PERFORMANCE MANAGEMENT SYSTEM

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SYLLABUS

Performance Management System

Objectives: The objective of this course is to equip students with comprehensive knowledge and practical skills to improve their ability for performance appraisal in their organizations. It is particularly intended for future managers who will develop suitable strategies & policies for performance management and conduct the performance appraisal of their subordinates.

S.No.	Description
1.	***Introduction to Performance management:*** Characteristics, Objectives and Principles of Performance Management, Performance Appraisal to Performance Management, Challenges to Performance Management.
2.	***Performance Management System:*** Objectives, Functions, Characteristics of effective PMS, Competency based PMS, Electronic Performance Management.
3.	***Performance Planning:*** Characteristics, Objectives, Importance & Methodologies, Process & Barriers to Performance Planning, Competency Mapping, Methods of Competency Mapping.
4.	***Performance Appraisal:*** Process, Approaches, Methods & Common Rating Errors
5.	***Performance Monitoring:*** Characteristics, Objectives, Importance and Process of Performance Monitoring. Ongoing Mentoring and Protege Development.
6.	***Performance Counselling:*** Principles of Performance Counselling, Performance Counselling Skills & Performance Counselling for higher job performance.
7.	***Performance Management Implementation:*** Bottlenecks, Strategies & Factors affecting PM implementation, Operationalizing Change through Performance Management, Building & Leading high performance team, Organizational Culture and Performance Management.
8.	***Performance Management linked Reward System:*** Components, its linkage and implications.
9.	***Ethics in Performance Management:*** Principles, Ethical Issues & Dilemmas, Developing Code of Ethics, Performance Management in MNCs.
10.	***Role of HR Professionals in Performance Management System:*** Appraising HR function, Future role of HR Professionals in Performance Management in Knowledge Millennium.

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Unit 1: Introduction to Performance Management

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Objectives

After studying this unit, you will be able to:

- Explain the meaning and characteristics of performance management
- State the objectives and principles of performance management
- Discuss performance appraisal to performance management
- State the challenges to performance management

Introduction

The power of organization is increasingly linked to its intellectual capital rather than its physical assets. People are now the drivers of corporate performance and competitiveness. Therefore, performance management deals with improving organizational performance by improving employee performance. Essentially, the cost of competitiveness involves efficiency and productivity. Dr Mritunjay Arthreya (2004) observed that workforce productivity constitutes around 60 percent of the total cost. Therefore, the growing significance of performance management needs no further emphasis.

1.1 Concept of Performance

Organizations have to compete for survival. It is survival of the fittest in the true sense of the term. Performance is the only way to do that. An ordinary performance will not do. Even better performance may not be adequate. It has to be necessarily the best in order to compete and thrive.

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Performance Defined

The Oxford English Dictionary defines 'performance' as behaviour—the way in which organizations, teams and individuals get work done. Campbell (1990) believes that "Performance is behavior and should be distinguished from the outcomes because they can be contaminated by systems factors".

A more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes. This is well put by Brumbrach (1988): "Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right—the product or mental and physical effort applied to tasks—and can be judged apart from results."

Performance could, therefore, be regarded as behaviour—the way in which organizations, teams and individuals get work done. Campbell believes that 'Performance is behavior and should be distinguished from the outcomes because they can be contaminated by systems factors.'

Performance = (Skill to do + Will to do)

Creating skill to do: It means resources and infrastructure required for performance. They are mainly:

1. Machine,
2. Money,
3. Material, and
4. Men.

They determine the capacity of an organization.

Better performance cannot be thought of without state-of-the-art machinery—superior to or equal to the competitors.

Paucity or inferiority of money or material will definitely hamper the performance. Hence, their strategic availability is must.

Men, the most critical and scares of all the resources are not only most important as also most strategic. Sourcing, attracting, developing, retaining and motivating talent are most crucial jobs of a performing organization.

The Pillars of Human Performance

Work performance of an individual may be observed and appraised along three dimensions as follows:

1. An understanding of the context of work, or work situation, in terms of its purpose, nature, conditions, requirements, metrics of appraisals, and so on;
2. The ability to carry out the work effectively in terms of the requisite knowledge, skills and capabilities required for performance excellence; and
3. Motivation to carry out the work in terms of one's commitment and best efforts towards excelling in performance.

These three dimensions may be viewed as three pillars of human performance, viz., understanding the context, the ability to be effective, and motivational to excel. These three axes of human performance may be logically applied and instantiated to explicate the nature, norms, and attributes of the human capital as follows:

The first pillar, i.e., understanding the context, implies employees' reflective and critical understanding of the dynamic business environment of their enterprise. It also implies

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employees' comprehension of their company's vision and strategy, business system design and profit model, competitive logic and core value proposition. More importantly, it implies employees' clarity of understanding regarding their company's processes and mechanisms for the creation, capture, and delivery of value; and the nature and rationale of their own individual and collective efforts toward realizing their company's vision and strategy. The employees' awareness and understanding of their company's business context also orients them towards a better appreciation of the present and potential challenges facing their company; and the requirements of knowledge, skills, and capabilities for coping with them.

The second pillar, i.e., the ability to be effective, in the context of human capital, implies employees' abiding dedication to work excellence in their broadly defined and non-rigid work roles. More importantly, it implies employees' sustained orientation towards learning, upgradation of skills, cultivation of new and needed capabilities, expertise, creative thinking and use of knowledge; for both problem-solving and innovation; streamlining of process, procedures, and routines for eliminating non-value-adding activities; and experimentation and initiatives in search of opportunities. This is so, for the concept of performance excellence, or effectiveness, is neither static nor fixed.

The second pillar is meaningfully shaped by the first (i.e., 'understanding the business context') in terms of the adaptability of human capital to changes in a firm's business environment. The requirements of learning, knowledge, skills and capabilities of, and by employees, and the life cycles of its organization and industry. The requirements of employees' effectively performance would be radically different across disparate organizations like high-technology growth firms, firms in mature or declining industries, or firms caught in industrial shake-outs and consolidation. Even for the same firm, requirements would differ from time-to-time depending upon changes in its competitive situation. The focus of human capital along the second axis of performance is on proactive learning, development, and used of knowledge for customer-valued work excellence.

The third pillar i.e., 'motivation to excel' implies an organization-wide shared ethos of a high degree of commitment to enterprise goals, and a high level of cooperation among employees toward working together to achieve those goals, These, in turn imply a high level of trust and goodwill among employees in pursuit of shared objectives. Both commitment and cooperation are vital for individuals with complementary and specialized knowledge and skills to collaborate creatively for solving difficult problems, developing new products and/or services, achieving performance breakthroughs, creating new competencies, and generating value through relentless improvement an innovation.

Employees in an enterprise, both individually and collectively, must score high on each of the three axes, and consistently across all the three axes and in an expanding manner over time; in order to constitute the firm's human capital. The ability to meet the foregoing requirements of performance in a continuing manner, raises a basic question. What type of person would be capable of scaling the heights of performance, and sustaining the same in a steady-state fashion over time?

Performance excellence and effectiveness in organizations, apart from an individual's ability and motivation, depend primarily on the individual's ability to effectively collaborate with others. Collaboration is a purposive relationship based on trust, mutual regard, and sharing of ideas, information, knowledge, resources and responsibilities. It involves working together to learn, solve problems, innovate, meet tight time schedules, cope with obstacles, deal with unforeseen difficulties, and strive to achieve and exceed organizational goals every day. The nature and range of collaborative activities may vary, the collaborating persons, or team members, may be different from time to time, and job rotation assignments may engender new forms and modes of interpersonal and group interactions across organization levels, space and time. But the imperatives of doing one's best in cooperation with others, helping others when needed, and pursuing stretch goals of the enterprise, remain unchanged.

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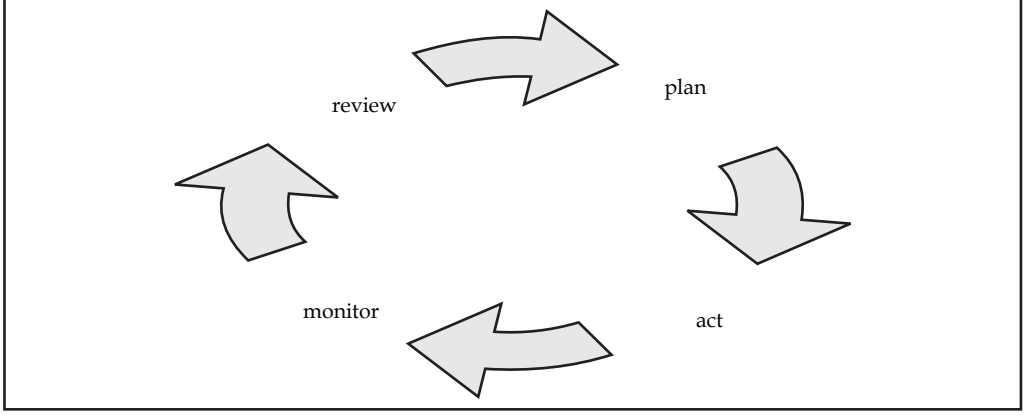
The Performance Management Cycle

Performance management is a process, not an event. It operates as a continuous cycle, as shown in Figure 1.1.

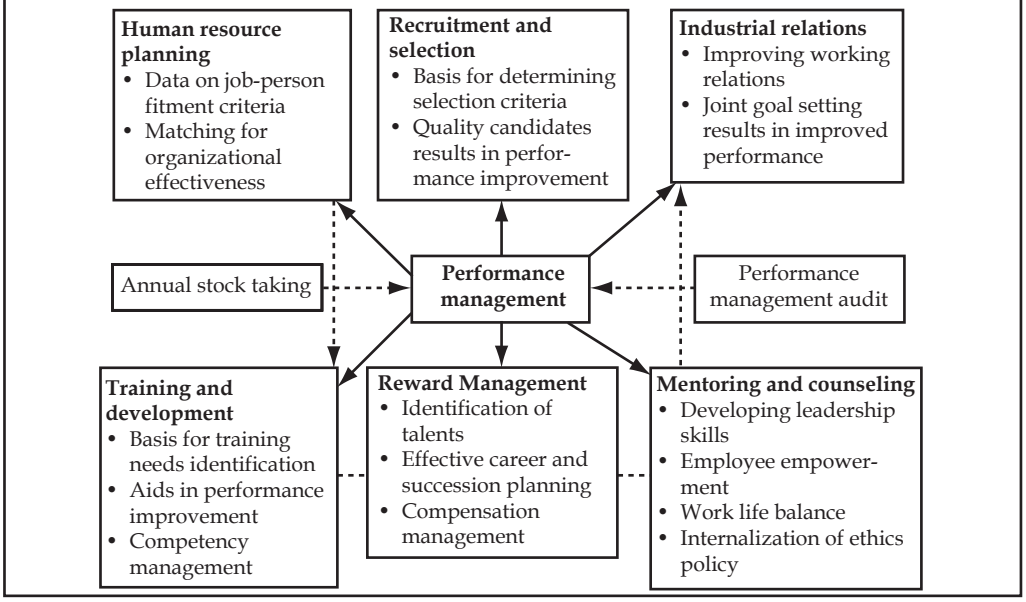
Figure 1.1: The Performance Management Cycle



1.2 Concept of Performance Management

The concept of performance management may be categorized into two separate types of management. The first one deals with the performance of an organization as a whole and evaluates the effectiveness of its managers. The second one deals with the system of evaluating employees in order to enable them to achieve reasonable goals and thus ensure that the organization performs better.

Figure 1.2: Linkage of Performance Management with other Sub-systems



It is pertinent here to understand what performance is. Brumbrach (1988) defines 'performance' both as behavior and results. Behavior emanates from the performer and transforms performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right—the products of mental and physical effort applied to task and can be

judged apart from the results. In the organizational content, performance means successful formulation and implementation of a value creating strategy which either generates or sustains its competitiveness.

Notes

Note **Key Ingredients of Successful Performance Management**

Committed leadership	Transparent performance information
Build competency based development plans	Effective multi-source feedback mechanisms to discuss and address performance issue
Strong links between performance measures and program results	Useful performance measures

Adapted from: J. M. Kamensky (2006)

Hence, performance management helps organizations in management consistent performance in a manner which holds employees and managers accountable for supporting its objectives and strategy, successfully fulfilling assigned job responsibilities, and accomplishing individual performance goals, this would require the following pre-requisites:

1. Business processes are as simple as possible
2. Lines of leadership and management are clear
3. Employees are empowered, which is an important driver of innovation
4. A distinct organizational culture
5. Workplace interactions are based on honesty, integrity, and trust
6. Openness to change

1.3 Characteristics of Performance Management

The following are the key characteristics of performance management:

1. Performance management is an important organizational tool to clarify performance objectives, standards, critical dimensions, and competencies to enhance individual performance.
2. Performance management works best when an employee's work is planned and goals for achievement are communicated.
3. It emphasizes the development of capability and capacity of employees to perform consistently, coupled with the agility to respond to a changing dynamic business and work environment.
4. Performance management is a 'systematic' and 'holistic' approach to identify critical dimensions of performance.
5. It helps in integrating performance management process with other critical organizational systems including leadership development, succession planning, and talent management efforts.
6. Performance management is a multidimensional concept and includes imputes, processes, outputs and outcomes.
7. Performance management transforms organizational objectives and strategy into a measurable action plan by getting the right information to and from the right people at the right time and in the right format.

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1.4 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.

1.5 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.

Notes

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.

