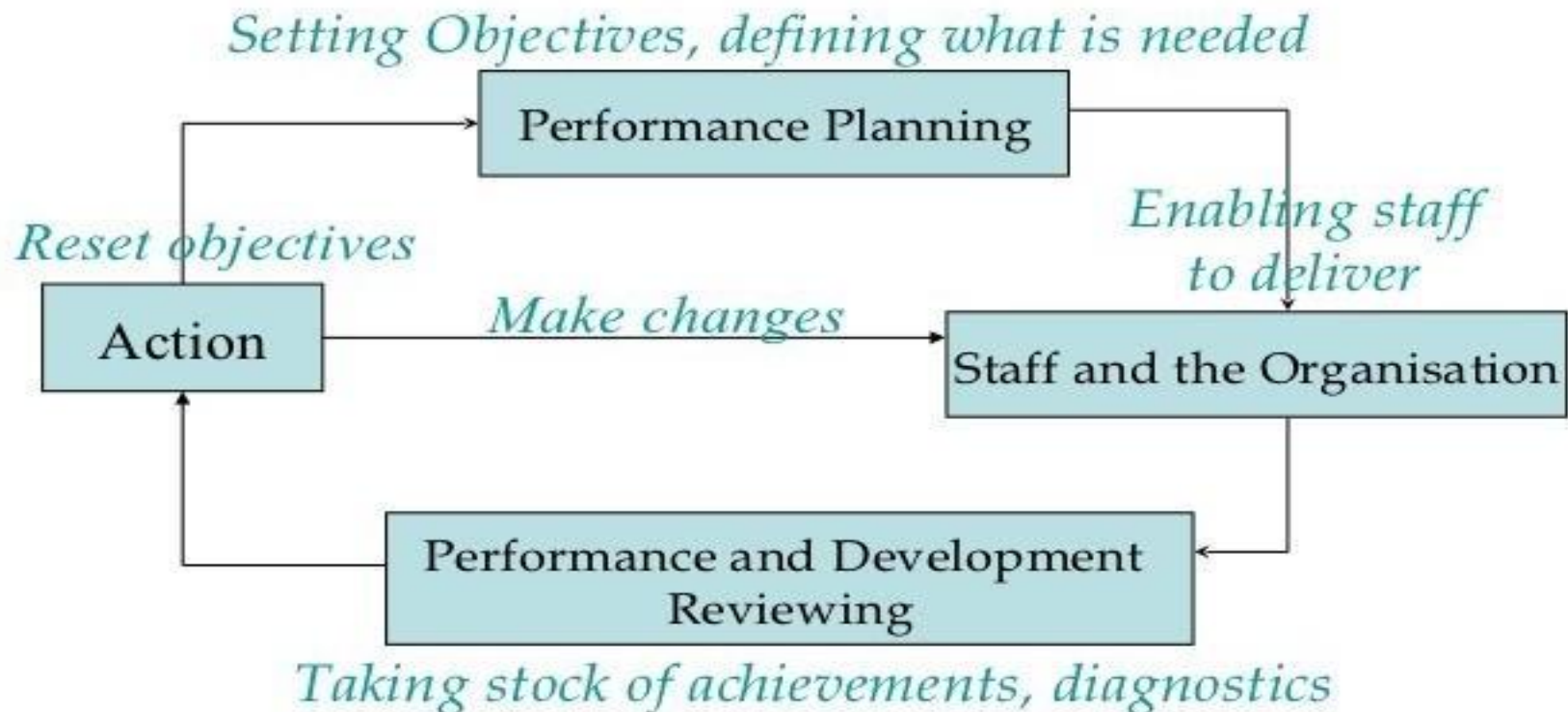
Performance Management Skills: Overview

- Coaching
- Coaching Styles
- Coaching Process
- Performance Review Meetings

SOURCES OF 360 DEGREE FEEDBACK

Boss
- Work Unit Results
  - Financial
  - Operational
- Leader Behaviors

Peers and/or Suppliers
- Behavior
  - Cooperation
  - Planning
  - Teamwork

Manager

Work Unit

Customer
- Work Unit Results
- Leader Behaviors

Subordinates
- Leader Behaviors

- ◉ Implement an easy-to-use 360 degree feedback process to gain more participation across the organization.

