

UNIT-1

Performance Management :Pre requisites - Objectives - Principles - Elements of effective performance management; Performance Management System: Functions – Competencybased PMS – Electronic Performance Management; Challenges to Performance Management; Performance Counseling: Principles - Skills.

Performance Management: Definition and Importance

Definition of Performance Management

Performance management is a continuous process that involves planning, monitoring, evaluating, and improving individual and organizational performance. It aligns individual performance with organizational goals through feedback, coaching, and rewards.

According to Armstrong (2006):

"Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams."

Importance of Performance Management

1. Alignment with Organizational Goals:

Ensures that individual and team objectives are in line with the organization's mission and vision.

2. Enhanced Employee Performance:

Encourages employees to understand their roles, set clear expectations, and work effectively to achieve targets.

3. Motivation and Engagement:

Recognizing and rewarding employees boosts morale and job satisfaction, leading to higher engagement.

4. Skill Development:

Identifies training needs and promotes continuous professional development to enhance competencies.

5. Improved Decision-Making:

Provides data-driven insights to guide decisions about promotions, rewards, and succession planning.

6. Effective Communication:

Facilitates open and constructive dialogue between managers and employees, fostering trust and collaboration.

7. Increased Accountability:

Encourages employees to take ownership of their performance and outcomes.

8. Organizational Growth:

By optimizing individual and team performance, the organization achieves sustainable growth and competitiveness.



Nature of Performance Management:

The Nature of Performance Management



Objectives of Performance Management :

The major objectives of performance management are discussed below:

1. To enable the employees towards achievement of superior standards of work performance.
2. To help the employees in identifying the knowledge and skills required for performing the job efficiently as this would drive their focus towards performing the right task in the right way.
3. Boosting the performance of the employees by encouraging employee empowerment, motivation and implementation of an effective reward mechanism.
4. Promoting a two way system of communication between the supervisors and the employees for clarifying expectations about the roles and accountabilities, communicating the functional and organizational goals, providing a regular and a transparent feedback for improving employee performance and continuous coaching.
5. Identifying the barriers to effective performance and resolving those barriers through constant monitoring, coaching and development interventions.
6. Creating a basis for several administrative decisions strategic planning, succession planning, promotions and performance based payment.
7. Promoting personal growth and advancement in the career of the employees by helping them in acquiring the desired knowledge and skills.

Principles of Performance Management :

Some of the major principles of performance management are as follows:

1. Performance management is considered a process, not an event. It follows good management practice in which continual coaching, feedback and communication are integral to success.
2. The Performance Management is primarily a communication tool to ensure mutual understanding of work responsibilities, priorities and performance expectations.
3. Elements for discussion and evaluation should be job specific – not generalized personality traits. The major duties and responsibilities of the specific job should be defined and communicated as the first step in the process.
4. Performance standards for each major duty/responsibility should be defined and communicated. 5. Employee involvement is encouraged in identifying major duties and defining performance standards.
6. Professional development should be an important component of the plan.
7. The formal evaluation period should be long enough to allow for full performance and to establish a history such that evaluations are fair and meaningful. One year is a common evaluation period.
8. Documentation of performance will occur as often as needed to record the continuum of dialogue between supervisor and employee.
9. If formal ratings are included, they should reflect the incumbent's actual performance in relation to the performance standard for that major duty

10. The supervisor should be evaluated on the successful administration of the plan and ongoing performance management responsibilities.

11. Training for supervisors and employees is encouraged and will be provided by University Human Resource Services.

Elements of Performance Management

These refer to the core components or building blocks of the system, outlining the process or key activities involved.

Goal Setting: Establishing clear and measurable objectives.

Monitoring: Regularly tracking and assessing progress.

Feedback and Communication: Providing constructive and timely input.

Rewards and Recognition: Motivating employees through tangible and intangible incentives.

Performance Evaluation: Formal review of individual and team performance.

Development Plans: Creating opportunities for skill enhancement and career growth.

Elements of Effective Performance Management

Performance management is a continuous process designed to improve individual and organizational performance. The following are the critical elements of an effective performance management system, explained in detail for MBA students:

1. Goal Setting

Establishing clear, specific, and measurable objectives for employees and teams. Aligns individual efforts with organizational goals and provides a sense of direction.

Goals must be SMART (Specific, Measurable, Achievable, Relevant, Time-bound).

Collaborative approach: Goals are set jointly by employees and managers.

Ensures clarity and focus.

Increases motivation by creating a clear understanding of expectations.

2. Performance Planning

Outlining how goals will be achieved, including timelines, required resources, and performance standards. Provides a structured roadmap for achieving individual and team objectives.

Clearly defined roles and responsibilities.

Identification of required support and resources.

Establishment of key performance indicators (KPIs).

Reduces ambiguity and confusion.

Encourages accountability and preparedness.

3. Performance Monitoring

Regularly tracking progress and assessing employee performance against set goals.

Ensures employees stay on track and allows for timely intervention if required.

Use of tools like dashboards, progress reports, and real-time data.

Frequent check-ins and updates between managers and employees.

Helps identify issues early and implement corrective measures.

Encourages continuous improvement.

4. Feedback and Communication

Providing constructive, timely, and actionable feedback to employees.

Reinforces positive behaviors and helps address areas for improvement.

Feedback should be specific, clear, and supportive.

Emphasis on two-way communication to foster dialogue and trust.

Builds strong manager-employee relationships.

Encourages employees to take ownership of their performance.

5. Performance Evaluation

A systematic review of employee performance over a specific period.

Assesses the extent to which goals were achieved and identifies areas of strength and development.

Incorporates self-assessments, peer reviews, and manager evaluations.

Relies on predefined goals and KPIs for fairness and accuracy.

Provides a basis for promotions, rewards, or performance improvement plans.

Ensures fairness and objectivity in appraisals.

6. Rewards and Recognition

Acknowledging and incentivizing employees for their contributions and achievements.

To motivate and retain employees by recognizing their efforts.

Rewards can be monetary (bonuses, salary increments) or non-monetary (certificates, public acknowledgment).

Recognition should be consistent and based on merit.

Boosts morale and job satisfaction.

Promotes a culture of high performance and achievement.