Note **Ten Top Performance Management Tips**

1. Talk to your people often in order to head-start performance management of your people
2. Keep formal discussions friendly and simple
3. Be very positive and do not spend extended time on the weaknesses of employees
4. Help employees achieve their needs
5. Build feedback in as a natural activity
6. Be honest in a working relationship for everyone's benefit
7. Remember that performance management is not an instrument to manage indiscipline
8. Notice great performance and celebrate successes
9. Have a uncomplicated and time-bound system of performance management
10. Learn from mistakes

Source: Mitu Maheshwari, May 2007, *Business Manager*.

1.6 Performance Appraisal to Performance Management

The contemporary organizations are undergoing a transformation for coping against the changing needs of the environment and excelling in the business by building up their adaptive capabilities for managing change proactively. The traditional performance appraisal system did not suffice the needs of the changing scenario as it was mainly used as a tool for employee evaluation in which the managers were impelled to make subjective judgments about the performance and behavior of the employees against the predetermined job standards.

Note **Performance Appraisal vs. Performance Management**

Performance Appraisal	Performance Management
Focus is on top down assessment	Stresses on mutual objective setting through a process of joint dialogue
Performed annually	Continuous reviews are performed
Usage of ratings is very common	Usage of ratings is less common
Focus is on traits	Focus is on quantifiable objectives, values and behaviors
Monolithic system	Flexible system
Are very much linked with pay	Is not directly linked with pay

Performance appraisal is a systematic evaluation of present potential capabilities of personnel and employees by their superiors, superior's or a professional form outside. It is a process of estimating or judging the value, excellent qualities or status of a person or thing. It is a process of collecting, analyzing, and evaluating data relative to job behavior and results of individuals.

Notes

Traditionally, the performance appraisals were organized in a bureaucratic manner and suffered from unnecessary delays in decisions and corruption. Performance appraisals were mostly narrowly focused and functioned in isolation without bearing any linkage with the overall organizational vision or goals. The side effects of the performance appraisal system was it generated skepticism amongst the managers and the employees on any new initiative of the HR.

In the present scenario, the organizations have shifted their focus from performance appraisals to performance management as a result of internationalization of human resources and globalization of business. The functions of HRM have become far more complicated as today the major focus of strategic HRM practices is on the management of talent by implementing such development programmes which enhance the competencies of the employees. The performance management approach focuses more on observed behaviors and concrete results based on the previously established smart objectives. By adopting techniques like Management by Objectives (MBO), smart objectives are established in terms of either facts and figures and in the entire process the superior plays the role of a coach or a facilitator. The objectives are mutually decided at the beginning of the performance season and serve as a standard of performance for evaluation. In this method, the employees can offer a feedback on their contributions by filling up a self appraisal form. Performance management is a much broader term in comparison with performance appraisal as it deals with a gamut of activities which performance appraisals never deal with. This system is a strategic and an integrated approach which aims at building successful organizations by developing high performance teams and individuals and improving the performance of people. This process starts when a job is defined. Performance management emphasizes on front end planning instead of looking backward unlike performance appraisals and the focus is on ongoing dialogue instead of appraisal documents and ratings. Thus, performance management may be regarded as a continuous process.

Caution The use of performance management in the best-practice companies is not because it is a better technique than performance appraisal, but because it can form one of a number of integrated approaches to the management of performance.

1.7 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.

Task Make a discussion on key HR challenges faced by Indian corporates.

Notes

Caselet

Performance Management in TISCO

Tata Iron and Steel Company (TISCO), a flagship company of India involved in manufacturing of cost effective steel can be appreciated for their initiatives in the implementation of an effective performance management framework and innovative HR practices. TISCO initiated a management restructuring programme for transforming into a high performing and a growing organization. In the HR front, the management focused on providing exciting career opportunities and building a team of high performing professionals for which they hired Mckinsey and Co. The consultants firstly started with building a lean and a flat strategic business unit with enriched jobs, increased accountabilities and autonomy. A Performance Ethic Programme (PEP) was also introduced for promoting young and dynamic professionals and this was a replacement of seniority based promotions. A new Performance Management System (PMS) was introduced for aligning the KRA's with the business strategies and identifying superior performers in the organization by defining clear career paths and accountabilities. The rewards and recognitions were linked with the PMS. The new measures in the direction of performance management boosted the employee's motivation and performance. The job satisfaction also improved due to the introduction of a fair and transparent reward system.

Source: www.managementstudyguide.com

1.8 Summary

- Performance management deals with improving organizational performance by improving employee performance.
- The concept of performance management may be categorized into two separate types of management. The first one deals with the performance of an organization as a whole and evaluates the effectiveness of its managers. The second one deals with the system of evaluating employees in order to enable them to achieve reasonable goals and thus ensure that the organization performs better.
- Performance management is an important organizational tool to clarify performance objectives, standards, critical dimensions, and competencies to enhance individual performance.
- Performance management is a 'systematic' and 'holistic' approach to identify critical dimensions of performance and to carry out activities necessary to ensure that the mission, objectives, goals, vision, and values of the organization are being met in an effective and efficient manner.
- Performance management transforms organizational objectives and strategy into a measurable action plan by getting the right information to and from the right people at the right time and in the right format.
- The use of performance management in the best-practice companies is not because it is a better technique than performance appraisal, but because it can form one of a number of integrated approaches to the management of performance.

Notes

1.9 Keywords

Expectancy: It refers to the extent to which the person believes his efforts will lead to the first level outcome.

Instrumentality: It refers to the probabilities attached by the individual to each possible performance outcome alternative just as the individual previously assigned probabilities to various levels of effort leading to different levels of performance.

Performance Management: It deals with improving organizational performance by improving employee performance.

Performance: Behaviors or actions that are relevant to the goals of the organisation.

Valence: It means the attraction or an outcome to the individual.

1.10 Self Assessment

Fill in the blanks:

1. Performance deals with behavior and……
2. Performance management is …….. in concept.
3. Performance is best developed through …….. and experience.
4. …… is a systematic evaluation of present potential capabilities of personnel and employees by their superiors, superior's or a professional form outside.
5. The performance management approach focuses more on …… and concrete results based on the previously established smart objectives.
6. Performance management is a much broader term in comparison with …….. .
7. MBO means …….. .
8. Performance management may be regarded as a …….. .

State whether the following statements are true or false:

9. Performance management translates organizational objectives into work units, departmental team and individual goals.
10. Performance management is a continuous and integrated process.
11. In the present scenario, the organizations have shifted their focus from performance management to performance appraisals.
12. Performance management focuses on top down assessment.
13. Performance appraisal is not directly linked with pay.
14. Performance management creates a system of regular feedback with positive reinforcement of employee's behavior and action.
15. Performance management is more of a developmental tool rather than administration of financial rewards.

1.11 Review Questions

1. Describe the concept of performance management.
2. "Performance management is a key to success." Do you agree?

3. Discuss the philosophy behind the performance management.
4. What are the pre-requisites of performance management?
5. List the key challenges to performance management.
6. What are the key reasons behind the move from performance appraisal to performance management?
7. Enlist the characteristics of performance management.
8. What are the key objectives and principles of performance management?
9. "Performance management helps in evaluating employees in order to enable them to achieve reasonable goals." Discuss.
10. Explain the linkage of performance management with other sub-systems.

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Answers: Self Assessment

1.	results	2.	multidimensional
3.	practical challenges	4.	Performance appraisal
5.	observed behaviors	6.	performance appraisal
7.	Management by Objectives	8.	continuous process
9.	True	10.	True
11.	False	12.	False
13.	False	14.	True
15.	True		

1.12 Further Readings

Books

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Online links www.managementhelp.org

www.managementstudyguide.org

www.scribed.com

Unit 2: Performance Management System

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2.9 Review Questions

2.10 Further Readings

Objectives

After studying this unit, you will be able to:

- State the objectives and functions of performance management system
- Explain the characteristics of effective PMS
- Define competency-based PMS
- Discuss electronic performance management system

Introduction

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.

Notes

2.1 Objectives of Performance System

Performance management arrived in the late 1980s partly as a reaction to the negative aspects of merit-rating and management by objectives referred to earlier. Of course, it at first incorporated many of the elements of earlier approaches; for example, rating, objective-setting and review, performance pay and a tendency towards trait assessment. Some of these features have changed. Conceptually, however, performance management is significantly different from previous approaches, although in practice the term has often simply replaced performance appraisal, just as human resource management has frequently been substituted for personnel management has frequently been substituted for personnel management without any discernible change in approach lots of distinctions, not many differences.

Performance management may often be no more than new wine in old bottles or to mix metaphors, a 'flavors of the month'. But it exists, and our research demonstrates that interest is growing why?

The following are the key objectives of PMS:

1. To leverage the performance of organisation, given that goals are complex
2. To ensure role clarity performance objectives at all the levels of organisation
3. To encourage high performance work culture
4. To encourage team building in the organisation
5. Employee development by systematically identifying training and development needs
6. To improve relationship between manager and employees through a two way communication process
7. To focus on process rather than on format
8. To encourage performance based rewards and recognitions in the organisation

Caution The use of performance management in the best-practice companies is not because it is a better technique than performance appraisal, but because it can form one of a number of integrated approaches to the management of performance. The appeal of performance management in its fully realized form is that it is holistic: it pervades every aspect of running the business and helps to give purpose and meaning to those involved in achieving organizational success.

2.2 Functions of Performance Management System

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

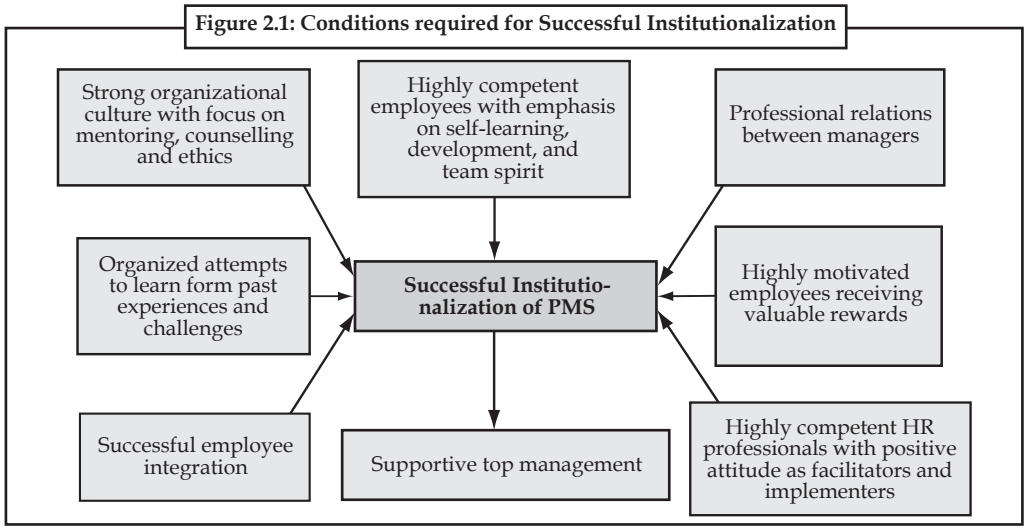
1. Helps in clarifying the mission, vision, strategy, and values of the organization to the employees in order to enable them achieve the same
2. Helps in improving various business processes as the deficiencies are highlighted.
3. Helps in attracting and retaining talents in the organization and helps 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).

Notes

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 an 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.

Figure 2.1: Conditions required for Successful Institutionalization



Source: Adapted and Modified from Mohd. Fazal (2005).

2.3 Characteristics of Effective PMS

Characteristics of Effective Performance Management System are as follows:

1. Focus is on performance management.
2. Emphasis is on performance improvements of individuals, teams and the organization.
3. Continuous process with quarterly performance review discussions.
4. Emphasis is on performance planning, analysis, review, development and improvements.
5. Performance rewarding may or may not be an integral part.
6. Designed by HR department but could be monitored by the respective departments themselves.
7. Ownership is with line managers, HR facilitates its implementation. KPAs or KRAs are used as planning mechanisms.
8. Developmental needs are identified on the basis of the competency requirements for the coming year.

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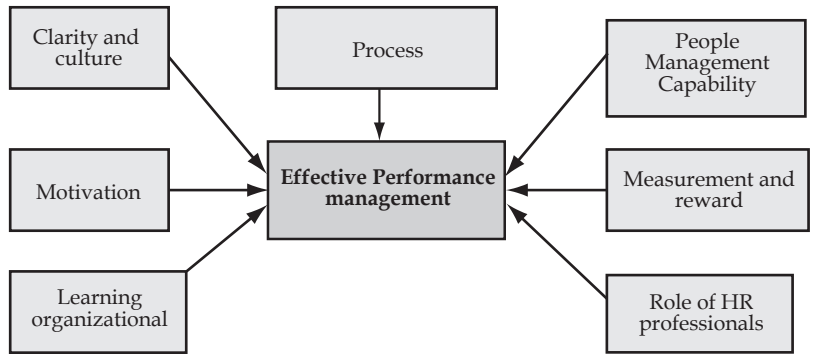
9. There are review mechanisms essentially to bring performance improvements
10. It is a system with deadlines, meetings, input, output and a format.
11. Process driven with emphasis on the format as an aid.
12. Linked to performance improvements and through them to other HR decisions as and when necessary.
13. PMS is change in managerial style of doing work.
14. It creates and nurtures performing culture.
15. Framework of Performance Management.

In the organization with performance management systems, 85 percent had performance pay and 76 percent rated performance. The emphasis was on objective –setting and review, which as the authors of the report noted, 'leaves something of a void when it comes to identifying development needs on a longer-term basis. There is a danger with results orientated schemes in focusing excessively on what is to be achieved and ignoring the how.' It was noted that some organizations were moving in the direction of competency analysis, but not very systematically.