- ◉ Tailor the survey questions to best address the skills most critical at various levels of the leadership team,

- ◉ Partner with a vendor that could deliver a highly flexible solution but at a very reasonable cost, and

- ◉ Customize the feedback reports to not only provide critical information on strengths and development areas but also to allow individuals to interpret their feedback report without the use of individual coaching.
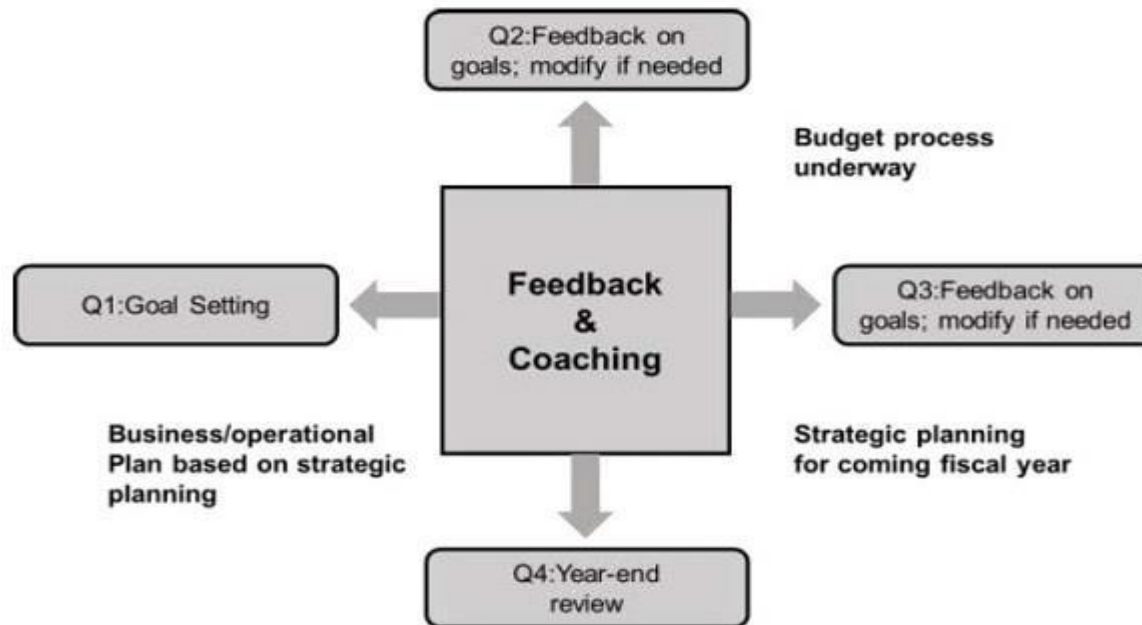
UNIT– IV
REWARD SYSTEMS

Reward Systems: Overview

- Traditional and Contingent Pay (CP) Plans
  - Reasons for Introducing CP Plans
  - Possible Problems Associated with CP
  - Selecting a CP Plan
- Putting Pay in Context
- Pay Structures

Coaching Process

⦿ Coaching as part of the normal process of management consists of Making people aware of how well they are performing by for example, asking them questions to establish the extent to which they have thought through what they are doing.

The counseling functions are the activities that can be done by counseling.

◉ Advice giving is not desired for counseling, as it s a process of self- growth which advising would hamper. But many a time's counselors do have to advice so as to show/ guide the counseled towards a path of action.