7. Development Planning

Identifying opportunities for employees to enhance their skills and advance their careers.

Ensures employees are equipped for current and future roles.

Based on gaps identified during evaluations.

Includes training programs, workshops, and mentoring.

Encourages continuous learning and personal growth.

Improves organizational capabilities and employee retention.

8. Continuous Improvement

Using insights from the performance management process to improve systems, processes, and individual capabilities.

Enhances the overall effectiveness of the performance management system.

Regular review of goals and KPIs to ensure relevance.

Incorporation of employee feedback for system enhancements.

Keeps the system dynamic and aligned with organizational changes.

Encourages innovation and adaptability.

Performance Management System:

Performance management system is another way of envisioning the totality of a manager's function. It views the managerial function holistically – not a random collection of activities that most managers recognize and undertake as their core function. It provides a systemic dimension to the managerial activities – highlighting their mutual interrelatedness and interdependence. It emphasizes the dynamic, sequential and cyclical nature of these activities, essential to actualize their potential synergistic impact, which is the source of high performance and excellence. By implication, it also explains why focusing on only one or a few of these activities doesn't deliver the results wished-for.

Any system needs certain prerequisites to function smoothly. So does PMS. PMS becomes easier to do and more productive to the extent that:

1. It is used holistically, as a system
2. The relevant subsystems are in place and accepted
3. The organization's philosophy and human environment is conducive to high morale

4. The manager is oriented to, and equipped with, high performing attitudes and leadership skills.

Functions of Performance Management System

Performance management system can fulfil different functions for different organisations. The given below are the key functions of PMS:

1. Helps in clarifying the mission, vision, strategy, and values of the organization to the employees in order to enable them achieve the same
2. Helps in improving various business processes as the deficiencies are highlighted.
3. Helps in attracting and retaining talents in the organization and helps in establishing a robust talent review system.
4. Facilitates competency mapping, training and development needs identification, and implementation as part of the performance development tool (employees have the competencies to met both the present and emerging requirements of the organization).
5. Assists management in validating their recruitment and selection process and techniques.
6. Helps employees attain their full potential and attain a balance between work and personal life.
7. Improves organization's ability to change faster by highlighting the gap between potential capabilities and present ability.
8. Helps in making a shift from industrial relations to individual relations with a focus for employee growth and development
9. Enables sustainable organizational competitiveness, innovation, and low employee turnover by helping in reviewing organization structure and plan succession.
10. Builds the intellectual capital not only at managerial level but at front-line level also. In a nutshell, performance management seeks to balance business alignment with learning and development and performance reward.

Competency-Based Performance Management System (CBPMS)

A Competency-Based Performance Management System (CBPMS) focuses on evaluating and managing employee performance based on specific competencies required for success in a job role. Competencies are the knowledge, skills, abilities, and behaviors necessary for effective performance.

Elements of CBPMS

Competency Framework Development:

Identifies job-specific and organization-wide competencies.

Creates a detailed competency matrix that defines expected proficiency levels.

Competency-Based Goal Setting:

Aligns performance goals with required competencies.

Incorporates behaviors and skills as part of the assessment criteria.

Assessment and Measurement:

Utilizes competency-based tools like 360-degree feedback, self-assessments, and peer reviews.

Tracks both qualitative (e.g., leadership behavior) and quantitative (e.g., sales targets) aspects of performance.

Feedback and Development Plans:

Provides competency-focused feedback for strengths and improvement areas.

Tailors development initiatives (training, mentoring, coaching) to enhance specific competencies.

Competency-Based Rewards and Promotions:

Rewards employees not only for achieving results but also for demonstrating critical competencies.

Facilitates career progression based on skill enhancement.

Electronic Performance Management

Electronic performance management (or e-performance management) offers great value for money to the organizations and addresses its needs aptly. e-performance management is essentially a PMS in the form of an online software package with multiplication modules that is fully integrated with the organizational metrics. It provides greater flexibility, tracking, and access of performance management to large number of employees and managers across the organization, across the world at the press of a button. Bititciet al. (2000) point out that the main benefit of using an IT platform for managing the performance management within an organization is that the maintenance of the information contained within the systems becomes much simpler. They also set up some requirements for an IT platform, which is suitable in such a situation. This e-performance management software is readily available in the market as standard product, or can be customized to meet a specific need of the organization. The e-performance management product allows organizations to maintain a record of core skills and competencies into the employee's performance management process. e-performance management provides templates for a wide application that could be used across organizations spread in different parts of the world through one software module.

E-performance management template provides the following features:

1. Job – or individual – centered performance contracts
2. Uploading of performance criteria
3. Secure online appraisal with password
4. Automatic e-mail notification of completed appraisal to employee and manager
5. Workflow system to monitor appraisal progress

6. Archive retrieval possible for retrieval of previous period appraisals
7. Assigning different weighting protocols
8. Viewing competency ratings
9. Viewing compensation details
10. Career advancement and opportunities available

Implementing performance management across an organization creates the potential for a large amount of administrative overhead. Performance management process must be completed and approved, feedback and counseling must be provided from multiple reviewers, documents rated, deadlines monitored, and many of these activities must be performed multiple times during each performance cycle for each and every employee. e-performance management (e.g., Oracle's PeopleSoft Applications) helps organizations automate many of the administrative processes surrounding performance management. e-performance management enables rule-based routing of performance documents for editing and approval, the delivered language editor and results writer tools enable standardized content to be suggested at the time of appraisal, and the status dashboard enables all parties to track their documents as they move through the performance management process, that is, from planning to monitoring and beyond.

e-performance management offers numerous benefits, some of which are listed below:

For Managers

1. Focused and aligned performance goals have a direct influence on organizational performance
 2. Employee performance and focus areas are accessible in and instant
 3. Performance management is a key part of an organization's integrated human resource strategy
 4. Easy to drill down through performance data for initiating root cause analysis for marginal performers
 5. Getting instant feedback on performance with drill down to individual employee performance
 6. No need to write performance contracts each year, simply upload and edit from a previous period
 7. Development needs emanating from performance discussions are automatically fed into the individual development plan
- For HR Professionals Organization-wide quality assurance of goals and Key Performance Indicators (KPIs).