Note

Elements of an Effective Performance Management System



Source: Kathy Armstrong (2005)

2.4 Competency-based PMS

Performance management is a strategic and integrated approach for delivering sustained success to organizations by improving the performance of those who work in them and by developing the capabilities of teams and individual contributors. Development is perhaps the most important function of performance management. Performance management is concerned with outputs—the achievement of results; and with outcomes—the impact made on performance. But it is also concerned with the processes required to achieve these results and the inputs in term of capabilities (knowledge, skill and competence) expected from the teams and the individuals involved).

Performance management is regarded as a number of inter-linked processes rather than a single system. It was, therefore, common to find performance management carefully aligned with communications strategies, competency development, job design and evaluation, payment systems and motivation practices.

Notes

Did u know? **What is Competency?**

Competencies are the knowledge, skills and personal attributes required for excellent performance in a job, role or specific business.

Competency development is a carefully crafted process of research and data-gathering about firm's managers and employees as they perform their daily work, with the goal of determining the specific knowledge, skills and personal attributes required for excellent performance in these actual jobs, roles or businesses.

The competencies and the need to develop them translates into a personal development plan and the whole links into what is being tried to be achieved within the organization. Severn Trent Water has developed an interesting definition of competency as 'grouping of knowledge, skills and behaviors which may well be required in whole or in part within a variety of managerial situations'. Competency analysis is concerned with the behavioral dimensions of the roles.

Note Indicator of behaviors for achieving higher levels of performance

1. Personal drive
2. Impact on results
3. Analytical power
4. Strategic thinking
5. Creative thinking
6. Decisiveness
7. Commercial judgments
8. Team management and leadership
9. Interpersonal skills
10. Ability to communicate
11. Ability to adapt and cope with change and pressures
12. Ability to plan and control projects

According to Lockett (1992), "The essence of performance management is the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement."

Performance management is concerned with creating a culture in which organizational and individual learning and development are a continuous process. It provides means for the integration of learning and work so that everyone learns from the successes and challenges inherent in their day-to-day activities. The drive to enhance performance is making ever-greater demands on the knowledge and skills of the workforce and on people, who carry a much greater responsibility for their own performance.

The performance management for teams deserves more attention. What makes an effective team, the competencies required for teamwork and a definition to what can be regarded as a team for performance management purpose? Peer pressure in teamwork is an important factor.

Notes

Performance management processes are important in tightly nit and long standing project teams.

Some of the key competencies for team work according to Hay/McBer (Gross 1995) are:

1. Interpersonal Understanding
2. Influence
3. Customer Service Orientation
4. Adaptability
5. Team Work
6. Oral Communication
7. Achievement Orientation
8. Organizational Commitment

Performance measurement for teams will be related to the purpose of the team and its particular objectives and standards of performance.

Process of Formulating Competency-based PMS

Both competence and competency is the key to managing performance. People can only perform well if they have the required knowledge and skills. Equally, people need the capability and personal characteristics to develop new skills and to progress to higher quality or more complex work

Similarly, it is important for an organization to know both what is required to undertake a particular job - the operational competence - and to be aware of the personal competencies that are likely to predict individual success.

Some organizations base their whole performance management strategy around competencies - seeing them as the "common currency" for the organization, providing a language in which roles are described, feedback given and through which the organization communicates its values and notions of "excellence". As Lockett points out, a clear set of competencies can help in a number of ways:

1. "They enable top management to state clearly the sort of behaviour which will make the organization's mission achievable.
2. They enable managers to assess people against a common set of agreed criteria.
3. They enable the organization to take a regular stock take of the capability of their people.
4. If clearly stated and widely published, they give individuals an unambiguous guide to their own personal development targets.
5. They facilitate movement across functions by setting out clearly which skills are generic and, therefore transferable.
6. They make "competence gaps" easier to define and, therefore, easier to resolve."

Peter Honey has summarised the contribution of competencies from a learning standpoint as helping learners to:

1. know what is expected of them
2. how they are doing
3. what to do to develop and improve.

Notes

The following steps should be followed while designing a competency based performance management system:

1. ***Categorizing Competencies:*** Competencies can be divided into two categories, "threshold" and "differentiating" according to the performance criterion they predict.

   (a) *Threshold Competencies:* These are the essential characteristics (usually knowledge or basic skills, such as the ability to read) that everyone in a job needs to be minimally effective but that do not distinguish superior from average performers. A threshold competency for a salesperson is knowledge of the product or ability to fill out invoices.

   (b) *Differentiating Competencies:* These factors distinguish superior form average performers. For example, achievement orientation expressed in a person's setting goals higher than those required by the organization, is a competency that differentiates superior from average salespeople.

2. ***Mapping Competencies:*** Competency Mapping beings with 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. With a competency based job description, the second step involves mapping those competencies throughout the organization's human resources processes. The competencies of the respective job description also become factors for assessment on performance evaluation. Using competencies helps in more objective evaluations based on displayed or not displayed behaviours. Taking competency mapping one step further, the results of performance evaluation can be used to identify in what competencies individuals need additional development or training.

3. ***Building Competency Models:*** There are three ways in which competencies models may be developed:

   (a) *Behavioral Indicators:* Behavioural indicators describe the behaviours, thought patterns, abilities and traits that contribute to superior performance.

   (b) *Evaluative Competency Levels:* Exceptional competencies of high performers are set as standards for evaluating competency levels of employees.

   (c) *Competencies Describing Job Requirements:* This approach is useful for organizations having multiple competency models. Competencies required in a particular job are described. Job specific competency models help in structuring focused appraisal and compensation decisions.

4. ***Profiling Competency Framework for a Particular Role:*** To identify role-specific competencies required industry specific, functional and behavioral competencies, which need to be developed for enhanced performance. The approach for developing a competency framework for a particular role is as proposed below:

   (a) Understand strategic business context of the organizations in term of its structure and environmental variables.

   (b) Detail role description for positions. Defining and scaling (relative importance and mastery level) of specific behaviours for each identified competency as a measure of performance.

   (c) Develop competency framework taking into consideration the core values and the culture of the organizations in addition to specific functional and level requirements. This should jell with the vision and mission of the company.

   (d) Validate the competency framework through a workshop, which should include functional experts and top management personnel in order to define critical and

Notes

desirable competencies. And also to substantiate the extent to which the competencies differentiate between high and average performers by validating the content and criteria.

The competency framework includes technical competencies, behavioural competencies and the proficiency levels required for each competency. Each competency should be detailed in terms of behavioral indicators that enable observation and assessment.

5. ***Potential Assessment Centre for Competency Mapping:*** The linkage between competencies and roles is achieved through a competency mapping exercise, through which the most critical, success driving behaviors for specific roles are established. Against the validated competency framework, an individual's potential is identified through an Assessment Centre process as outlined below:

   (a) Design Assessment Centre

   (b) Conduct Assessment Centre

   (c) Map individual competencies and gaps

   (d) Finally assess organizational capability and gaps.

A link between people and competencies is established through an effective system of measuring the proficiency of an individual on the desired competencies for the role. The link between people and roles is established through effective measuring tools that evaluate the performance of the person in the role. On-the-job performance of the individual is evaluated on the basis of a performance management system.

The Assessment Centre is a powerful tool in the hands of the management for selection and development. As a selection tool it can be used for management promotions, fast tracks schemes, high potential list and change of functional role. As a development tool, it is helpful in succession planning, identifying training needs and career development.

Designing and conducting a potential Assessment Centre should follow basic principles in term of accuracy, fairness, reliability, legality, efficiency, multiple assessors, multiple tests and optimal stress to increase performance. It would involve two types of exercises, i.e., group exercises and individual exercises.

Note

Performance Management System Checklist for Managing

Do you have written performance standards for the employees?	Yes/No
Have you communicated the performance standards to the employees?	Yes/No
Are the standards clear and reasonable?	Yes/No
Has HR representative reviewed the standards for any possible problems?	Yes/No
Have you told the employee what critical element he is failing in?	Yes/No
Have you counselled the employee on how to improve to an acceptable level?	Yes/No
Have you fully assessed and utilized all available resources to help the employee improve? Have you explained and offered them to the employee?	Yes/No
Have you sought employee input regarding what is needed to improve?	Yes/No
Have interim review periods been established to measure the employee's improvement?	Yes/No

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Notes

Have you advised the employee what he has to do to improve performance and retain the job?	Yes/No
Have you provided all the agreed assistance including training to the employee?	Yes/No
Did you consider any requests for accommodation?	Yes/No
Have you taken into account annual, sick, or to her leave taken during the review period?	Yes/No
Did you document the employee's performance, your efforts to assist, the employee's actions and contributions to the improvement plan, etc.?	Yes/No
Do you have copies of any notes of counselling and/or assistance to the employee?	Yes/No
Do you have copies of memoranda of counselling provided to the employee?	Yes/No
Has there been due process prior to the administration of any discipline?	Yes/No
Do you have a just cause to administer progressive discipline and/or use the alternate discipline process, and the document to demonstrate the just cause.	Yes/No

Task Design a research programme to identify the key differences in the performance management system in Indian and foreign companies operating in India.

2.5 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. Bititci *et 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

Notes

7. Assigning different weighting protocols
8. Viewing competency ratings
9. Viewing compensation details
10. Career advancement and opportunities available

Implementing performance management across and 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 fro 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 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)

Note

e-performance Management Practices in Indian Organisations

Technology has changed the face of business. Many HR transactions have been automated especially performance management. We now look at IT-enabled performance management practices of some leading companies in India.

At **Nokia India**, there are no performance appraisal forms. Performance criteria are set by employee in concurrence with his manager in the appraisal tool. Reviewing officer reviews the same. This tool helps to update the goal setting and achievements periodically.

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At **PepsiCo**, employees unload their performance targets on MDN, a global portal which is available to PepsiCo employees across the world. Mid-term review and final appraisals facilities by MDN, also guides employees in tracking their career plans by preparing Career Development Action Plan. The data is subsequently used by HR.

At **TCS**, managers use an online system for carrying out performance management system, merit pay, and succession planning activities with ease.

1. Progress of goal/KPI setting and appraisal is monitored and managed
2. Monitor appraisal bias within the organization
3. Paper-based forms are eliminated, making process management more efficient and secure
4. Managers are more likely to conduct effective goal/KPI setting and appraisal, given ease of use
5. Performance management more likely to become entrenched in the organization.

We conclude in the words of Agha Husan Abedi:

"The conventional definition of management is getting work done through people, but real management is developing people through work."

Performance Management System (PMS) at Bharti Telecom

Introduction

Established in 1985, Bharti Enterprises has been a pioneering force in the telecom sector with many firsts and innovation to its credit: it was the first mobile service in Delhi, first private basic telephone service provider in India, first Indian company to provide comprehensive telecom service outside India (in Seychelles) and the first private sector service provider to launch National Long Distance (NLD) service in India. As on 31st July, 2002, Bharti had approximately 2,112,000 customers—nearly 1,772,000 mobile, 221,000 fixed lines and 119,000 internet customers.

Its service sectors businesses include mobile operations in circles of Andhra Pradesh, Chennai, Delhi, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Kolkata, Madhya Pradesh, Maharashtra, Mumbai, Punjab, Tamil Nadu and Uttar Pradesh (West). In addition, it also has fixed line operations in the states of Madhya Pradesh, Chhattisgarh, Haryana, Delhi, Karnataka and Tamil Nadu, and nationwide broadband and long distance networks.

Bharti has recently launched NLD services, offering data transmission services for calls originating and terminating on most of India's mobile networks. The company is currently implementing a submarine cable project connecting Chennai and Singapore for providing international bandwidth. Bharti also manufactures and exports telephone terminals and cordless phones. Apart from being the largest manufacturer of telephone instruments, it is also the first telecom company to export its products to the US. Bharti provides telecom software solutions to both domestic and overseas clients. The latest addition to Bharti's business portfolio is the contact venture. Today, Bharti is the largest private sector integrated telecommunications services group in India in terms of numbers of customers.

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Need of PMS

A performance orientation culture is the cornerstone of achieving excellence in any organization. Developing such a culture requires achieving clarity in understanding and managing performance within an agreed framework of planned goals, standards and required attributes and competencies. The process calls for a clear statement of the company's vision, goals and objectives and aligning statement of the company's vision, goals and objectives and aligning these with individual targets and activities. A Performance Management System (PMS) aimed at getting better results from teams and individuals has therefore, been introduced at Bharti.

The PMS at Bharti is based on the simple proposition that when people know and understand what is expected of them, and have participated in forming those expectations, they can and will performing those expectations, they can and will perform to meet them. This leads to the following questions:

1. What do you think are the most important things you have to do?
2. What do you believe you are expected to achieve in each of these areas?
3. How will you or anyone else know whether or not you have achieved them?

Resolving these questions enables people to unambiguously identify their targets and plan their activities towards achieving them. It is equally essential to link recognition and rewards to such achievements to bring about and propagate a performance-oriented culture.

The PMS at Bharti encompasses the above aspects and is implemented through Performance-lined Incentive (PLI) scheme.

Performance-linked Incentive Scheme at Bharti

The PLI is primarily focused on individual performance, though there are schemes designed to recognize performance at the team and company levels too.