◉ Counseling has to provide reassurance to the employee that he or she is progressing well and moving towards achieving the desired goal. Reassurance here can be meant as encouragement also. This is mostly in the case of the mid career managers where counselor can only reassure that everything will work out Employees' Counseling fine and also encourage him or her to work as the desired goal is within reach.
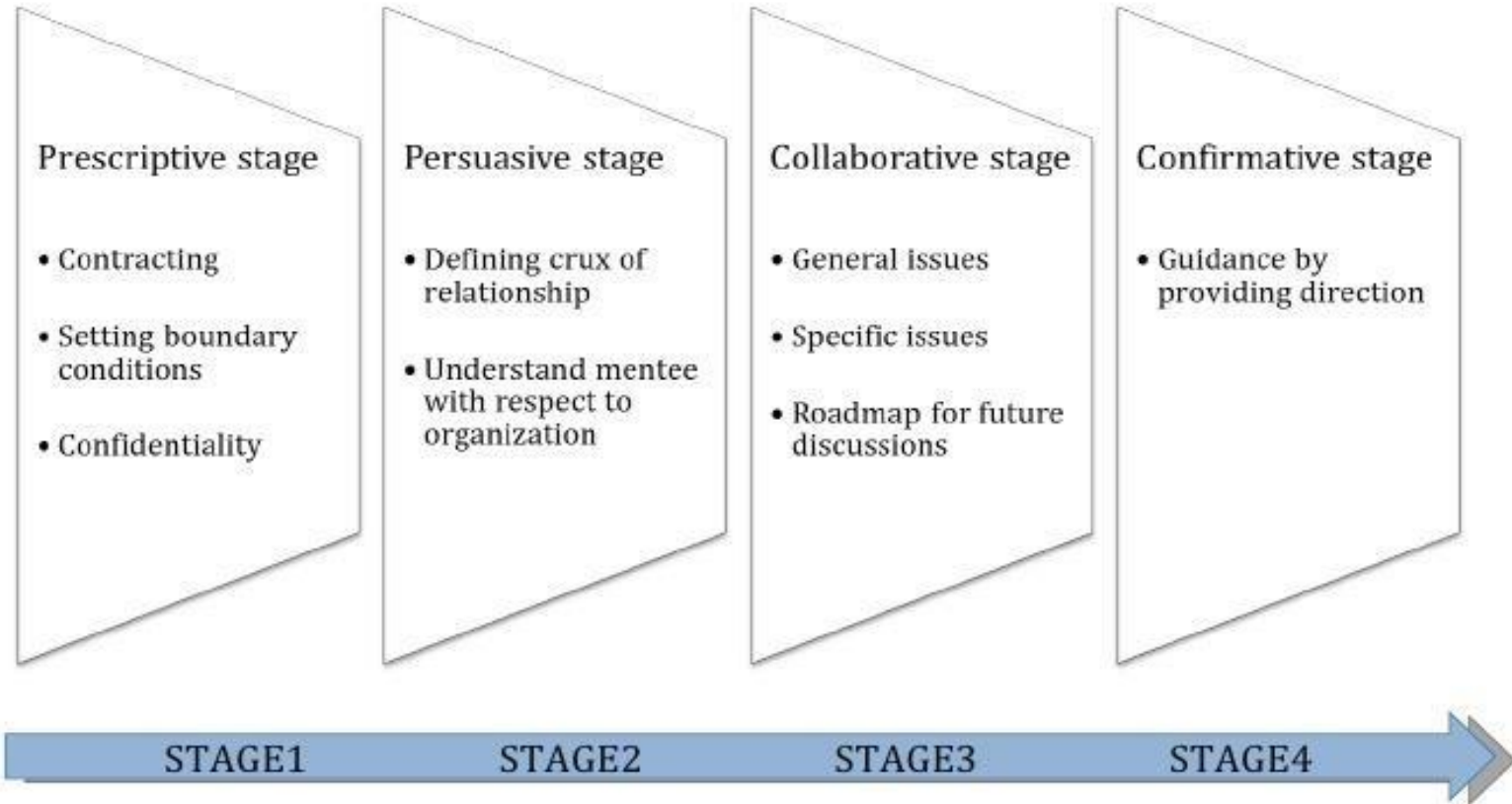
◉

- **Communication:**
- Counseling is mostly about proper communication. A proper communication is required to pass the employee problems to the management and also to air the views of the management to the employees. Communication skills such as listening, providing feedback and so on are required for an effective counseling session.
- **Release of Emotional Tension:**
- Counseling gives a scope to the employees to release their emotional tension. Emotional outbursts help the employee to release one's anger and frustration to a sympathetic listener, which in turn helps in subsiding the tension.

Stages of Mentoring

Prescriptive stage	Persuasive stage	Collaborative stage	Confirmative stage
• Contracting	• Defining crux of relationship	• General issues	• Guidance by providing direction
• Setting boundary conditions	• Understand mentee with respect to organization	• Specific issues	
• Confidentiality		• Roadmap for future discussions	

STAGE1   STAGE2   STAGE3   STAGE4

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The Benefits of Mentoring

Organisational	Mentor	Mentee/Learner
• Widening of skills base and competencies in line with the organisation's strategic goals • Increased staff morale and job satisfaction • Reduction in the service/education gap • Alternative to external training, more cost effective personal development programme • Develops habits of trust and confidentiality • Gives senior management a more informed view of the organisation' talent • Use for succession planning • Helps achieve mission/vision	• Improves awareness of own learning gaps • Develops ability to give and take criticism • Develops up-to-date organisational and professional knowledge • Offers networking opportunities • Improves leadership, organisational and communication skills • Develops ability to challenge, stimulate and reflect • Raises profile within organisation • Increases job satisfaction • Offers opportunity to pass on knowledge, experience • Provides stimulation	• Develops learning, analytical and reflective skills • Develops organisational and professional knowledge • Develops political awareness • Develops own practice • Develops or reinforces self-confidence and willingness to take risks • Develops ability to accept criticism • Supports through transition • May accelerate professional development • Develops autonomy and independence • Increases maturity • Broadens horizons • Increases job satisfaction • Reduces reality shock • Offers opportunities for effective
• Develops a mature management population • Improved quality of service through increased competence and confidence of supported practitioners • Improves teamwork and co-operation	• May offer career advancement opportunities	role modelling • Encourages ongoing learning and developing and identifying learning opportunities in the working situation • Facilitates peer relationships • Develops increased reflective practitioner skills • Offers individualised one-to-one teaching and opportunities for experiential learning • Offers help with problem solving