Challenges to Performance Management

Some of the key challenges to performance management are as follows:

1. Concerned with the output (the results achieved), outcomes, processes required for reaching the results and also the inputs (knowledge, skills and attitudes).
2. Concerned with measurement of results and review of progress in the achievement of set targets. 3. Defining business plans in advance for shaping a successful future.
4. Striving for continuous improvement and continuous development by creating a learning culture and an open system.
5. Establishing a culture of trust and mutual understanding that fosters free flow of communication at all levels in matters such as clarification of expectations and sharing of information on the core values of an organization which binds the team together.
6. Procedural fairness and transparency in the process of decision making.

Performance Counseling:

Performance counseling is a structured process in which managers or supervisors provide constructive feedback to employees, helping them understand their strengths, address weaknesses, and enhance overall performance. It focuses on improving employee performance, motivation, and career development.

Principles of Performance Counseling

1. Clarity of Purpose:

Clearly define the objective of the counseling session, whether it's about addressing performance gaps, discussing career growth, or providing feedback.

2. Mutual Respect:

Build a foundation of trust and respect to ensure an open and honest dialogue.

Avoid blame or criticism; focus on behaviors and outcomes, not the individual.

3. Confidentiality:

Maintain confidentiality to create a safe space for the employee to express concerns and receive feedback.

4. Constructive Feedback:

Use constructive and specific feedback that focuses on observable behavior and outcomes rather than vague or generalized remarks.

5. Two-Way Communication:

Encourage employees to share their perspectives and concerns.

Actively listen to understand their challenges and viewpoints.

6. Action-Oriented Approach:

The session should result in actionable takeaways, with clear steps for improvement or development.

7. Empathy and Support:

Demonstrate understanding of the employee's situation and offer encouragement to help them succeed.

8. Focus on Development:

Emphasize skill enhancement, personal growth, and career progression rather than just highlighting deficiencies.

Skills Required for Performance Counseling:

1. Active Listening:

Pay close attention to what the employee says without interrupting.

Show understanding through verbal and non-verbal cues, such as nodding or summarizing their points.

2. Questioning:

Ask open-ended questions to encourage employees to express their thoughts and feelings.

Examples: "What challenges are you facing in achieving this goal?" or "How do you think we can address this issue?"

3. Empathy:

Understand and relate to the employee's perspective, demonstrating genuine concern for their well-being.

4. Feedback Delivery:

Provide clear, specific, and actionable feedback. Use examples to illustrate points and avoid overly critical language.

5. Conflict Resolution:

Address disagreements calmly and objectively, focusing on solutions rather than assigning blame.

6. Emotional Intelligence:

Manage emotions effectively during discussions, remaining composed and non-judgmental.

7. Goal Setting and Planning:

Collaboratively define goals and create actionable plans for performance improvement or skill development.

8. Patience and Persistence:

Allow employees time to process feedback and implement changes. Be persistent in offering support.

9. Positive Reinforcement:

Acknowledge achievements and improvements to motivate employees and reinforce desired behaviors.

UNIT-2

Performance Management Process: Planning: Objectives - Importance - Theories of Goal Setting -Process - Barriers; Performance Managing: Objectives - Importance - Process – Performance Appraisals: Traditional Methods - Modern Methods; Performance - Common Pitfalls of Performance Appraisal - Elements of Good Performance Appraisal System - Appraising Employees Objectively; Monitoring: Meaning -Importance -Process.

Performance Management Process:

The performance management process is a systematic approach designed to align individual performance with organizational goals, enhance employee productivity, and foster a culture of continuous improvement. Below is a detailed explanation of each stage of the process:

1. Planning

Setting clear expectations, goals, and performance standards at the beginning of the performance cycle.

Define job roles and responsibilities.

Establish SMART goals (Specific, Measurable, Achievable, Relevant, Time-bound).

Develop Key Performance Indicators (KPIs) to measure success.

Provides direction and clarity to employees.

Ensures alignment between individual, team, and organizational objectives.

2. Monitoring

Continuously tracking and assessing progress toward goals throughout the performance period.

Conduct regular check-ins and status updates.

Use tools like dashboards, performance reports, and metrics to track progress.

Identify potential issues and address them proactively.

Encourages accountability and keeps employees focused.

Allows managers to provide timely feedback and support.

3. Developing

Providing employees with opportunities to enhance their skills, competencies, and overall performance.

Offer training programs, workshops, and mentoring.

Implement individual development plans (IDPs) tailored to employee needs.

Encourage continuous learning and professional growth.

Addresses skill gaps and prepares employees for future roles.

Enhances job satisfaction and retention.

4. Reviewing

Conducting a formal evaluation of employee performance over a specified period.

Assess achievements against pre-set goals and KPIs.

Collect input from multiple sources, such as 360-degree feedback.

Encourage self-assessment by employees to promote reflection.

Provides a comprehensive understanding of performance.

Forms the basis for decisions on rewards, promotions, or corrective actions.

5. Feedback and Coaching

Delivering constructive and actionable feedback to employees and guiding them for future improvement.

Provide feedback on strengths and areas for improvement.

Use the SBI Model (Situation-Behavior-Impact) to ensure feedback is specific and effective.

Foster a two-way dialogue to address concerns and clarify expectations.

Builds trust and enhances employee engagement.

Motivates employees to take ownership of their performance.

6. Rewarding

Recognizing and rewarding employees for their contributions and achievements.

Offer monetary rewards (e.g., bonuses, salary hikes) or non-monetary recognition (e.g., awards, public appreciation).

Ensure transparency and fairness in reward allocation.

Reinforces positive performance and behavior.

Boosts morale and encourages a high-performance culture.

7. Documentation

Recording performance-related data and outcomes for future reference.

Maintain performance review reports, feedback records, and development plans.

Document achievements and challenges for accountability.

Provides evidence for decisions related to promotions, appraisals, or

terminations.

Helps in tracking performance trends over time.

8. Continuous Improvement

Using insights from the performance management process to refine strategies and practices.

Analyze trends and patterns in performance data.

Update goals, competencies, and performance metrics as needed.

Incorporate feedback from employees and managers into process improvements.

Ensures the performance management system remains relevant and effective.