Step 1: Identification of Key Result Areas (Performance Criteria)

The identification of Key Result Areas (KRAs) is an important and systematic process. Starting with the company's goals and objectives, the KRAs are identified at all levels of management (from the top to the working levels), ensuring alignment and commonality of purpose. For instance, in production, quality, market share and profit could be some KRAs at the senior level. These are further broken down into KRAs at department and working levels. For example, production would depend upon machine utilization, and material and manpower availability, while machine utilization would depend upon power availability, preventive maintenance and availability of spares. A configuration of this type facilitates identification of appropriate KRAs at the identification of appropriate KRAs at the individual, team and company levels.

KRAs for individuals comprise of both business parameters (common for all covered by the schemes) and individual parameters. This is to ensure that while striving to achieve their individual targets, employee do not lose sight of the business goals and objectives.

Step 2: Assigning Weightage to Selected Criteria

Weightage is for each criterion is determined in proportion to its anticipated impact in terms of the company's topline, bottom line, growth strategies, etc. This enables people to prioritize their activities and expend their time and efforts accordingly. (Weightage should add up to 100 per cent.)

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Step 3: Setting Targets

This is an important step and involves extensive discussions an deliberation. Care must be taken to ensure that targets are aligned to the company's budgets and strategies.

Step 4: Defining Performance Levels

Performance in these selected criteria is measured across 5 levels, level 1 being the minimum and level-5 being the maximum. The targets are normally slotted at level-3. Typically, levels-4 and 5 are set at 110 per cent and 120 percent the target respectively. Similarly, level-1 is fixed at 80 per cent and level-2 at 90 percent. However, there could be exceptions depending upon the nature and scope of the criteria. It is also possible that in some cases levels 1 and level 2 do not exist.

Performance-Payout Relationship

The payout may vary from 10 percent to 30 percent and may go upto 40 percent as well. Normally, the performance and payout are linked as follows:

Performance levels	1	2	3	4	5
Payout percent	10	13	17	23	30

As is evident, the rate of payout progressively increases at higher levels of performance. The percentages in the table are of the annual salary and normally include basic pay, house rent allowance, special allowance, conveyance allowance, LTC, medical, provident fund and superannuation.

The entire process of PLI can be illustrated with and example as below:

1. Take any job.

   Example: Regional Sales Manager

2. Company-wide business parameters

		Weightage
(a)	Revenue	20%
(b)	Profits	20%
Individual parameters:		Weightage
(a)	Increase in market share in region (MS)	20%
(b)	Increase in sales turnover (ST)	20%
(c)	Increase in reliability and service level of Products (REL)	20%
(d)	Decrease in level of outstandings (OS)	10%

3. For each responsibility, define a goal or target, for instance

   (a) Increase market share in the region to 26 percent

   (b) Increase sales turnover to ₹ 1,500,000 lakhs

   (c) Increase reliability and service level of products (CI index of 80 percent)

   (d) Decrease level of outstanding to 30 days

   In the case of subjective elements, data is captured as indices.

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Notes

4. Define measures of performance against targets.

Example: Performance index for sales turnover will be:

(a)	< ₹ 100 lacs	0
(b)	₹ 100-120 lacs	10
(c)	₹ 12-140 lacs	13
(d)	₹ 140-160 lacs	17
(e)	₹ 160-200 lacs	23
(f)	> ₹ 200 lacs	30

The above is illustrated in the form of a PLI table.

Table 1: Individual Performance-linked Incentive Sales

S. No.	Performance criteria	Weightage	Base year	Target	Performance levels
1.	Company parameters: Revenue (20%) Profits (20%)	40%			10% ,13%, 17%, 23%, 30%
2.	Individual Parameters: -MS -ST (₹) REL (index) -OS	20% 20% 10% 10%		26% 150 lacs 80% 30 days	220*

*Represents figure of actual achievement which corresponds to level 5. Similarly, based on the achievement, each parameter would be slotted at an appropriated level and the overall payout percentage would be determined based on the weightages.

_____ _____

Signature of Individual Signature of Reporting officer

Question

Make a critical analysis of key tools used by Bharti Telecom for performance management.

2.6 Summary

- Performance management system is another way of envisioning the totality of a manager's function.
- The use of performance management in the best-practice companies is not because it is a better technique than performance appraisal, but because it can form one of a number of integrated approaches to the management of performance.
- The rise of HRM also contributed to the emergence of performance management.
- PMS helps in clarifying the mission, vision, strategy, and values of the organization to the employees in order to enable them achieve the same.
- Companies use performance management systems to evaluate employees' efficiency at work and ability to perform certain tasks, either by automated or human processes.

Notes

- Competency development is a carefully crafted process of research and data-gathering about firm's managers and employees as they perform their daily work, with the goal of determining the specific knowledge, skills and personal attributes required for excellent performance in these actual jobs, roles or businesses.
- The competencies and the need to develop them translates into a personal development plan and the whole links into what is being tried to be achieved within the organization.
- Electronic performance management (or e-performance management) offers great value for money to the organizations and addresses its needs aptly.
- The e-performance management product allows organizations to maintain a record of core skills and competencies into the employee's performance management process.

2.7 Keywords

Competencies: Competencies are the knowledge, skills and personal attributes required for excellent performance in a job, role or specific business.

Competency analysis: Competency analysis is concerned with the behavioral dimensions of the roles.

e-performance Management: It is IT-enabled performance management that comes as an effective tool to leverage the full benefits of the system at a comparatively much lesser cost of administration.

Performance Management: It deals with improving organizational performance by improving employee performance.

2.8 Self Assessment

Fill in the blanks:

1. In the organization with performance management systems, ... had performance pay and 76 percent rated performance.
2. The goals and objectives of an organisation determine the organizational ..... .
3. …….. offers the same benefits of system of performance management at a much lower cost.
4. ..... is perhaps the most important function of performance management.
5. Performance management is regarded as a number of ..... processes rather than a single system.
6. ..... are the knowledge, skills and personal attributes required for excellent performance in a job, role or specific business.
7. ..... is concerned with the behavioral dimensions of the roles.
8. Performance management is concerned with creating a culture in which organizational and individual learning and development are a ..... .
9. The performance management for ..... deserves more attention.
10. The ..... product allows organizations to maintain a record of core skills and competencies into the employee's performance management process.

Notes

State whether the following statements are true or false:

11. Implementing performance management across and organization creates the potential for a large amount of administrative overhead.
12. e-performance management enables rule-based routing of performance documents for editing and approval.
13. Performance management processes are not effective in tightly nit and long standing project teams.
14. Performance management is not concerned with outputs.
15. An effective PMS link performance requirements to pay, especially for senior managers.

2.9 Review Questions

1. Do you think that performance management system is more successful in large organisations in comparison to the smaller one? Discuss.
2. Performance management system is a inter-linked process. Define the statement by giving some practical example.
3. Why do different organisations have different performance management system, although the principles of performance management system are same?
4. "Performance management should be a continuous process". In light of this statement, discuss the features of a good performance management system.
5. Why do organisations opt for performance management?
6. What do you mean by employee performance? How can performance be bettered?
7. "Any system needs certain prerequisites to function smoothly." Discuss the statement with respect PMS.
8. Companies use performance management systems to evaluate employees' efficiency at work and ability to perform certain tasks, either by automated or human processes. If you are the HR manager of your organisation then how you will develop an effective performance management system for your organisation.
9. "A PMS helps in clarifying the mission, vision, strategy, and values of the organization to the employees in order to enable them achieve the same." Discuss.
10. According to Lockett (1992), "The essence of performance management is the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement." Define.

Answers: Self Assessment

1. 85 percent
2. strategy
3. e-performance management
4. Development
5. inter-linked
6. Competencies
7. Competency analysis
8. continuous process
9. teams
10. e-performance management

11. True
12. True
13. False
14. False
15. True

Notes

2.10 Further Readings

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Online link

www.managementhelp.org

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Unit 3: Performance Planning

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Objectives

After studying this unit, you will be able to:

- State the characteristics and objectives of performance planning
- Explain the importance and methodologies of performance planning
- State the process and barriers to performance planning

Introduction

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 monitors progress and demonstrate achievements.

Notes

Note During the performance planning phase, you will:

1. Prepare for the performance planning session by reviewing department mission statements, goals, objectives, and strategies, and by drafting a preliminary set of development research performance objectives or job responsibilities.
2. Give the researcher ample notice of the performance planning session, review the overall purpose and design of the performance management system, share relevant department materials, and ask the development researcher to draft preliminary performance objectives or job responsibilities.

3.1 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.

3.2 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.

Notes

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

Caution Best practice identifies that objectives are easily understood and acted upon when they are specific, measurable, achievable, and realistic and time specific. The acronym SMART is an aid to remember those components.

To set SMART objectives it is important to:

1. Identify the outcome expected, the 'what';
2. Provide indicators to measure the degree of achievement;
3. Create an objective that constitutes a challenge within the staff member's capabilities;
4. Take into account available resources; and
5. Include a target date or response time.

3.3 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.

3.4 Methodologies of Performance Planning

The key methodologies of setting up a performance criteria are as follows:

1. Key performance area
2. Key results area

3. Task and target identification

4. Goal setting exercises

5. Organizational objectives and strategy

6. Assessment of organizational performance needs

7. Setting organizational performance expectations

8. Establishing performance management process

9. Measuring effective of performance management

Notes

1. ***Key Performance Area:*** Key performance area includes the identification of priority area to an employee and subsequent working on the specified area. The process of key performance area involves the following steps:

   (a) Identification of important task and activities

   (b) Determining the area of priority

   (c) Setting goals in the identified area

   (d) Seeking the employee's commitment for identified work

   (e) Making arrangements for required resources

2. ***Key Results Area:*** The term key results area may be defined as general area of outcomes for which a role is responsible. Identifying KRAs helps individual employees in a number ways as enumerated here:

   (a) Clarify their roles.

   (b) Align their roles to the organization's business or strategic plan.

   (c) Focus on results rather than activities.

   (d) Communicate their role's purposes to others.

   (e) Set goals and objectives.

   (f) Priorities their activities, and therefore improve their time/work management.

   (g) Make value-added decision.

   Key results area areas capture about 80 percent of a work role. The remainder of the role is usually devoted to areas of shared responsibility.

   Example: 'Image of the organization is usually a very senior official's key result area, but hopefully all employees contribute to this outcome.

   Key results area are worded using as few terms as possible, with no verbs, that is, abut results, not actions, and no direction/measurement. They simply describe the areas for which one is responsible for results.

   Individuals undertake the following steps to determine the KRAs for their roles:

   (a) Enlist main day-to-day responsibilities/activities.

   (b) For each activity, ask 'Why do I do this?'

   (c) Review the answers to 'why' questions, looking for common themes or areas.

   (d) Identify KRAs from these themes.

Notes

(e) Share KRAs, preferably with those they report to, those they work along with, and with those who report to them.

The KRA approach has three main advantages:

(a) Areas such as innovation, customer response time, and employee development are included rather than being overlooked.

(b) It is the first stage of objective setting.

(c) It makes it easier to assess current performance.

3. ***Tasks and Target Identification:*** Tasks and target identification involves the identification of roles, responsibilities, tasks and key targets of the employees. Each and every employee should know their duties and key targets.

4. ***Goal Setting Exercises:*** An organization's ultimate goals determine its strategy.

Example: An organization intending to become the world's largest textile company in the shortest possible time (ultimate goal) will increase its production capacities either through organic route such as setting up new manufacturing facilities, or by acquiring other textile organizations. Since acquisition helps increasing production capacities quickly, the organization shall pursue acquisition as a strategy for faster growth. But acquisition strategy also involves turning around the performance of the older acquired production units which essentially calls for improving human performance for corporate success.

5. ***Organizational objectives and strategy:***

(a) Organization's ultimate goal

(b) Organization's competitive position

(c) Comparing organization's strength with changing environment

(d) Examining organization's critical issues

(e) Analysing organization's opportunities

(f) Exploring best approaches in view of organizational resources and competencies

6. ***Assessment of organizational performance needs:***

(a) Identifying competencies necessary for achieving organizational objectives and strategy

(b) Gathering information about critical issues

(c) Determining new and future performance needs

(d) Prioritizing organizational improvement measures

(e) Recognizing core organizational values

7. ***Setting organizational performance expectations:***

(a) Determining required vs. desired performance

(b) Determining current performance status

(c) Understanding, aligning, and agreeing on performance expectations

(d) Formulating key performance indicators

(e) Evolving job objectives

(f) Aligning individual goals with organizational strategy

8. ***Establishing performance management process:***

   (a) Designing a framework of performance management encompassing

   (b) Performance planning

   (c) Performance managing

   (d) Performance appraisal

   (e) Performance monitoring

9. ***Measuring effective of performance management:***

   (a) Identifying opportunities for performance development

   (b) Providing performance counseling including 360 degree feedback

   (c) Devising reward strategy and administering reward system

   (d) Instituting performance management audit

   (e) Improvement in competitive position of the organization

Notes

3.5 Process of Performance Planning

There are many advantages to both supervisors and employees in having an effective performance planning and review process. The process should identify clearly what is expected of the employee, which in turn provides the opportunity to recognize good performance and identify areas that need corrective action or added training.

Four areas that must be identified in a performance plan are:

1. ***Job responsibility –*** What has to be done?
2. ***Performance measure –*** How will this be checked or measured?
3. ***Performance standard –*** How well must it be done?
4. ***Target date –*** When will it be checked?

When building a performance plan, you would obtain information in these areas from the job description and you would also look to the organization needs to clarify which duties have priority and the standard they must be performed to. An effective performance plan should outline results expected, performance measures, standards to be achieved and target dates for measurement.