◉ <u>Advantages to Group Mentoring:</u>

- Support comes not only from the Mentoring Group Leader (MGL) but from peers within the group

- Provides for greater exposure to multiple levels of expertise and knowledge as each participant brings their own competencies to the group that can be shared

- Diversity within the group brings a diversity of perspective to issues as well as to a greater understanding and awareness of diversity in general as it relates to ethnicity, sex, etc.

- Provides for a greater number of individuals to benefit from mentoring as opposed to the limitations of a 1-on-1 mentoring program

Disadvantages to Group Mentoring:

⊙ Each member has different needs that must be balanced against the overall group needs

⊙ Does not offer the "personal" relationship that is the hallmark of a 1-on-1 mentoring   relationship

⊙ Scheduling a large number of individuals to meet regularly can be a challenge

⊙ The element of confidentiality and safety may not be achieved to the level possible in a one relationship thus limiting the extent a member takes risks and learns

⊙ Competition within a group can disrupt the success of a mentoring group

"Team mentoring offers a methodology for facilitating the learning of an intact team. Together the individuals making up the team articulate mutual learning goals and work simultaneously with one or more mentors who guide them through a deliberate and deliberative process to facilitate their learning. The mentoring process allows the team to be supported and to learn from each other's experience and knowledge" – Lois Zachary, Ed.D.

Mentoring	Coaching	Counselling	Supervision
Focus on career development	Focus on skills development	Focus on personal issues preventing career development	Focus on Academic achievement
Shows the way	Gap analysis		Power imbalance in relationship
Agenda set by mentee	Identify weaknesses	Identifying underlying behavioural problems or issues	
Shares experiences	Action plan		
Provides advice	Well-defined goals and strategies		
Provides networks	Addresses short term needs		

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. Many organizations consider and use potential appraisal as a part of the performance appraisal processes.

The purposes of a potential review are:

- To inform employees of their future prospects

- To enable the organization to draft a management succession programme

- To update training and recruitment activities

- To advise employees about the work to be done to enhance .their career opportunities.
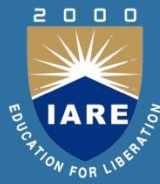
- Self – appraisals
- Peer appraisals
- Superior appraisals
- MBO
- Psychological and psychometric tests
- Management games like role playing
- Leadership exercises etc.

- Define and measure performance first and then allocate rewards
- Only use rewards that are available . Make sure all employees are eligible
- Rewards should be both
    - Financial
    - Non-financial
- Rewards should be:
    - Visible
    - Contingent
    - Timely
    - Reversible

Illegal Discrimination or Disparate Treatment

❖ Raters assign different scores to employees based on factors that are NOT related to performance

❖ Employees receive different treatment as result of such ratings

❖ Employees can claim they were intentionally and illegally treated differently due to their status

❖ Legitimate and non-discriminatory reason for action related to performance

❖ Note: Good performance management system and subsequent performance-related decision, used consistently with all employees, provides defense.

During past few decades, several countries   have passed laws prohibiting discrimination based on:

· Race or Ethnicity

· Sex

· Religion

· National Origin

· Age

· Disability status

UNIT– V
PERFORMANCE RELETED CONCEPTS

Benchmarking definition :

Benchmarking is the process of improving performance by continuously identifying, understanding, and adapting outstanding practices found inside and outside the organization.
Benchmarking is the process of comparing one's business processes and performance metrics to industry bests and/or best practices from other industries.

- Why are others better ?
- How are others better ?
- What can we learn ?
- How can we catch up ?
- How can we become the best in our sector ?

The developmental goal for global performance management systems include:

1. Helping employees at all levels to improve their performance and develop their professional skills

2. Diagnosing individual and organizational problems

3. Enhancing commitment to the organization through discussion of career opportunities, action plans and need for training and development

4. Using recognition to motivate continued or improved high performance The issue of global performance management needs an effective system to be able .

SIX SIGMA:

A Business Strategy: Using Six Sigma Methodology, a business can strategize its plan of action and drive revenue increase, cost reduction and process improvements in all parts of the organization.

A Vision: Six Sigma Methodology helps the Senior Management create a vision to provide defect free, positive environment to the organization.

- A Statistical Measure: Six Sigma is a data driven methodology. Statistical Analysis is used to identify root-causes of the problem. Additionally, Six Sigma methodology calculates the process performance using its own unit known as Sigma unit.