Drives long-term success by fostering adaptability and innovation.

Performance Planning:

The performance-planning part of the performance-management sequence is primarily a joint exploration of what individuals need to do and know to improve their performance and develop their skills and competences, and how their managers can provide the support and guidance they need. This requires Competence Mapping & Machine & potential development. The performances aspect of the plan obtained agreement on what has to be done to achieve objectives, raise standards and improve performance. It also establishes priorities—the key aspects of the job to which attention has to be given. Agreement is also reached at this stage on the basis upon which performance will be measured and the evidence that will be used to establish levels of competence. It is important that these measures and evidence requirements should be identified and fully agreed now, because they will be used jointly by managers and individuals and collectively by teams to monitor progress and demonstrate achievements.

Characteristics of Performance Planning

The given below are the key characteristics of performance planning:

1. Performance planning is the key essential for an effective performance management system.
2. Performance planning is a continuous process which starts with understanding of organisational objectives and ends with setting of performance criteria.
3. Performance planning helps in attaining the goals and objectives of the organisation.
4. Performance planning motivate the employees to contribute their best in achieving the key goal of the organisation.
5. Performance planning is an integral part of performance management

system.

6. Performance planning identifies the criteria for assessing the employee's performance.
7. Performance planning helps in setting the basis for making distinguish between the different levels of performance.
8. Performance planning helps in deciding the criteria for rewarding the employee as per their achievements.

Objectives of Performance Planning

The development of an employee performance management plan is paramount to the success of any performance management system. A performance plan establishes the development researcher's essential job tasks, responsibilities, and critical performance objectives that need to be achieved or performed during the performance period. The performance plan is mutually developed during the planning conference and reflects the individual aspects and nature of the employee's job.

The key objective of performance planning as given as below:

1. Performance planning clearly defines the purpose of the organisation and to establish realistic goals and objectives consistent with that mission in a defined time frame within the organization's capacity for implementation.
2. Communicate those goals and objectives to the organization's constituents.
3. Ensure the most effective use is made of the organization's resources by focusing the resources on the key priorities.
4. Provide a base from which progress can be measured and establish a mechanism for informed change when needed.
5. Listen to everyone's opinions in order to build consensus about where the organization is going.
6. Provides clearer focus for the organization, thereby producing more efficiency and effectiveness.
7. To clearly identify the performance metrics used to measure employee's success in meeting predetermined targets.
8. Produces great satisfaction and meaning among planners, especially around a common vision.
9. Increases productivity from increased efficiency and effectiveness.
10. Solves major problems in the organization
11. To provide an ongoing on-the-job feedback

Importance of Performance Planning:

Coaches work with performance plans or work plans to keep their employees motivated. They operate with such plans in place for each and every one of their team members.

The following points discuss the importance of performance planning:

1. Performance planning helps in aligning the individual goals with the organisational goals.
2. Performance planning makes the process of performance management more accountable and objective.
3. Performance planning focus on key results area and key performance area.
4. Performance planning helps in maximum utilisation of resources.
5. Performance planning is important to make clarity in role and responsibilities of employees..

Goal Setting Theory (Locke's Goal Setting Theory)

Overview: The Goal Setting Theory, developed by Edwin Locke in the 1960s, posits that goal-setting is one of the most powerful tools for improving individual and organizational performance. It suggests that specific and challenging goals, when accompanied by proper feedback, lead to higher levels of performance than vague, easy, or unstructured goals.

Key Principles of Goal Setting Theory

1. Specificity:

Goals must be clear and well-defined. Vague goals, such as "do your best," are less effective than specific goals like "increase sales by 15% in the next quarter."

Specific goals provide a clear focus, helping individuals understand what is expected and guiding their actions toward achieving those goals.

2. Challenge:

Goals should be challenging yet attainable. The theory suggests that goals that are too easy do not motivate individuals, while very difficult goals can overwhelm or demotivate.

Challenging goals require greater effort and increase motivation, leading to higher performance. However, they must still be realistically achievable with effort and persistence.

3. Commitment:

Employees must be committed to achieving the goal. Goal-setting is most effective when the individual or team is committed to the goal.

Commitment is influenced by factors like involvement in goal setting, belief in the goal's importance, and the perceived attainability of the goal.

4. Feedback:

Continuous feedback is crucial to monitor progress toward the goal and keep individuals on track. It allows them to adjust their approach if necessary.

Feedback helps individuals understand whether they are progressing toward the goal and informs any changes or improvements to their performance strategies.

5. Task Complexity:

When tasks are complex, goals need to be broken down into smaller, more manageable components. This prevents feelings of being overwhelmed and increases the likelihood of success.

For simple tasks, the focus can be on a single goal, but for more complex tasks, sub-goals and milestones should be set.

Key Components of Goal Setting Theory

1. Clarity:

Goals must be specific and unambiguous. The clearer the goal, the better the individual will understand what is expected and how to achieve it.

2. Measurability:

Goals should be measurable so progress can be tracked. This can include metrics, deadlines, or tangible outcomes that make it easy to assess whether the goal has been achieved.

3. Achievability:

Goals should be realistic and attainable, given the available resources, skills, and time. If goals are set too high, they may demotivate individuals if they seem impossible to achieve.

4. Relevance:

The goal must be aligned with both the individual's and the organization's priorities. Relevant goals are more likely to engage individuals and increase their motivation to succeed.

5. Time-bound:

A time frame should be set for the goal to ensure a sense of urgency and focus. Time-bound goals help individuals prioritize tasks and work towards deadlines.

Benefits of Goal Setting Theory

1. Enhanced Performance:

Goal setting has been shown to significantly improve performance. When individuals know exactly what they need to accomplish and are challenged to achieve it, they tend to perform better.

2. Increased Motivation:

Specific, challenging goals create a sense of purpose and motivation, as individuals are more likely to be engaged in the process of achieving something meaningful.

3. Clarity and Focus:

Clear goals provide direction and eliminate confusion. Employees understand exactly what is expected, which enhances focus and reduces distractions.

4. Improved Job Satisfaction:

Achieving goals leads to a sense of accomplishment, which boosts job satisfaction and self-confidence.