The following are the key components of performance planning:

1. ***Preparation of Performance Plans:*** Performance plans are usually prepared at the beginning of annual review period, or when an employee first starts their new job. Preparing for the initial planning meeting should be undertaken by both the supervisor and the employee. Both supervisor and employee should be reviewing the goals, objectives and needs of the work unit and looking at the current job description. The supervisor should list the things in the job that they intend to measure, and the standards you will measure to. The employee could write down the ways they think each of their tasks could be measured and how well each should be performed.
2. ***Identification of Key Success Factors:*** Performance objectives and results to be achieved should be focused on results and set in order of priority. Measures should be specific to each task, with clear standards which include dates and times when appropriate.

Notes

3. ***Setting Departmental and Individual Objectives:*** After setting the organisational goals and objectives the departmental goals and objectives are defined. The departmental objectives are further categorised into individual goals. The individual goals include the key duties and responsibilities to achieve the final goals of the organisation.

4. ***Providing Regular Feedback:*** The next step in the process is providing regular feedback. The supervisor should be maintaining a log of performance facts, which will ensure that important issues are given the attention that is required and will help the formal review proceed in a more focused and potentially more positive way. The employee should also maintain a record of accomplishments and special achievements, or issues that need to be resolved. Discussion of these things during scheduled or spontaneous feedback sessions will allow resolution of problems in a timely manner.

5. ***Performance Review:*** Reviewing performance gives the supervisor and the employee the opportunity to look at results that have been achieved in relation to the original plan and standards of performance that were established. At this meeting, you should review all performance records and assess each task, discussing whether they met the standards of performance or not, and whether they exceed those standards. Review any outside factors that may have had an effect on performance. At this time, the supervisor should be identifying any areas where improvement may be necessary or performance could be enhanced. The employee should also have the opportunity to discuss areas where they could have used more help.

6. ***Action Planning:*** Another important aspect to completing this cycle is action planning. This is where the supervisor and employee would plan for any training that needs to occur, and could also be where you discuss career planning.

Task Make a discussion performance planning in Eicher Motors Ltd.

3.6 Barriers to Performance Planning

The barriers to performance planning can be categorised as follows:

1. ***Organisational Barriers:*** Most of the traditional organisations are not in the favour of performance planning. According to these organisations spending time on performance planning is just the wastage of time. These organisations believe that they have strong implementation strategy.

Example: Indian companies tend to spend 30% time on planning and remaining 70% on implementation whereas MNCs usually spend 70% time on performance planning and the remaining 30% time on strategy implementation.

2. ***Individual Barriers:*** Lack of commitment in organisation's employees or management is another important barrier to performance planning. Sometimes managers or employees or both show less commitment towards the achievement of organisational goals. The reasons could be personal, organisational, competitive or any other HR factor.

Example: Organisational politics, workplace bullying or high conflict causes employees to show less interest towards their job responsibilities.

Notes

Caselet

New Software to Improve Penrith Council's Planning

The Penrith City Council's objective was to effectively produce strategic and management plans, along with detailed project and activity plans as well as associated reporting. The Council required online reporting to replace its current hardcopy reporting and there was a strong desire by the Council to provide staff with an improved user experience and to increase productivity and skills in both planning and performance reporting.

Tenders were called to replace the incumbent system in 2002. Four compliant tenders were received and after a rigorous evaluation process Outcome Manager (Technology One's performance planning solution) was selected. This performance planning solution was deemed to be the most efficient and effective tool and delivered the most flexibility for the Council. The Council recognised the system's ability to produce real productivity and transparency benefits by enabling tasks to be assigned, delegated, reassigned or shifted to different levels as well as enabling people on leave to temporarily assign items. Penrith City Council believed that a performance planning solution would enhance functionality in areas that were underdeveloped, such as cross functional planning, project evaluation and both financial and capacity planning. At a grassroots level there was the desire to provide employees with a greater understanding of their roles within the Strategic and Management Plan framework and to demonstrate that the Council is efficient and effective within government as well as being customer focused.

Integration and ease of use were key decision factors. Council saw this solution as the best choice because it could be deployed via a web browser, enabling the system to fit seamlessly with both the intranet and Internet which meant that staff working remotely could maintain access. Its flexibility and ability to adapt to the Council's needs, along with its compatibility with the Council's Microsoft SQL Server platform, were also integral to the selection process.

"Council had a strong planning framework and reporting procedures, but until we implemented a performance planning solution we lacked the system to bring it all together."

Ross Kingsley

Corporate Development Manager

Penrith City Council

Source: www.technologyonecorp.com

3.7 Summary

- 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.
- The performances aspect of the plan obtained agreement on what has to be done to achieve objectives, raise standards and improve performance.
- Performance planning is the key essential for an effective performance management system.

Notes

- Coaches work with performance plans or work plans to keep their employees motivated.
- Key performance area includes the identification of priority area to an employee and subsequent working on the specified area.
- The term key results area may be defined as general area of outcomes for which a role is responsible.
- The process of performance planning should identify clearly what is expected of the employee, which in turn provides the opportunity to recognize good performance and identify areas that need corrective action or added training.

3.8 Keywords

Goal: The purpose toward which an endeavor is directed.

Mission: It defines what an organization is, why it exists, and its reason for being.

Objectives: Something that one's efforts or actions are intended to attain or accomplish.

Performance: It is behavior and should be distinguished from the outcomes because they can be contaminated by systems factors.

Vision: A statement giving a broad, inspirational image of the future that an organization is aiming to achieve.

3.9 Self Assessment

Fill in the blanks:

1. The performances aspect of the plan obtained agreement on what has to be done to achieve objectives, raise ..... and improve performance.
2. Performance planning is a ..... which starts with understanding of organisational objectives and ends with setting of performance criteria.
3. Performance planning is an integral part of ..... .
4. ..... includes the identification of priority area to an employee and subsequent working on the specified area.
5. The term key results area may be defined as ..... of outcomes for which a role is responsible.
6. Key results area areas capture about ..... of a work role.
7. An organization's ultimate goals determine its ..... .
8. Performance objectives and results to be achieved should be focused on results and set in order of ..... .
9. Indian companies tend to spend 30% time on ..... and remaining 70% on implementation.

State whether the following statements are true or false:

10. MNCs usually spend 60% time on performance planning and the remaining 40% time on strategy implementation.
11. Key results area areas capture about 90 percent of a work role.

3.10 Review Questions

Notes

1. Design a performance planning process for your organisation.
2. Is their any impact of performance planning on companies mission, vision and objectives? Discuss.
3. "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." Discuss.
4. "Key results area areas capture about 80 percent of a work role." Define.
5. Make an analysis on the statement that an organization's ultimate goals determine its strategy.
6. In most of the Indian companies performance management is limited upto performance appraisal. Discuss the key reasons.
7. "Indian companies tend to spend 30% time on planning and remaining 70% on implementation whereas MNCs usually spend 70% time on performance planning and the remaining 30% time on strategy implementation." Discuss.
8. Identify the four areas that must be identified in a performance plan?
9. "An effective performance plan should outline results expected, performance measures, standards to be achieved and target dates for measurement." Discuss.
10. "An organization intending to become the world's largest textile company in the shortest possible time (ultimate goal) will increase its production capacities either through organic route such as setting up new manufacturing facilities, or by acquiring other textile organizations." Discuss.

Answers: Self Assessment

1. standards
2. continuous process
3. performance management system
4. Key performance area
5. general area
6. 80 percent
7. strategy
8 priority
9. planning
10. False
11. False

3.11 Further Readings

Books

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Online link www.managementhelp.org

Unit 4: Competency Mapping

Notes

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Objectives

After studying this unit, you will be able to:

- Define competency mapping
- State the methods of competency mapping

Introduction

Competency Mapping begins with 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. With a competency based job description, the second step involves mapping those competencies throughout the organization's human resources processes. The competencies of the respective job description also become factors for assessment on performance evaluation. Using competencies helps in more objective evaluations based on displayed or not displayed behaviors. Taking competency mapping one step further, the results of performance evaluation can be used to identify in what competencies individuals need additional development or training.

4.1 Building Competency Models

There are three ways in which competencies models may be developed:

1. ***Behavioral Indicators:*** Behavioral indicators describe the behaviors, thought patterns, abilities and traits that contribute to superior performance.
2. ***Evaluative Competency Levels:*** Exceptional competencies of high performers are set as standards for evaluating competency levels of employees.
3. ***Competencies Describing Job Requirements:*** This approach is useful for organizations having multiple competency models. Competencies required in a particular job are described. Job specific competency models help in structuring focused appraisal and compensation decisions.

Notes

4.2 Profiling Competency Framework for a Particular Role

To identify role-specific competencies required industry specific, functional and behavioral competencies, which need to be developed for enhanced performance. The approach for developing a competency framework for a particular role is as proposed below:

1. Understand strategic business context of the organizations in term of its structure and environmental variables.
2. Detail role description for positions. Defining and scaling (relative importance and mastery level) of specific behaviors for each identified competency as a measure of performance.
3. Develop competency framework taking into consideration the core values and the culture of the organizations in addition to specific functional and level requirements. This should jell with the vision and mission of the company.
4. Validate the competency framework through a workshop, which should include functional experts and top management personnel in order to define critical and desirable competencies. And also to substantiate the extent to which the competencies differentiate between high and average performers by validating the content and criteria.

Note The competency framework includes technical competencies, behavioral competencies and the proficiency levels required froe each competency. Each competency should be detailed in terms of behavioral indicators that enable observation and assessment.

4.3 Potential Assessment Centre for Competency Mapping

The linkage between competencies and roles is achieved through a competency mapping exercise, through which the most critical, success driving behaviors for specific roles are established. Against the validated competency framework, an individual's potential is identified through an Assessment Centre process as outlined below:

1. Design Assessment Centre
2. Conduct Assessment Centre
3. Map individual competencies and gaps
4. Finally assess organizational capability and gaps.

A link between people and competencies is established through an effective system of measuring the proficiency of an individual on the desired competencies for the role. The link between people and roles is established through effective measuring tools that evaluate the performance of the person in the role. On-the-job performance of the individual is evaluated on the basis of a performance management system.

The Assessment Centre is a powerful tool in the hands of the management for selection and development. As a selection tool it can be used for management promotions, fast tracks schemes, high potential list and change of functional role. As a development tool, it is helpful in succession planning, identifying training needs and career development.

Designing and conducting a potential Assessment Centre should follow basic principles in term of accuracy, fairness, reliability, legality, efficiency, multiple assessors, multiple tests and optimal stress to increase performance. It would involve two types of exercises, i.e., group exercises and individual exercises.

Notes

Group Exercises

For potential assessment, the following group exercises are conducted:

1. ***Assigned Role Exercises:*** Used to assess negotiating skills, decision making skills, and risk taking skills**;**
2. ***Unassigned Role Exercises:*** Used to assess ability to handle uncertainty, change orientation, ethical behavior and global orientation; and
3. ***Team Exercises:*** Used to assess ability to work in a team and solve problems efficiently.

Individual Exercises

For potential assessment, the following individual exercises are conducted:

1. ***In-Basket Exercises:*** Used to assess ability to plan, organize, decide, manage and delegate;
2. ***Learning skill Inventory/Psychometric Inventories:*** Used to assess ability to learn, leverage knowledge and indicate behavioral patterns; and
3. ***Interpersonal Effectiveness Module:*** Used to assess interpersonal effectiveness, excommunication skills, patience and interpersonal skills.

Inputs for analysis of an individual's potential and behavioral patterns are also collected through multilateral feedback (self, peer, subordinate, customer and superior assessment), behavioral event interviews, career aspiration interview, career history, etc. In order to minimize assessors' bias and ensure objectivity and uniformity multiple trained assessors for each competencies assessment are used.

The competencies gaps can be found out by comparing the desired competency (proficiency) levels and displayed competency levels as indicated in the Figure 4.1.

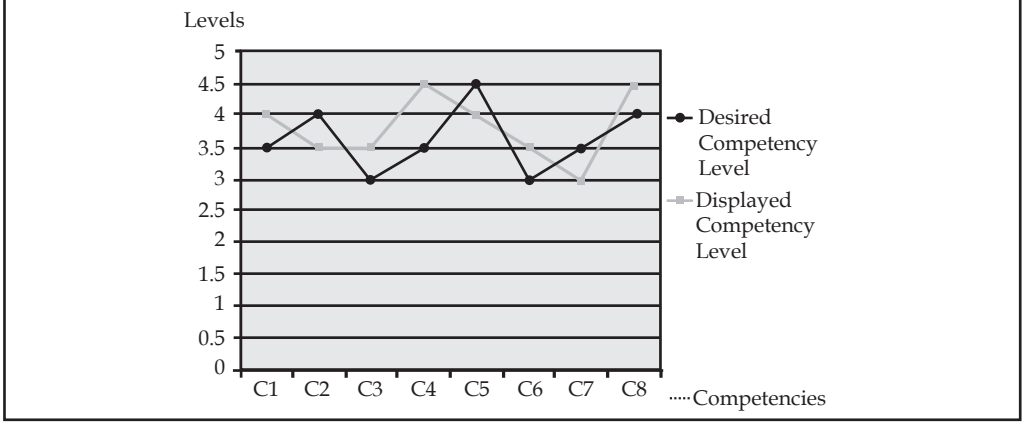
Based on the above exercises, feedback details for individuals on their strengths and developmental areas are prepared.

Caution Positive gaps between desired and displayed competencies indicate areas of improvement; negative gaps indicate strengths.

Each gap area needs to be analyzed and prioritized into major and minor gaps. These gaps are to be addressed at the individual, departmental and organizational levels by agreeing on milestones for each individual in terms of projects, job rotations, transfer, training and job enrichment. Setting up a Development Monitoring Cell in HR would help in creating a project plan with deadlines and escalation possibilities with a feedback system for feedback from bosses and individuals. Average assessment results are used to identify strengths and gaps in an organization's capabilities.