- A Robust Methodology: six sigma is the only methodology available in the market today which is documented methodology for problem solving. If used in the right manner, six sigma improvements are bullet- proof and they give high yielding returns.

- Competency Mapping is a process of identifying key competencies for an organization and/or a job and incorporating those competencies throughout the various processes (i.e. job evaluation, training, recruitment) of the organization.

SIX SIGMA PROCESS-DMAIC
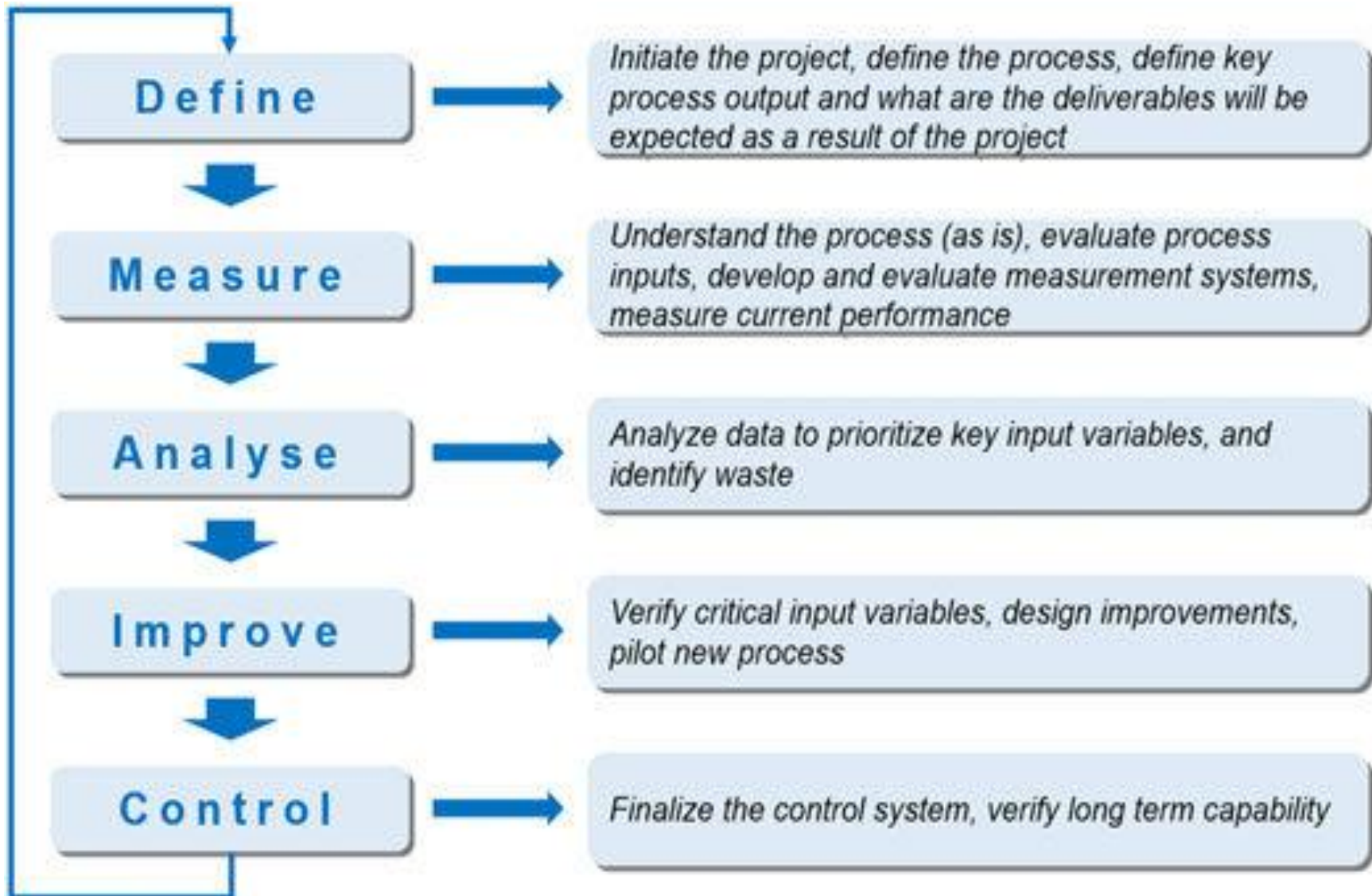
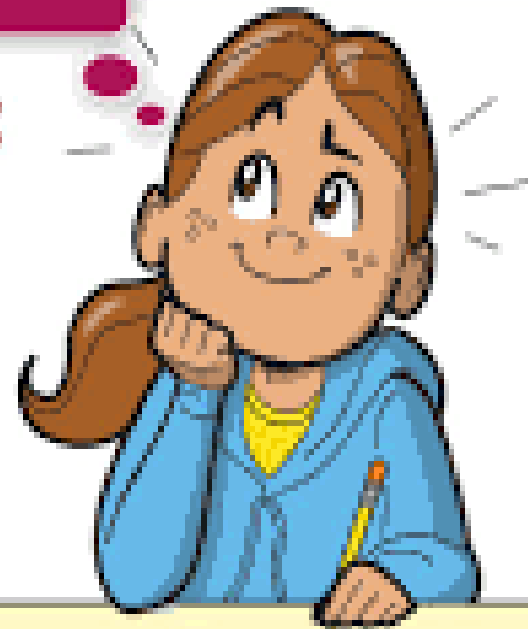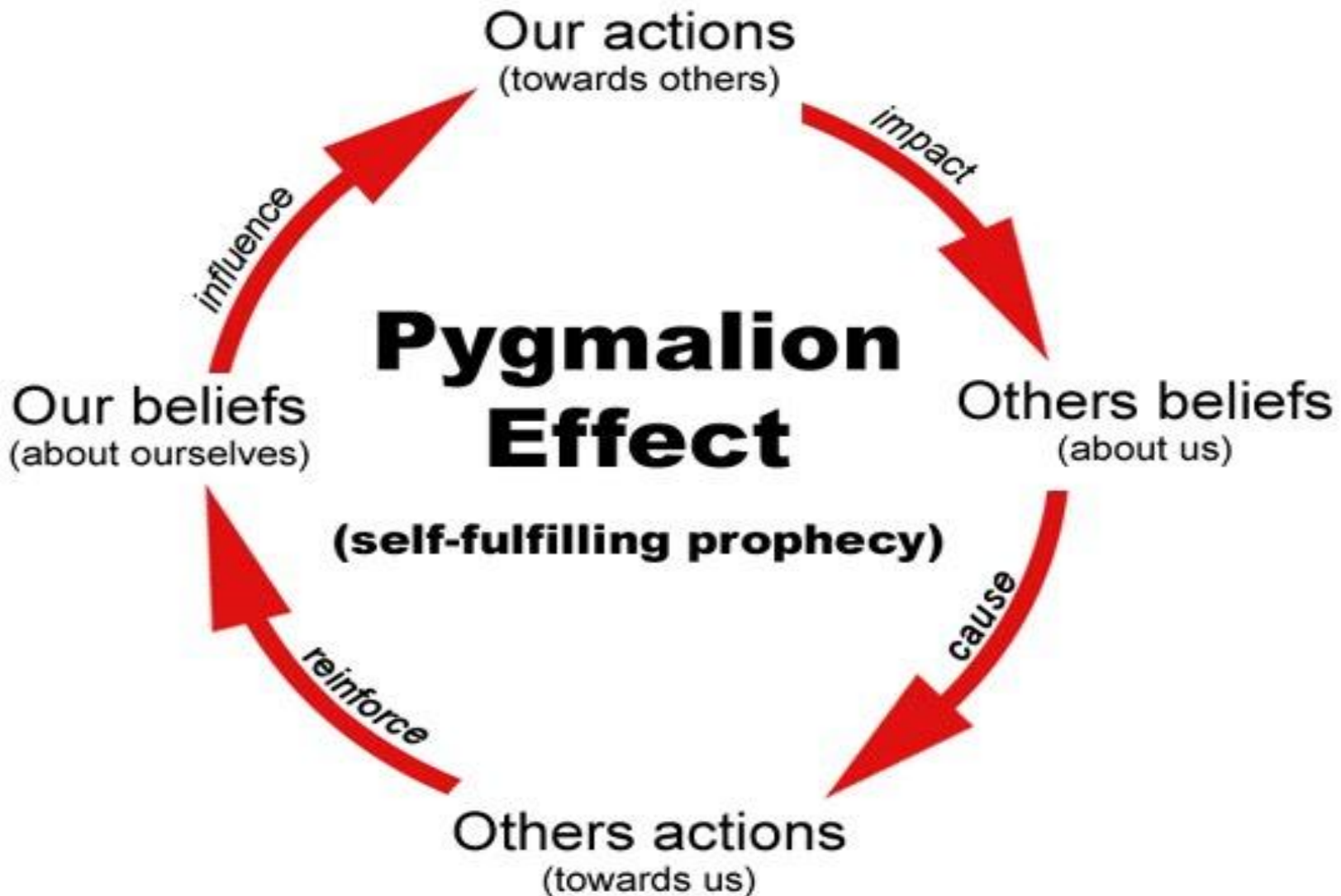**Define** → Initiate the project, define the process, define key process output and what are the deliverables will be expected as a result of the project