5. Alignment of Organizational and Individual Goals:

When organizational goals are aligned with individual performance goals, it creates a unified purpose and drives collective success.

Limitations/Barriers of Goal Setting Theory

1. Overemphasis on Performance Goals:

A focus solely on performance goals may lead to unethical behavior (e.g., cutting corners) or may cause individuals to prioritize one goal at the expense of others.

2. Stress and Pressure:

Highly challenging goals, if not managed properly, can lead to stress, burnout, and a decrease in overall well-being.

3. Neglect of Creativity:

Overly rigid goal setting may limit creativity and innovation, as employees may focus too heavily on meeting specific targets rather than exploring new approaches or ideas.

4. Lack of Flexibility:

In dynamic environments, goals need to be flexible. Rigid goals that do not allow for adjustments based on new information or changes can be counterproductive.

Application of Goal Setting Theory

1. Individual Performance Goals:

Organizations can set specific and measurable performance targets for employees, such as sales quotas or customer satisfaction scores. Feedback should be provided regularly to track progress.

2. Team and Organizational Goals:

Goals can be set at the team or organizational level, ensuring that each team's objectives align with the broader goals of the organization. Clear, challenging goals can drive the whole organization toward common outcomes.

3. Personal Development Goals:

Employees can set development goals, such as learning new skills or completing certifications, to enhance their performance and career progression. These goals can be integrated into their performance management and appraisal systems.

Performance managing:

- It is the process of working towards performance expectations established in the performance planning stage.
- It pertains to analysing the ongoing performance of employees, reinforcing good efforts, helping to remove performance deficiencies and improve performance.
- This means that performance managing is a process to realise performance planning.

Objectives of Performance Managing:

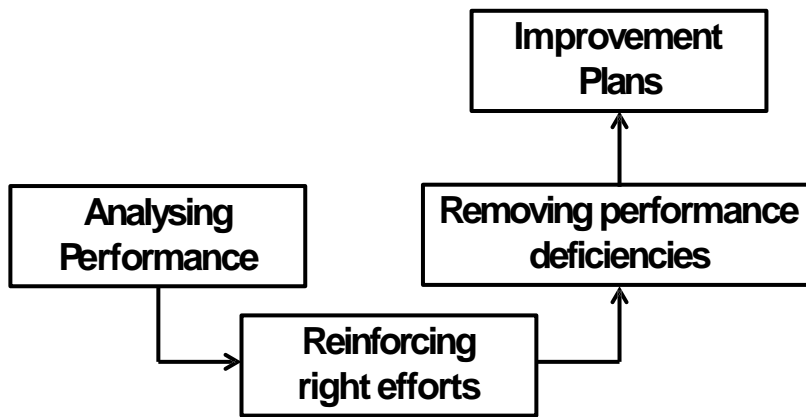
1. Defining mutual expectations
2. Actualising the performance plans of all employees
3. Analysing the ongoing efforts of the employees in order to remove performance deficiencies.
4. Managing performance as a relationship.
5. Keeping employees focused on their performance objectives and standards.

Importance of Performance Managing:

- It helps in developing skills of the employees
- It motivates employees to evaluate their own performance vis-à-vis their performance plans
- It corrects performance deficiencies before they become performance disablement

- It paves the way for optimal utilisation of organisational resources
- It provides opportunity to employees to enhance their contributions.

Performance Managing Process



Methods of Performance Appraisal

Performance appraisal methods are categorized in two ways traditional and modern methods. Each organization adopts a different method of performance appraisal according to the need of organization. In small organization, it may be on an informal basis where personal opinion of a superior about his subordinates may consider for appraisal.

Methods of Performance Appraisal

Traditional Methods	Modern Methods
Ranking method	Management by Objectives (MBO)
Paired comparison	Behaviorally anchored rating scales
Grading method	Assessment centers
Forced distribution method	360-degree appraisal
Forced choice method	Cost accounting method
Checklist method	
Critical incidents method	
Graphic scale method	
Essay method	
Field review method	

1. Ranking Method: It is the oldest and simplest method of performance appraisal in

which employees' are ranked on certain criteria such as trait or characteristic. The employee is ranked from highest to lowest or from worst to best in an organization. Thus if there are seven employees to be ranked then there will be seven ranks from 1 to 7.

Rating scales offer the advantages of flexibility, comparatively easy use and low cost. Nearly every type of job can be evaluated with the rating scale, the only condition being that the Job-performance criteria should be changed. In such a way, a large number of employees can be evaluated in a shorter time period.

Thus, the greatest limitation of this method is that differences in ranks do not indicate how much an employee of rank 1 is better than the employee whose rank is last.

2. Paired Comparison: This method is comparatively simpler as compared to ranking method. In this method, the evaluator ranks employees by comparing one employee with all other employees in the group. The rater is given slips where, each slip has a pair of names, the rater puts a tick mark next to those employee whom he considers to be the better of the two. This employee is compared number of times so as to determine the final ranking.

This method provides comparison of persons in a better way. However, this increases the work as the large number of comparisons has to be made. For example, to rank 50 persons through paired comparison, there will be 1,225 comparisons. Paired comparison method could be employed easily where the numbers of employees to be compared are less.

This may be calculated by a formula $\frac{N(N-1)}{2}$ where N is the total number of persons to be compared. Where N is the total number of persons to be evaluated.

For example

If the following five teachers have to be evaluated by the Vice Chancellor of a University : Chinmay (C), Mohan (M), Rohit (R), Vishal (V), and Basanti (B), the above formula gives

$\frac{5(5-1)}{2}$ or 10 pairs. These are;

CwithM,			
CwithR	MwithR		
CwithV	MwithV	RwithV	
CwithB	MwithB	RwithB	VwithB

Thus, the pairs to be compared give the maximum possible combinations in which an employee could be compared with one another. If an employee scores better number of times as compared to other employee is considered better, makes his/her score. Such scores are considered for each worker and he/she is ranked according to his/her score. This method cannot work when large number of employee is compared.

3. Grading Method: In this method, certain categories are defined well in advance and

employees are put in particular category depending on their traits and characteristics. Such categories may be defined as outstanding, good, average, poor, very poor, or may be in terms of alphabet like A, B, C, D, etc. where A may indicate the best and D indicating the worst. This type of grading method is applied during Semester pattern of examinations. One of the major limitations of this method is that the rater may rate many employees on the better side of their performance.