Notes

Figure 4.1: Competency Gap



4.4 Methods of Competency Mapping

It is not easy to identify all the competencies required to fulfill the job requirement. However, a number of methods and approaches have been developed and successfully tried out in organization. These methods have helped managers to a large extent, to identify and reinforce and/or develop these competencies both for the growth of the individual and the growth of our organization.

1. ***360-degree multi-rating:*** It is a type of performance appraisal for assessing the employees more objectively. This appraisal method takes care of many thins like what kind of behavior a person has with superiors, subordinates, peers etc.

2. ***Organizational surveys:*** In the organizational survey the questionnaire are filled by the employee, who rates himself. Questionnaires are written list of questions that users fill out questionnaires and return. The techniques are used at various stages of development, depending on the questions that are asked in the questionnaires.

3. ***Assessment centre:*** Assessment center is a mechanism to identify the potential for growth. It is a procedure (not location) that uses a variety of techniques to evaluate employees for manpower purpose and decisions. An essential feature of the assessment centre as used by our organization is the use of situational test to observe specific job behavior. Since it is with reference to a job, elements related to the job are simulated through a variety of tests. The assessors observe the behavior and make independent evaluation of what they have observed, which results in identifying strengths and weaknesses of the attributes being studied.

4. ***Expert's rating of job analysis:*** Job analysis tools help companies extract knowledge of core competency required from internal experts and allow the company to have any number of expert raters contribute rating on standard competency scale for any job title or position. The accumulated ratings are transformed into a composite template defining the ideal competency set for that position. Employee or job applicants then complete a self-report version and there are mapped against the template. Skills or competency gaps are thus identified and informed to the training decisions.

Notes

BHEL

Making Performance Management System a Way of life

As a continuing process of linking HRM to market forces and stakeholder-driven policies, several new HR initiatives were put in place during the year. Having introduced Performance Management System (PMS) as a replacement of conventional Annual Confidentiality Reports (ACRs), the company become the first PSE to implement during the year, an e-enabling Performance Management System for executives called e-MAP—Moving ahead through Performance. The new Performance Management System was started by the initiative and high involvement of the top management with a drive to excel and to counter competition with domestic as well as foreign suppliers of equipment. The system, while debugging various lacunae faced in performance management systems, is aimed at boosting the productivity of employee and introducing greater transparency. It provides access to over 10,000 executives located all over the country for preparing of their performance plans and completing the appraisal on a web-enabled platform.

Five focus groups at Haridwar involving approximately 150 executives across levels, functions, locations, units and sectors were taken to test the use of MAP.

The process of e-MAP took off in 2002. The existing performance management system (ACR) was analyzed and improvement (design) measures were arrived at form the analysis. The precondition for making it user friendly and time saving is e-enablement. Simultaneously, a pilot project to develop implementation tools and processes for the new performance management system was undertaken. A combination of e-enabling and new tools and processes formed the basis to implement MAP, implementation of a communication rollout to all executives. The 2002-03 cycle process review and the report were done by Hewitt Consultants by June 2003. They also are assisting in performance planning for 2003-04.

The duration from designing MAP till rolling it out to the middle and junior level management was 14 weeks and Hewitt played an important role during this phase. BHEL played its part in rolling out the communication process and MAP to middle and junior executives. The 14-week task was divided into three phases. The first phase of two weeks duration involved designing of MAP and the communication strategy and its materials. The second mid-week phase was the change phase. The customization of e-enablement to MAP requirements was followed by pilot study in IS and power sector and then the roll-out of MAP to the pilot unit and functional templates were prepared.

The major part of this phase was spent in communicating the change and its implementation as it was important for the rese of the sub-tasks in this phase.

BHEL leadership team workshops were held and MAP was introduced for usage to BHEL middle and junior management during the third phase. It was of six weeks duration. The process was monitored till the end of its completion for the middle management and a process audit was held for the junior management.

Five hundred change agents were selected to implement the process throughout the organization. These change agents were the high job performers and key managers and executives. The communication strategy BHEL used in this task is as described hereafter.

Contd....

Notes

The communication principle is to build awareness of PMS 2-0, to gain an understanding of its functioning during implementation and through feedback from users and to allay the misgivings of the system. The variables were five-fold:

1. ***Events:*** When are the key events taking place in the change process? And what are the key phases in these events?
2. ***Audiences:*** Who are the key audiences for this change? And how is this change going to affect them?
3. ***Message:*** What are the key messages that are required to be communicated to the audience? And what are the other appropriate messages for communication?
4. ***Media:*** How are the message going to be communicated? What are the key delivery vehicles? What is available? What is to be developed?
5. ***Messenger:*** Who are the key messengers? And what are the groups or users they are covering?

It was decided to discuss the PMS at different levels/cross-sections/units/business groups. We had the following agenda in view:

1. The PMS feedback last year;
2. Expectation from system;
3. Culture and mindset; and
4. Key concerns.

BHEL has been continuously improving upon the process/approaches for managing performance. The Performance Management System (PMS) was developed through in-house efforts, taking inputs from all concerned groups. However, in order to address certain issues, which mainly related to:

1. Alignment;
2. Consistency;
3. Transparency; and
4. Ownership;

A workshop held, with 150 participating executives across levels/functions/locations units/business sectors.

The following inputs were collated:

1. "I was able to objectively discuss my performance with my boss."
2. "The process made us thinking about our role and contribution."
3. "We are not clear about how goals are to be set."
4. "Inadequate understanding of competencies"
5. "The process was completed only because it had to be done".
6. "We do not know what our final scores are"
7. "The system is not transparent"
8. "It is very difficult to set goals for service areas"
9. "Our superiors accumulate our targets as their targets"
10. "People have set objectives which they have already achieved or which are routine activities".

Contd....

Notes

11. "We set our targets in isolation".
12. "Senior people have not devoted time to the PMS".
13. "Promotion seems to be the objective of the system".
14. "The lack of role clarity has impacted the quality of the process".
15. "Tendency to avoid stretch".

Thus, by listening to the users of the systems, the current state of the system was:

1. Wide acceptance of need for PMS;
2. PMS design, by and large, appropriate;
3. Entire organization has attempted to implement it, with varying degrees of success; and
4. Strong commitment to resolve issues and move on.

And the issues which needed to be addressed we identified as:

1. ***Alignment and Focus:*** Executive's performance aligned to the goals of BHEL;
2. ***Ownership:*** Executives taking responsibility and onus for their own performance;
3. ***Transparency:*** Clear, transparent and objective process; and
4. ***Consistency:*** Consistent application of performance principles; 'uniform loading'.

Thus, a project was taken up to make performance a "way of life" at BHEL. This was planned through:

1. Redesigning;
2. E-enabling; and
3. Effective organization-wide implementation of the performance management system.

   (M/s Hewitt Associates assistance was sought in the above area).

A comprehensive structure was put in place to prepare a road map/design the system/ design enable process and methodology to implement the same in a time-bound frame.

The system has the following features:

1. Consistency of measures through functional templates;
2. Alignment of individual goals to organizational goals;
3. Agreement between appraiser, appraisee and the reviewer;
4. Clarify and enrich the existing competencies;
5. Transpose employee to unique roles;
6. Assign competencies and proficiencies to unique roles;
7. Redesign of normalization process;
8. Effective organization-wide communication and training of new system; and
9. PMS workflow automation.

Also, the futuristic linkage of systems were discussed/debated and included as below:

1. Direct linkage of PMS to rewards;

Contd....

Notes

2. Improved measurement and target settings
3. Multi-rater feedback for a segment of the organization. E.g., senior management;
4. Better alignment of performance cycle with the performance management system;
5. E-learning-development platform;
6. Performance –potential matrix for career/succession planning;
7. Create a new competency model in line with business realities; and
8. Initiate assessment for senior managers/high performers.

The basic parameters have been bifurcated in two, as shown in Figure 1

1. Performance parameters; and
2. Capability development parameters.

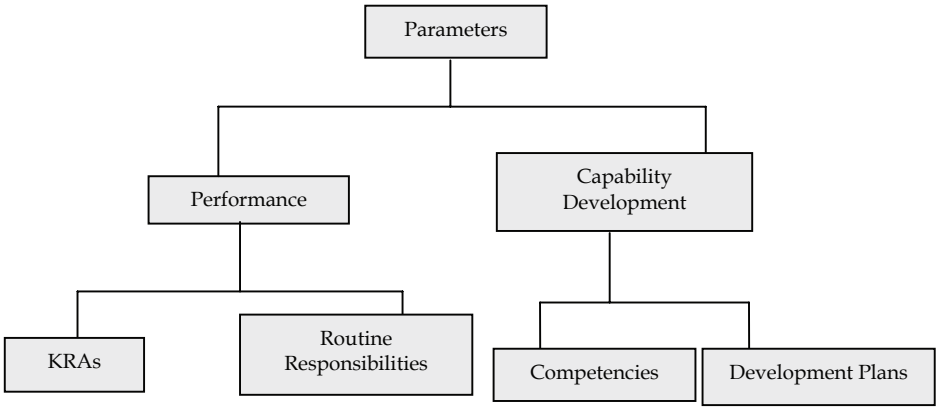


Figure 1: Basic Parameters

Performance

1. ***KRAs***
   (a) The implementation to take care of issues around the development of KRAs for service functions as well as interdependencies;
   (b) The KRAs to recognize the efforts that create value for the organization;
   (c) To include outcome measures as well as measures that focus on process, capability development, customer and projects; and
   (d) Identify measures to capture relative ease of achieving performance.
2. ***Routine Responsibilities***
   (a) Appraisee to propose weightage to each appraiser to approve;
   (b) Could be either outputs or activities depending upon roles; and
   (c) Some roles might have very high weightage of routine responsibilities, e.g., parliamentary affairs, VIP reference, establishment, security, etc.

Capability Development

1. ***Competencies:***
   (a) Consolidated from 53 to 19 competencies;

Contd....

Notes

(b) Each competency to have 3-5 distinct proficiency level, supported behaviour clearly articulated;

(c) Each unique role will have predefined competencies and proficiency levels; and

(d) 2-3 competencies would be selected by the appraiser as the development competencies for the year.

2. ***Development Plans:*** Based on last year's performance, competency gap and future growth development plan for each individual will be prepared and incorporated in the plan by the appraiser.

   Relative weights to KRAs and routine responsibilities would be pre-allocated through the System.

Performance Planning Features

1. ***Modification to the performance plan:*** The change can be incorporated under extraneous circumstances.
2. ***Role Charge:*** In the event of a transfer a time-weighted average performance rating of the roles performed by the appraisee will be taken as this performance score of the year (exception: Less than one month in the job).

Target-setting Principles Stretch/Loading

1. ***Stretch principles:*** Clearly articulated six target setting principles for BHEL.
2. Appraiser and appraisee establish KRAs and targets based on these target setting principles.
3. Reviewer reviews the performance plan for all appraisees keeping in mind the target setting principles.

Performance Feedback and Review

1. ***Performance vs Effort:*** Overall rating will be based on achievement of the performance parameters only. The PMS would ensure balanced KRAs, capturing capability and process building effort.
2. ***Frequency of feedback:*** Continuous performance feedback made possible through appraisee e-PMS dairy

Competencies for Map

1. 53 competencies of the present system have been consolidated into 19.
2. Each competency has been defined and proficiency levels have been calibrated.

Some to the competencies used are:

1. Planning and organizing
2. Initiative and drive
3. Commitment to quality
4. Creativity and innovation
5. Interpersonal relationships
6. Risk-taking
7. Decision-making
8. Subordinate development job knowledge
9. Knowledge of business environment.

Contd....

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Competency and Proficiency Levels: An Example

Competency Name: 'Planning and Organizing'

Definition: It establishes systematic action plans for self and others to assure accomplishment of specific objectives.

Each competency is specified at three levels at BHEL and a corresponding behaviour description is also defined.

Level 1

1. Develops schedules to accomplish work
2. Develops a personal system for organizing work (files, to-do lists, paperwork, pending orders) that facilities delivery of work.
3. Prioritizes activities and issues on daily, weekly, and monthly basis and reworks plans as required.

Level 2

1. Clearly outlines the work, deliverables, and timelines to team members and helps them prepare action plans.
2. Establishes a course of action to accomplish a specific goal; plans proper allocation of time and resources.
3. Analyses cost-benefit trade-off and focuses on activities that have the greatest impact.
4. Is aware of interrelationships among different activities and plans work assignments and allocates resources accordingly.

Level 3

1. Works with multiple teams/projects and effectively integrates/ensures integration of their deliverables, if required.
2. Foresees potential issues that might arise and develops contingency plans to take care of the same.
3. Takes cognizance of a varied number of inputs across several functions and develop long-term direction for unit/function.

These competencies are rated on a five-point scale as follows:

1. ***Learner:*** Has not yet demonstrated the behaviour or skill.
2. ***Development area:*** Sometimes demonstrates the behaviour/skill where appropriate.
3. ***Capable:*** Often demonstrates the behaviour/skill.
4. ***Strength:*** Almost always demonstrates behaviour/ skill where appropriate.
5. ***Role model:*** Encourages and influences others to display the skill in a job.

Unique Roles (UR) have to be created for every job under this system. Unique roles are jobs that may be held by different incumbents but essentially perform the same function. Thus, there may be certain differences in the incumbents, e.g., experience in number of years, number of people supervised by the incumbents or overall authority; but the jobs may still form one unique role if the following questions are answered:

1. Do the jobs have the same primary reason of existence? Is the purpose of the jobs same?

   Required Answer: YES

Contd....