Measure → Understand the process (as is), evaluate process inputs, develop and evaluate measurement systems, measure current performance

Analyse → Analyze data to prioritize key input variables, and identify waste

Improve → Verify critical input variables, design improvements, pilot new process

Control → Finalize the control system, verify long term capability

THE PYGMALION EFFECT IN ACTION

John is a team leader → John

He has four identical employees: A, B, C and D

He has different levels of expectation of each employee

A 94% B 30% C 66% D 7%

And his identical employees perform to different levels

85 42 70 13
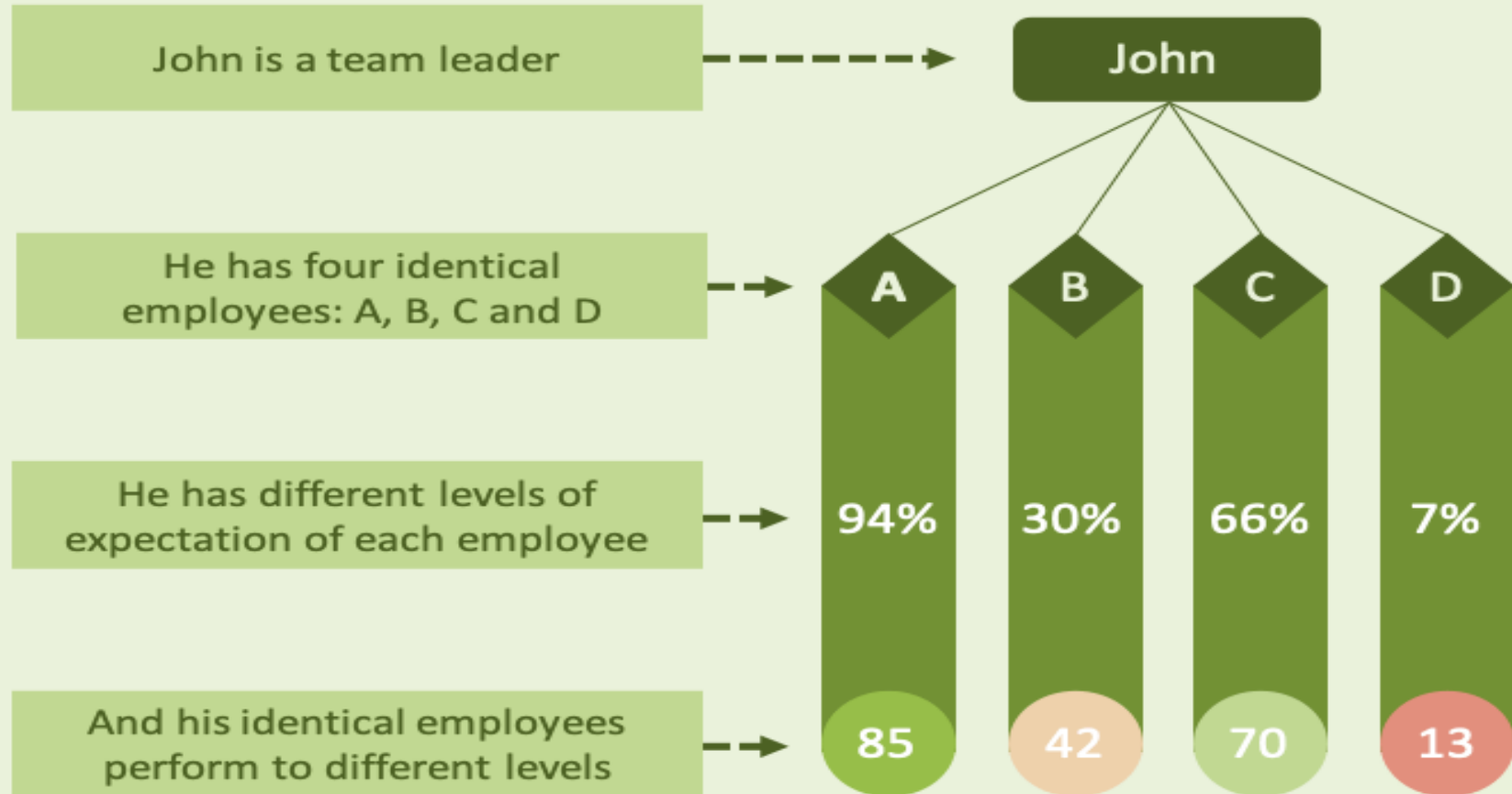
Job Analysis

Job Analysis is the process of studying and collecting information relating to the operation and responsibilities of a specific job.