4. Forced Distribution Method: This method was evolved to abolish the trend of rating most of the employees at a higher end of the scale. The fundamental assumption in this method is that employees' performance level conforms to a normal statistical distribution. For example, 10 per cent employees may be rated as excellent, 40 per cent as above average, 20 per cent as average, 10 per cent below average, and 20 per cent as poor. It eliminates or minimizes the favoritism of rating many employees on a higher side. It is simple and easy method to appraise employees. It becomes difficult when the rater has to explain why an employee is placed in a particular grouping as compared to others.

5. Forced-choice Method: The forced-choice rating method contains a sequence of question in a statement form with which the rater checks how effectively the statement describes each individual being evaluated in the organization. There may be some variations in the methods and statements used, but the most common method of forced choice contains two statements both of which may be positive or negative. It may be both the statement describes the characteristics of an employee, but the rater is forced to tick only one i.e the most appropriate statement which may be more descriptive of the employee. For example, a rater may be given the following two statements:

- (i) The employee is hard working.
- (ii) The employee gives clear instructions to his subordinates.

Though both of them describe the characteristics of an employee, the rater is forced to tick only one which appears to be more descriptive of the employee. Out of these two statements, only one statement is considered for final analysis of rating. For example, a rater may be given the following two statements:

- (i) The employee is very sincere.
- (ii) Employee gives clear and fast instructions to his subordinates.

Both of the above statements are positive but the rater is supposed to rate only one which is more appropriate of subordinate's behavior. For ranking only one statement is considered. As the rater is not aware about the statement to be considered the result would be free from bias. This method may be more objective but it involves lot of problems in framing of such sets of statements.

6. Check-list Method: The main reason for using this method is to reduce the burden of evaluator. In this method of evaluation the evaluator is provided with the appraisal report which consist of series of questions which is related to the appraise. Such

questions are prepared in a manner that reflects the behavior of the concerned appraisee. Every question has two alternatives, yes or no, as given below:

1. Is he/she respected by his/her subordinates? Yes/No
2. Is he/she ready to help other employees? Yes/No
3. Does her behavior remain the same for everyone in the organization? Yes/No

The concerned rater/evaluator has to tick appropriate answers relevant to the appraisals.

When the check-list is finished, it is sent to the personnel department to prepare the final scores for all appraisals based on all questions based on yes or no. While preparing question effort is made to establish the level of consistency of the rater by asking the same question twice but in a different manner. This method is considered to be easy if questions are framed properly for different categories of employees.

However, one of the disadvantages of the check-list method is that it is very difficult to accumulate, analyze and evaluate a number of statements about employee characteristics and contributions. It is even a costly method with a lot of time and efforts required by the organization.

7. Critical Incidents Method: This method is very useful for finding out those employees who have the highest potential to work in a critical situation. Such an incidence is very important for organization as they get a sense, how a supervisor has handled a situation in the case of sudden trouble in an organization, which gives an idea about his leadership qualities and handling of situation. It is also said to be a continuous appraisal method where employees are appraised continuously by keeping in mind the critical situation. In this method, only the case of sudden trouble and behavior associated with these incidents or trouble are taken for evaluation.

This method is categorized in three steps. First, a list of notable (good or bad) on-the-job behavior of specific incidents or sudden trouble is prepared. Second, selected experts would then assign weightage or score to these incidents according to how serious a particular incident is and their degree of willingness to perform a job. Third, finally a check-list indicating incidents that illustrate workers as good or “bad” is formed. Then, the checklist is given to the rater for evaluating the workers.

The strong point of critical incident method is that it focuses on behaviors and, thus, judge's performance rather than personalities.

Its drawbacks are that too frequently they need to write down the critical incidents which is very time-consuming and burdensome for evaluators, i.e., managers. Generally, negative incidents are more noticeable than positives.

8. Graphic Scale Method: It is one of the simplest and most popular techniques for appraising performances of employee. It is also known as linear rating scale. In graphic rating scale the printed appraisal form is used to appraise each employee.

Such forms contain a number of objectives, and trait qualities and characters to be rated

like quality of work and amount of work, job knowhow dependability, initiative, attitude, leadership quality and emotional stability.

The rater gives an estimate the extent to which subordinates possess each quality. The extent to which quality is possessed is measured on a scale which can vary from three points to several points. In general practice five-point scales is used. Some organizations use numbers in order to avoid the propensity of the rater to tick mark central points. It may be numbered or defined. Thus numbers like 5, 4, 3, 2 and 1 may denote points for various degrees of excellent-poor, high-low, or good-bad, and so on. Such numbers may be expressed in terms like excellent, very good, average, poor and very poor; or very high, high, average, low and very low.

Graphic scale method is good for measuring various job behaviors of an employee. But, it is bound to limitations of rater's bias while rating employee's behavior at job.

9. Essay Method: In this method, the rater writes a detailed description on an employee's characteristics and behavior, Knowledge about organizational policies, procedures and rules, Knowledge about the job, Training and development needs of the employee, strengths, weakness, past performance, potential and suggestions for improvement. It is said to be the encouraging and simple method to use. It does not need difficult formats and specific training to complete it.

10. Field Review Method: In this method of appraisal direct superior is not going to appraise an employee but appraised by another person, usually, from personnel department. The rater, in such a case, appraises the employee on the basis of his past records of productivity and other information such as absentee-ism, late coming, etc. It is more suitable in a situation where an organization wants to provide promotion to an employee. It also gives information for comparing employees from different locations and units. It reduces partiality to some extent as personnel department person is supposed to be trained in appraisal mechanism. This method suffers from two limitations:

1. As employees are not rated by immediate boss, the rater from other department may not be familiar with the conditions in an employee's work environment which may hamper his ability and work motivation to perform.
2. The rater from other department do not get a chance to scrutinize the employee's behavior or performance with different time interval and in a variety of situations, but only in an unnaturally structured interview situation which is for a very short period of time.