Notes

2. Are the roles significantly similar in duties, responsibilities and accountabilities?

   Required Answer: YES

3. If you switch the incumbents of the roles in question, can they perform each other's roles with the same efficiency?

   Required Answer: YES

3. Would the incumbents require a significantly different set of skills or abilities to perform each other's roles? No

   Required Answer: No.

The improvements in the new PMS (MAP) consist of:

1. Design improvement;
2. Tools developed to support MAP, such as
   (a) Unique roles and responsibilities templates;
   (b) Measurement of stretch in targets;
   (c) Normalization;
   (d) E-enabling MAP,
   (e) Users' handbook; and
3. Customizing MAP.

The Performance Cycle

It starts with:

1. Unit/Business Sectors Draft Budgets (end-February)
2. Office Performance Planning (March to mid-April).
3. Online Performance Planning (mid-April to end-April).
4. Mid-Year Review (September/October)
5. Final Review and Feedback (April)
6. Normalization of Scores (May)

These systems provide for ongoing feedback between appraisee and appraiser.

E-enabling

The system has been e-enabled with the objective of:

1. Ease of use and implementation;
2. Covers 10,000 + Executives of BHEL, via Internet;
3. Consolidation of data centrally;
4. Real-time analysis of data, to provide insights for business directors;
5. Generalization of reports, as and when desired by users.

Draft a questionnaire for competency mapping.

Notes

4.5 Summary

- Competency Mapping begins with 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.
- A link between people and competencies is established through an effective system of measuring the proficiency of an individual on the desired competencies for the role.
- Competencies are a broader term referring to an individual's demonstrated knowledge, skills, behaviors, experience, life view and values and constitute observable, behavioral acts that require a combination of all these attributes to execute.
- Competency mapping serve as behavior-based standards of performance against which people and organizations can be measured over time.

4.6 Keywords

Assessment centre: Assessment center is a mechanism to identify the potential for growth. It is a procedure (not location) that uses a variety of techniques to evaluate employees for manpower purpose and decisions.

Behavioral Indicators: Behavioral indicators describe the behaviors, thought patterns, abilities and traits that contribute to superior performance.

Competency: Skills and abilities, described in behavioral terms that are coach able, observable, measurable and critical to successful individual or organization's performance.

4.7 Self Assessment

Fill in the blanks:

1. The competencies of the respective job description also become factors for assessment on ..... .
2. Exceptional competencies of high performers are set as ..... for evaluating competency levels of employees.
3. The ..... is a powerful tool in the hands of the management for selection and development.
4. ..... between desired and displayed competencies indicate areas of improvement.

State whether the following statements are true or false:

5. Assessment center is a mechanism to identify the potential for growth.
6. The competencies gaps can be found out by comparing the desired competency (proficiency) levels and displayed competency levels.
7. Average assessment results are used to identify strengths and gaps in an organization's capabilities.
8. On-the-job performance of the individual is evaluated on the basis of a performance planning.
9. The competency framework includes technical competencies, behavioral competencies and the proficiency levels required for each competency.

4.8 Review Questions

Notes

1. "A characteristic is not a competency unless it predicts something meaningful in the real world". Discuss.
2. "Competency mapping forms an excellent tool for optimizing the human capital" Elucidate.
3. Job analysis tools help companies extract knowledge of core competency required from internal experts and allow the company to have any number of expert raters contribute rating. Compare job analysis technique with other techniques of competency mapping.
4. "A link between people and competencies is established through an effective system of measuring the proficiency of an individual on the desired competencies for the role." Discuss.
5. Make a graphically representation showing the comparison between the desired competency level and displayed competency level.
6. Assigned role exercises are the group exercises used to assess negotiating skills, decision making skills, and risk taking skills. Suggest some other individual and group exercises used for potential assessment.
7. Construct a sample questionnaire for competency mapping.
8. "The competencies of the respective job description also become factors for assessment on performance evaluation." Discuss.
9. What is the role of assessment centre as a development tool?
10. Develop a competency framework for a particular role.

Answers: Self Assessment

1.	performance evaluation	2.	standards
3.	Assessment Centre	4.	Positive gaps
5.	True	6.	True
7.	True	8.	False
9.	True		

4.9 Further Readings

Books

Aubrey C. Daniels, *Bringing out the Best in People*, 2nd edition, McGraw-Hill, 1999.

BD Singh, *Performance Management Systems*, Excel Books, New Delhi.

Business Performance Management, Magazine, Matt Weiner.

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Unit 5: Performance Appraisal

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Objectives

After studying this unit, you will be able to:

- Describe the process of performance appraisal
- Explain the approaches of performance appraisal

Introduction

Many people believe that appraisal systems have created more problems than they have solved; and question their very need in organizations. Experience has shown that appraisal is not a play-safe gimmick. If these are not handled properly, appraisals can do a lot of damage to an organization in the areas of employee morale, climate of trust and consequences for employee relations.

5.1 Meaning of Performance Appraisal

Performance appraisal is a systematic evaluation of present potential capabilities of personnel and employees by their superiors, superior's or a professional form outside. It is a process of estimating or judging the value, excellent qualities or status of a person or thing. It is a process of collecting, analyzing, and evaluating data relative to job behavior and results of individuals. The appraisal system is organized on the principle of goals and management by objectives. Management decisions on performance utilize several integrated inputs: goals and plans, job evaluation, performance evaluation, and individual history. It connotes a two-dimensional concept-at one end of the continuum lies the goals set by the authority, and at the other end, the performance achieved by the individual or any given group.

Performance appraisal can be either formal or informal. Formal appraisals are usage of former systems schedule regular sessions in which to discuss an employee's performance. Informal appraisals are unplanned, often just chance statements made in passing about an employee's performance. Most organizations use a formal appraisal system. Some organizations use more then one appraisal system for different types of employees or for different appraisal purposes. Organizations need to measure employee performance to determine whether acceptable

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standards of performance are being maintained. The six primary criteria on which the value of performance may be assessed are: quality, timeliness, cost effectiveness, need for supervision, and interpersonal impact. If appraisals indicate that employees are not performing at acceptable levels, steps can be taken to simply jobs, train, and motivate workers, or dismiss them, depending upon the reasons for poor performance.

Did u know? **What is the importance on performance appraisal results?**

The results of appraisal are normally used to: (1) estimate the overall effectiveness of employees in performing their jobs, (2) identify strengths and weaknesses in job knowledge and skills, (3) determine whether a subordinate's responsibilities can be expanded, (4) identify future training and development needs, (5) review progress towards goals and objectives, (6) determine readiness for promotion, and (7) motivate and guide growth and development.

5.2 Process of Performance Appraisal

A meaningful performance appraisal is a two-way process that benefits both the employee and the manager. For employees, appraisal is the time to find out how the manager thinks they are performing in the job. For a manager, a formal appraisal interview is a good time to find out how employees think they are performing on the job. The planning appraisal strategy has to be done:

Before the Appraisal

1. Establish key task areas and performance goals.
2. Set performance goals for each key task area.
3. Get the facts.
4. Schedule each appraisal interview well in advance.

During the Appraisal

1. Encourage two-way communication.
2. Discuss and agree on performance goals for the future.
3. Think about how you can help the employee to achieve more at work.
4. Record notes of the interview.
5. End the interview on an upbeat note.

After the Appraisal

1. Prepare a formal record of the interview.
2. Monitor performance.
3. Feedback session – tell and sale, tell and listen, problem solving.
4. Developing need based training program.
5. Working out reward based incentives.

5.3 Approaches of Performance Appraisal

Notes

George Odiorne has identified four basic approaches to performance appraisal.

1. ***Personality-based systems:*** In such systems the appraisal form consists of a list of personality traits that presumably are significant in the jobs of the individuals being appraised. Such traits as initiative, drive, intelligence, ingenuity, creativity, loyalty and trustworthiness appear on most such lists.
2. ***Generalized descriptive systems:*** Similar to personality-based systems, they differ in the type of descriptive term used. Often they include qualities or actions of presumably good managers: "organizes, plans, controls, motivates others, delegates, communicates, makes things happen," and so on. Such a system, like the personality-based system, might be useful if meticulous care were taken to define the meaning of each term in respect to actual results.
3. ***Behavioral descriptive systems:*** Such systems feature detailed job analysis and job descriptions, including specific statements of the actual behavior required from successfully employees.
4. ***Result-centered systems:*** These appraisal systems (sometime called work-centered or job-centered systems) are directly job related.

They require that manager and subordinate sit down at the start of each work evaluation period and determine the work to be done in all areas of responsibility and functions, and the specific standards of performance to be used in each area.

When introducing performance appraisal a job description in the form of a questionnaire has to be preferred. A typical questionnaire addressed to an individual would cover the following points:

1. What is your job title?
2. To whom are you responsible?
3. Who is responsible to you?
4. What is the main purpose what are your main areas of responsibility?
5. What is the size of your job in such terms of output or sales targets, number of items processed, number of people managed, number of customers? What targets or standards of performance have been assigned for your job? Are there any other ways in which it would be possible to measure the effectiveness with which you carry out your job?
6. Is there any other information you can provide about your job?

Caselet

TCS Asks 1,300 Employees to Leave

Around 1,300 employees of Tata Consultancy Services will resign from the company following a routine bi-annual performance appraisal. The employees being asked to leave will constitute around one per cent of the total staff, numbering over 1,30,000, said a spokesperson for the company.

Their leaving the company is not part of any cost-cutting exercise designed to cope with the economic slowdown, she said. TCS' bi-annual performance appraisal throws up under-performers who are given special training; but if they are not up to the mark in the next appraisal, they are asked to leave.

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Last year, the company had asked 500 employees to leave following such an appraisal. Analysts held that although the staff cut was for under-performance, it is possible that in times of slowdown companies might come up with more stringent standards for performance.

TCS' current utilisation rate (the proportion of staff working on projects) is 75 per cent, said the spokesperson. This does not mean that 25 per cent are benched, for the rest consist of administrative and other staff who are not directly on projects, she said

Source: www.thehindubusinessline.com

Discuss the key techniques of performance appraisal.

5.4 Summary

- It is a process of estimating or judging the value, excellent qualities or status of a person or thing. It is a process of collecting, analyzing, and evaluating data relative to job behavior and results of individuals. The appraisal system is organized on the principle of goals and management by objectives.
- Performance appraisal can be either formal or informal. Formal appraisals are usage of former systems schedule regular sessions in which to discuss an employee's performance. Informal appraisals are unplanned, often just chance statements made in passing about an employee's performance.
- The main difference between the performance management and appraisal systems is their respective emphasis and spirit. Good organizations in the past have used essentially their performance appraisal systems as performance management systems.
- Performance appraisal plans are designed to meet the needs of the organization and the individual. It is increasingly viewed as central to good human resource management.
- Organizations use performance appraisals for three purposes: administrative, employee development and programme assessment. Programme appraisal commonly serve an administrative purpose by providing employers with a rational for making many personnel decisions, such as decisions relating to pay increases, promotions, demotions, terminations and transfers.
- There are two types of performance appraisal systems which are normally used in organizations: (i) close ended appraisal system and, (ii) open ended appraisal system.

5.5 Keywords

Close Ended Appraisal System: In this, a confidential report is submitted on the performance of the employee.

MBO: It involves the setting out clearly define goals of an employee in agreement with his superior.

Open Ended Appraisal System: In this, the performance of the individual is discussed with him, and he is ranked in a five or ten point rating scale.

Performance Appraisal: It is a systematic evaluation of present potential capabilities of personnel and employees by their superiors, superior's or a professional form outside.

Self Appraisal: It gives a chance to the employee to look at his/her strengths and weaknesses, his achievements, and judge his own performance.

5.6 Self Assessment

Notes

Fill in the blanks:

1. …….. appraisals are unplanned as they include just statements being made about employee performance.
2. Performance appraisal undertaken for …….. gives employees a complete feedback on their performance.
3. Performance of an individual employee is monitored …… the appraisal process.
4. Work centered appraisal systems are directly …… related.
5. In a ……. appraisal, the performance of the employees is not disclosed.
6. Performance appraisal is a systematic evaluation of present ..... of personnel and employees by their superiors, superior's or a professional form outside.
7. Organizations need to measure employee performance to determine whether acceptable ……. of performance are being maintained.
8. A meaningful performance appraisal is a ……. process that benefits both the employee and the manager.
9. ……. systems feature detailed job analysis and job descriptions, including specific statements of the actual behavior required from successfully employees.
10. When introducing performance appraisal a job description in the form of a ……. has to be preferred.

5.7 Review Questions

1. "Many people believe that appraisal systems have created more problems than they have solved". Discuss.
2. "Performance appraisal is increasingly viewed as central to good human resource management." Substantiate.
3. George Odiorne has identified four basic approaches to performance appraisal. Explain them.
4. What is the meaning of the statement that "Differences in perception and value systems influence evaluations"?
5. Is appraising potential is more difficult than appraising performance?
6. "A meaningful performance appraisal is a two-way process that benefits both the employee and the manager." Discuss.
7. Performance appraisal can be either formal or informal. Make a critical evaluation of both the formal and informal performance appraisal system.
8. How will you evaluate the value of performance?
9. Design a questionnaire to evaluate the performance of an individual.
10. Design a performance appraisal strategy to evaluate the performance of a manager.