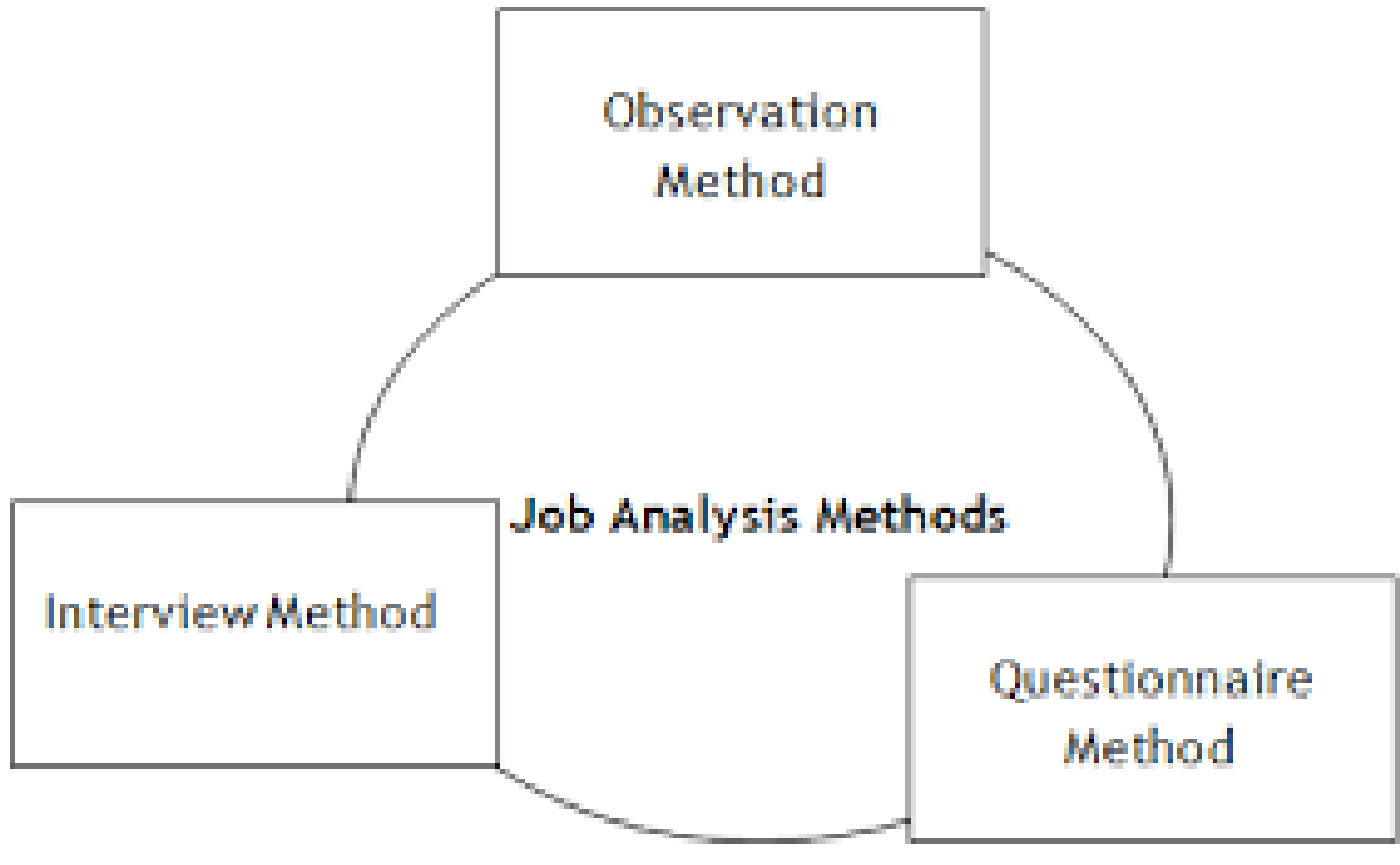
Observation Method

Job Analysis Methods

Interview Method

Questionnaire Method

Table 5.1: Job Contents

Job Description	Job specification
A statement containing items such as ● Job title ● Location ● Job summary ● Duties ● Machines, tools, and equipment ● Materials and forms used ● Supervision given or received ● Working conditions ● Hazards	A statement of human qualifications necessary to do the job. Usually contains such items as ● Education ● Experience ● Training ● Judgement ● Initiative ● Physical effort ● Physical skills ● Responsibilities ● Communication skills ● Emotional characteristics ● Unusual sensory demands such as sight, smell, hearing.