Modern Methods

1. Management by Objectives (MBO): The concept of 'Management by Objectives' (MBO) was coined by Peter Drucker in 1954. It is a process where the employees and the superiors come together to identify some goals which are common to them, the employees set their own goals to be achieved, the benchmark is taken as the criteria

for measuring their performances and their involvement is there in deciding the course of action to be followed.

The basic nature of MBO is participative, setting their goals, selecting a course of actions to achieve goals and then taking decision. The most important aspect of MBO is measuring the actual performances of the employee with the standards set by them. It is also said to be a process that integrates organizational objectives into individual objectives.

Entire programme of MBO is divided in four major steps i.e setting up of goal, action planning, comparison and timely review.

Setting up of goal-In goal setting superior and subordinate together set certain goals, i.e the expected outcome that each employee is supposed to achieve.

In action planning, the manner in which goals could be achieved is determined i.e. identifying the activities which are necessary to perform; to achieve pre determined goals or standards. When the employees start with their activities, they come to know what is to be done, what has been done, and what remains to be done and it also gives an idea about the resources to be achieved.

In the third step, the goals set by the individual employee are compared with the actual goals achieved. It gives an idea to the evaluator as why there is a variation in desired outcome and actual outcome. Such a comparison helps create need for training so as to enhance employees' performance. Finally, in the timely review step, corrective actions are taken so that actual performances do not deviate from standards established in beginning.

The main reason for conducting reviews is not to humiliate the performer but to assist him in better performances in future. Few advantages of MBO are a) it is outcome – oriented. It co-ordinates the

planning and control functions and provides motivation) Employees are clear about the task that they are expected to perform and also how they may be evaluated. MBO does have certain limitations such as it is time consuming, employees and the superiors jointly setting the goals may lead to conflict as employee would always like to set lower goal and the superior would like to set it on the higher side, lack of confidence in employee by management.

2. Behaviorally Anchored Rating Scales: This method is a combination of traditional rating scales and critical incidents methods. It consists of preset critical areas of job performance or sets of behavioral statements which describes the important job performance qualities as good or bad (for e.g. the qualities like inter personal relationships, flexibility and consistency, job knowledge etc). These statements are developed from critical incidents.

These behavioral examples are then again translated into appropriate performance dimensions. Those that are selected into the dimension are retained. The final group of behavior incidents are then scaled numerically to a level of performance that is perceived to

represent. A rater must indicate which behavior on each scale best describes an employee's performance. The results of the above processes are behavioral descriptions, such as anticipate, plan, executes, solves immediate problems, carries out orders, and handles urgent situation situations. This method has following advantages: a) It reduces rating errors) Behavior is assessed over traits. c) It gives an idea about the behavior to the employee and the rater about which behaviors bring good Performance and which bring bad performance.

3. Assessment Centres: It is a method which was first implemented in German Army in 1930. With the passage of time industrial houses and business started using this method. This is a system of assessment where individual employee is assessed by many experts by using different technique of performance appraisal. The techniques which may be used are role playing, case studies, simulation exercises, transactional analysis etc.

In this method employees from different departments are brought together for an assignment which they are supposed to perform in a group, as if they are working for a higher post or promoted. Each employee is ranked by the observer on the basis of merit. The basic purpose behind assessment is to recognize whether a particular employee can be promoted, or is there any need for training or development. This method has certain advantages such as it helps the observer in making correct decision in terms of which employee has the capability of getting promoted, but it has certain disadvantages also it is costly and time consuming, discourages the poor performers etc.

4. 360 Degree Performance Appraisals: This method is also known as 'multi-rater feedback', it is the appraisal in a wider perspective where the comment about the employees' performance comes from all the possible sources that are directly or indirectly related with the employee on his job.

In 360 degree performance appraisal an employee can be appraised by his peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors - anyone who comes into direct or indirect contact with the employee and can provide necessary information or feedback regarding performance of the employee the "on-the-job".

The four major component of 360 degree performance appraisal are

1. Employees Self Appraisal
2. Appraisal by Superior
3. Appraisal by Subordinate
4. Peer Appraisal.

Employee self appraisal gives an option to the employee to know his own strengths and weaknesses, his achievements, and judge his own performance. Appraisal by superior forms the traditional part of the 360 degree performance appraisal where the employees' responsibilities and actual performance is judged by the superior.

Appraisal by subordinate gives a chance to evaluate the employee on the basis of communication and motivating abilities, superior's ability to delegate the work,

leadership qualities etc. It is also known as internal customers; the correct opinion given by peers can aid to find employees' who are co-operative, employees who ready to work in a team and understanding towards others.

5. Cost Accounting Method: In this method performance of an employee is evaluated on the basis of monetary returns the employee gives to his or her organization. A relationship is recognized between the cost included in keeping the employee in an organization and the benefit the organization gets from him or her. The evaluation is based on the established relationship between the cost and the benefit. The following factors are considered while evaluating an employee's performance:

1. Interpersonal relationship with others.
2. Quality of product produced or service given to the organization.
3. Wastage, damage, accidents caused by the employee.
4. Average value of production or service by an employee.
5. Overhead cost incurred.

Common pitfalls of Performance Appraisal

Performance appraisal technique is very beneficial for an organization for taking decisions regarding salary fixation, demotion, promotion, transfer and confirmation etc. But, it is not freed from problem. In spite of recognition that a completely error-free performance appraisal can only be idealized a number of errors that extensively hinder objective evaluation. Some of these problems are as follows:

1. **Biasness in rating employee:** It is the problem with subjective measure i.e. the rating which will not be verified by others. Biasness of rater may include:
 - (a) Halo Effect: It is the propensity of the raters to rate on the basis of one trait or behavioral consideration in rating all other traits or behavioral considerations. One way of minimizing the halo effect is appraising all the employees by one trait before going to rate on the basis of another trait.
 - (b) The Central Tendency Error: It is the error when rater tries to rate each and every person on the middle point of the rating scale and tries not to rate the people on both ends of the scale that is rating too high or too low. They want to be on the safer side as they are answerable to the management.
 - (c) The Leniency and Strictness Biases: The leniency biasness exists when some raters have a tendency to be generous in their rating by assigning higher rates constantly. Such ratings do not serve any purpose.
 - (d) Personal prejudice: If the raters do not like any employee or any group, in such circumstances he may rate him on the lower side of the scale, the very purpose of rating is distorted which might affect the career of employees also.
 - (e) The Recent Effect: The raters usually retain information about the recent actions of the employee at the time of rating and rate on the basis of recent action taken place which may be favorable or unfavorable at that point of time.
2. The superiors may be unsuccessful in conducting performance appraisal of employees and post performance appraisal interviews.
3. The performance appraisal is mostly based on subjective assessment.

4. The performance appraisal techniques have a low reliability and validity in terms of result.
5. Ratings an employee on the negative side may disturb interpersonal relations and industrial relations system.
6. Appraisers opinion on the performance of the employee may lead to setback on production.
7. An organization may give emphasis to punishment if an employee has not done a good job rather than providing training.
8. Few ratings are based on guess work.

Various other problems of performance appraisal are:

- There was a significant relationship between rating by superior and performance after promotions.
- Appraisal reports were completed within a short period of time.
- The circumstances were very unpleasant in feedback interview.
- The Subordinates were not given suggestion in a manner which may be helpful to them.

Elements of a Good Performance Appraisal System

A performance appraisal system is a structured process through which an organization assesses and evaluates the performance of its employees. For the system to be effective, it should be designed to provide clear, fair, and actionable insights that drive both employee development and organizational success. Below are the key elements that contribute to a good performance appraisal system:

1. Clear and Well-Defined Objectives

A good performance appraisal system should have clear, specific, and measurable objectives. These objectives outline the purpose of the appraisal process, which could include improving employee performance, identifying training needs, or making decisions related to promotions, compensations, or career development.

2. Standardized and Objective Criteria

To ensure fairness, a good performance appraisal system should use standardized criteria to evaluate all employees. This reduces bias and ensures that all employees are assessed based on the same performance standards.

3. Consistency and Fairness

The system should be consistent in its application across all employees to ensure fairness. Appraisers (managers, supervisors) must evaluate employees based on the same standards, without bias or favoritism.

4. Timeliness of Feedback

Providing feedback promptly is crucial for the effectiveness of the performance appraisal system. Employees should not have to wait until the annual

performance review to receive feedback on their performance.

5. Multi-Rater (360-Degree) Feedback

A good appraisal system incorporates feedback from multiple sources, including peers, subordinates, and supervisors, as well as self-assessments. This 360-degree feedback provides a comprehensive view of the employee's performance and behavior from various perspectives.

6. Clear Communication

A well-structured performance appraisal system should emphasize clear communication between managers and employees. This includes communicating performance expectations, providing feedback, and ensuring that employees understand the process and its purpose.

7. Focus on Employee Development

Performance appraisals should not just evaluate past performance; they should also focus on employee development. The system should identify areas for growth and development opportunities, leading to career progression for employees.

8. Flexibility and Adaptability

A good performance appraisal system should be flexible enough to adapt to the changing needs of the organization and its employees. It should be reviewed and updated periodically to ensure its continued relevance and effectiveness.

9. Documentation and Record Keeping

A proper performance appraisal system must include effective documentation to track employee performance over time. Well-maintained records ensure that decisions are based on concrete data and provide a reference point for future appraisals.

10. Actionable Outcomes and Follow-Up

A good performance appraisal system must lead to actionable outcomes, such as improvements in performance, career development plans, or reward and recognition. After the appraisal, there should be a follow-up process to monitor progress and ensure the implementation of agreed-upon actions.

11. Employee Involvement and Ownership

To ensure the effectiveness of the performance appraisal process, employees should be actively involved in setting their own goals, evaluating their own performance, and receiving feedback. This involvement promotes a sense of ownership and accountability for their performance.

12. Confidentiality and Privacy

A good performance appraisal system ensures that the process is confidential, with performance evaluations kept private between the employee and their

evaluator (unless sharing with other stakeholders is necessary).

Performance Monitoring

Performance monitoring is an essential aspect of performance management. It refers to the continuous process of tracking and assessing employee performance to ensure that goals are being met, and to identify areas where improvement is needed. Regular performance monitoring allows managers to provide timely feedback, guide employee development, and address issues before they become bigger problems.

The given below are the key characteristics of performance monitoring:

1. A performance monitoring plan is a critical tool for planning, managing, and documenting data collection.
2. Performance monitoring is an important part of performance management system.
3. Performance monitoring helps in maintaining the employees' performance as per the goals and objectives of the organisation.
4. Performance monitoring helps in building the strong relationships between the management and employees.
5. It facilitates career development of employees.
6. Performance monitoring provides the training and development opportunity to employees.

Objectives of Performance Monitoring

PfM explicitly promotes the value that a manager and her manage accept joint responsibility for monitoring progress on the tasks and goals agreed upon during the initial performance planning or expectation setting meeting and subsequent review meetings.

Managers use instruments like written reports, review discussions and on-the-spot inspections to track:

1. Timely and quality fulfillment of managee tasks and goals.

2. Help and support legitimately needed by the managee's tasks, including those agreed upon during planning and review meetings.
3. To improve employees job performance as well as methods and techniques of measuring.
4. Introducing continuous learning and development process.

Importance of Performance Monitoring

Performance monitoring is important because:

1. Performance monitoring provides scope for modification, change and/or alteration of the existing performance management system.
2. It helps in reviewing and correcting performance objectives as linked to mission and objectives of the organization.
3. It identifies areas for competency improvement.
4. It continually enhances performance of employees.
5. It helps in realizing the full potential of employees and organization for excellence in performance.

Process of Performance Monitoring

The manager observes managee performance through:

1. Periodic written reports
2. Scheduled meetings
3. On-the-spot inspections, or field or site visits in case of managees whose location is different from that of the manager.
4. Relevant and reliable information from other available sources.

In the course of monitoring, the manager provides feedback to the managee(s) and asks for feedback from the managee(s) during

1. Group or team meetings to discuss common issues, problems, etc.

2. One-on-one meetings to discuss

The manager and the managee, thereafter, discuss corrective measures needed, actions to be taken by either or both of them and other help or support needed to accomplish the requisite tasks and goals. specific issues and problems encountered by individual managee(s).