Notes

Answers: Self Assessment

1.	Informal	2.	employee development
3.	after	4.	job
5.	open ended	6.	potential capabilities
7.	standards	8.	two-way
9.	Behavioral descriptive	10.	questionnaire

5.8 Further Readings

Books

Aubrey C. Daniels, *Bringing out the Best in People*, 2nd edition, McGraw-Hill, 1999.

BD Singh, *Performance Management Systems*, Excel Books, New Delhi.

Business Performance Management, Magazine, Matt Weiner.

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Unit 6: Methods of Performance Appraisal

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Objectives

After studying this unit, you will be able to:

- Explain the methods of performance appraisal
- Identify the common rating errors

Introduction

Structure and Sayles have classified performance appraisal into three groups: traditional performance rating, newer-rating method and result-oriented appraisal. A brief description of each is as follows:

6.1 Traditional Performance Rating

Traditional rating involves a completion of a form by the immediate supervisor of the individual who is being evaluated. In some cases, attempts are made to accomplish the rating by a committee consisting of the immediate supervisor, the supervisor's superior and one or two more officers of the company who are familiar with the rates. Although ratings by the committee bring several viewpoints together and overcome the superior's bias, if any, they are highly time-consuming. The conventional rating scale form incorporates several factors, such as, job knowledge, judgment, organizing ability, dependability, creativity, dealing with people, delegation, and leadership. The rating is assigned by putting a tick mark horizontally. Frequently, descriptive phrases are given in the form to guide the rater while evaluating the rates. This method is very simple to understand and easy to apply. On the basis of ratings on specific factors, it is possible to identify areas in which the individual requires further development. The ratings on specific factors can be summated to obtain a composite performance score.

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The merit-rating scales are frequently criticized form the standpoints of clarity in standards, differing perceptions, excessive leniency or strictness, the central tendency, the halo effect, and the impact of an individual's job. The basic criticism of the traditional performance rating is concerned with its emphasis on personality traits instead of job performance. Such rating is highly subjective in the absence of objective standards.

6.2 Newer Rating Methods

Because of several inadequacies in the traditional rating scale, attempts have been made to devise new procedures which are less susceptible to the above weaknesses. Among these included rank order, paired comparison, forced distribution forced choice, critical incident and field review. These methods are discussed below:

1. ***Rank-order Procedure:*** It is effective where ten or lesser number of individuals are to be evaluated. According to this procedure, each individual is assigned such ranks as first, second, third and so on. If the evaluation process involves several traits, the ranking is made separately for each trait. Although this method is simple to understand and easy to apply, this technique becomes cumbersome and difficult when a large number of employees are to be evaluated in the organization.

2. ***Paired-comparison System:*** Under this, each individual is compared with every other individual. The appraiser is required to put a tick-mark against the name of the individual whom he consider better on the trait in question. The final ranking is determined by the number of times he is judged better than the other. This method becomes complicated when the number of individuals for evaluation is large.

3. ***Forced Distribution Procedure:*** It is form of comparative evaluation in which an evaluator rates subordinates according to a specified distribution. Here judgments are made on a relative basis i.e., a person is assessed relative to his performance in the group he works. This procedure can be used for numerous traits if required by evaluating the individuals separately on each trait. The forced distribution method is primarily used to eliminate rating errors such as leniency and central tendency.

4. ***Forced Choice Technique:*** It forces to select from a series of several statements or traits, the one which best fits the individual and one which least fits, and each of these statements is assigned a score. Since the appraiser does not know the score value of statements, this method prevents the rater from deliberately checking only the most favorable trait. Moreover, the appraiser is unable to introduce personal bias into the evaluation process because he does not know which of the statements is indicative of effective performance. This enhances the overall objectivity of this procedure.

5. ***Critical Incident Method:*** This technique of performance appraisal was developed by Flanagan and Burns. Under this procedure, attempts are made to devise for each job a list of critical job requirements. Superiors are trained to be on the lookout for critical incidents on the part of the subordinates in accomplishing the job requirements. The superiors enlist the incidents as they happen and in the process, tend to build up a record of each subordinate with debit on the minus side and credit on the plus side. The merit of this procedure is that all evaluations are based on objective evidence instead of subjective rating.

6. ***Field Review:*** It is an appraisal by someone outside the employee's own department, usually someone form the corporate office or form the employee's own human resources department. The field review process involves review of employee records, an interview with the employee, and sometimes with the employee's superior. Field review as an appraisal method is used primary in making promotion decisions at the managerial level. Field reviews are also useful when comparable information is needed from employees in the different units or locations.

6.3 Results-oriented Appraisal

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The results-oriented appraisals are based on the concrete performance targets which are usually established by superior and subordinates jointly. This procedure has been known as Management by Objectives (MBO).

Did u know? **What is MBO?**

The definition of MBO, as expressed by its foremost proponent, Dr. George S. Odiorne, is: "*Management by objectives is a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.*"

MBO is, thus, a method of mutual goal-setting, measuring progress towards the goals, taking action to assure goal attainment, feedback, and participation. It is a result-oriented philosophy, enabling an employee to measure progress toward a goal which the employee often has helped to set In the goals-setting phase of MBO, a superior and subordinate discuss job performance problems and a goal is agreed upon. Along with mutual goal-setting, a major component of MBO is the performance review session between the superior and subordinate, which takes place regularly to evaluate progress towards specified goals.

The key features of management by objectives are as under:

1. Superior and subordinate get together and jointly agree the list the principal duties and areas of responsibility of the individual's job.
2. The subordinate sets his own short-term performance goals or targets in cooperate with his superior.
3. They agree upon criteria for measuring and evaluating performance.
4. From time to time, as decided upon, the superior and subordinate get together to evaluate progress towards the agreed-upon goals. At those meetings, new or modified goals are set for the ensuing period.
5. The superior plays a supportive role. He tries, on a day-to-day basis, to help the subordinate achieve the agreed upon goals, he counsels and coaches.
6. In the appraisal process, the superior plays less of the role of a judge and more of the role of one who helps the subordinate attain the organization goals or targets.
7. The process focuses upon results accomplished and not upon personal traits.

Note **Steps in MBO**

There are four main steps in MBO:

1. ***Define the job:*** Review, with the subordinates, his or her key responsibilities and duties.
2. ***Define expected results (set objectives):*** Here specify in measurable terms what the person is expected to achieve.
3. ***Measure the results:*** compare actual goals achieved with expected results.
4. ***Provide feedback, appraise:*** Hold periodic performance review meetings with subordinates to discuss and evaluate the latter's progress in achieving expected results.

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MBO as a mutual goal setting exercise is most appropriate for technical, professional, supervisory and executive personnel. In these positions, there is generally enough latitude and room for discretion to make it possible for the person to participate in setting his work goals, tackle new projects, and discover new ways to solve problems. This method is generally not applied for lower categories of workers because their jobs are usually too restricted in scope. There is little discretionary opportunity for them to shape their jobs.

MBO may be viewed as a system of management rather than an appraisal method. A successful installation of MBO requires written mission statements that are prepared at the highest levels of top management. Mission statements provide the coherence in which top-down and bottom-up goal setting appear sensible and compatible. MBO can be applied successfully to an organization that has sufficient autonomy, personnel, budget allocation, and policy integrity. Managers are expected to perform so that goals are attained by the organization. Too often MBO is installed top-down in a dictatorial manner with a little or no accompanying training. If properly implemented, it serves as a powerful and useful tool for the success of managerial performance.

MBO is a tool that is inextricably connected with team building so that the work commitment of team members can be increased and their desire to excel in performance can be inspired. It is important to have effective team work among a group of managers or a group of subordinates. The group of employees or subordinates must be looked upon as a team that needs to be brought together. Goals should be set by manager-subordinate pairs, and also by teams. The basic superior-subordinate relationship in an organization is in no way undermined in this concept of team goal setting. Lines of responsibility, authority, and accountability remain clear.

MBO has many benefits, since it:

1. Providing a way for measuring objectively the performance of subordinates.
2. Co-ordinates individual performance with company goals.
3. Clarifies the job to be done and defines expectations of job accomplishment.
4. Improves superior-subordinate relationship through a dialogue that takes place regularly.
5. Foster increased competence, personal growth, and opportunity for career development.
6. Aids in an effective overall planning system.
7. Supplies a basis for more equitable salary determination, especially incentive bonuses.
8. Develops factual data for promotion criteria.
9. Stimulates self-motivation, self-discipline and self-control.
10. Serves as a device for integration of many management functions.

MBO has certain potential problems such as:

1. It often lacks the support and commitment of top management.
2. Its objectives are often difficult to establish.
3. Its implementation creates excessive paperwork if it is not closely monitored.
4. It concentrates too much on the short run at the expense of long-range planning.
5. It may lead to excessive time consuming.

6.4 360-degree Feedback or 360-degree Appraisal

Traditionally, in most performance evaluations a supervisor evaluates the performance of subordinate. Recently, a new approach has been enunciated by the western management gurus,

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which is known as 360-degree appraisal – a performance management in which people receive performance feedback from those on all sides of them in the organization.

Did u know? 360-degree feedback is also known as 'multi-rater feedback', as it is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come in contact with the employee on his job.

360-degree respondents for an employee can be his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/vendors – anyone who comes into contact with the employee and can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee.

360-degree appraisal has four integral components:

1. Self appraisal
2. Superior's appraisal
3. Subordinate's appraisal
4. Peer appraisal.

Self appraisal gives a chance to the employee to look at his/her strengths and weaknesses, his achievements, and judge his own performance. Superior's appraisal forms the traditional part of the 360-degree performance appraisal where the employees' responsibilities and actual performance is rated by the superior.

Subordinates appraisal gives a chance to judge the employee on the parameters like communication and motivating abilities, superior's ability to delegate the work, leadership qualities etc. Also known as internal customers, the correct feedback given by peers can help to find employees' abilities to work in a team, co-operation and sensitivity towards others.

Self assessment is an indispensable part of 360-degree appraisals and therefore 360-degree Performance appraisal have high employee involvement and also have the strongest impact on behavior and performance. It provides a "360-degree review" of the employees' performance and is considered to be one of the most credible performance appraisal methods.

360-degree performance appraisal is also a powerful developmental tool because when conducted at regular intervals (say yearly) it helps to keep a track of the changes others' perceptions about the employees. A 360-degree appraisal is generally found more suitable for the managers as it helps to assess their leadership and managing styles. This technique is being effectively used across the globe for performance appraisals. Some of the Indian organizations following it are Wipro, Infosys, and Reliance Industries etc.

Many American companies are now using this 360-degree feedback. Companies that practice 360-degree appraisals include Motorola, Semco Brazil, British Petroleum, British Airways, Central Televisions, and so on. Barring a few multinational companies, in India this system of appraisal is uncommon.

This form of performance evaluation can be very beneficial to managers because it typically gives them a much wider range of performance-related feedback than a traditional evaluation. That is, rather than focusing narrowly on objective performance, such as sales increase or productivity gains, 360-degree often focuses on such things as interpersonal relations and style. Of course, to benefit from 360-degree feedback, a manager must have thick skin. The manager is likely to hear some personal comments on sensitive topics, which may be threatening. Thus, a 360-degree feedback system must be carefully managed so that its focus remains on constructive rather than destructive criticism.

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Advantages of 360-degree Appraisal

For Employees

1. Can uncover hidden lights and blind spots.
2. Feedback coming from a number of different people is more likely to be accepted.
3. Helps individuals gain a realistic view of how others perceive them.
4. Inspires people to take ownership of their own learning and development.
5. Provides feedback in a quantifiable form on a structured range of behaviors.

For the Team

1. It helps people understand how their behavior influences both their own personal effectiveness and how they impact the smooth running of the organization.
2. Supports teamwork by involving team members in the development process.
3. Increases communication between team members.
4. Higher levels of trust and better communication as individuals identify the causes of breakdowns.
5. Increased team effectiveness.

For the Organization

1. Better career development planning and implementation for employees.
2. Improves customer service by having customers contribute to the evaluation process.
3. Reinforced corporate culture by linking survey items to organizational leadership competencies and company values.
4. Helps with training needs analysis.

Did u know? **How 360-degree Feedback System adds Value?**

360-degree feedback enables an organization to focus on developmental efforts, at the individual and group level, in the present business environment where the success of the company depends on continuous revolution, which is possible through organizational development. 360-degree feedback facilitates the alignment of individual capabilities and behaviors with organizational strategies. It adds value to the organization indifferent ways:

1. 360-degree feedback provides a better understanding of individuals performance at work.
2. 360-degree feedback provides a multifaceted view about the employees from different sources.
3. 360-degree feedback provides a better understanding of employed developmental needs.
4. 360-degree feedback provides increased the understanding about one's role expectations.

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5. 360-degree feedback provides increased the understanding of competence and competency in various roles.
6. 360-degree feedback extends better morale to those who perform and contribute well to the organization.
7. 360-degree feedback reduces training costs by identifying common development needs.
8. 360-degree feedback increases the team's ability to contribute to the organizations goals.
9. 360-degree feedback helps everyone to work for a common standard and institutionalize performance management.
10. 360-degree feedback ensure better interpersonal relationship and group cohesiveness.
11. It promotes self-directed learning and provides a road map for employee's development planning.
12. It promotes better communication within departments.
13. 360-degree feedback Increases the team's ability to contribute to the organizations goals develop better bottom line through boosting the capability of the organization to meet its objectives.

Pitfalls of 360-degree Feedback

1. A detailed plan of action, which ensure the transparent and clear implementation of appraisal with employee accountability.
2. Effective follow-up is the prime requirement of 360-degree feedback. Failure in follow-up may cause more harm than good.
3. The 360-degree feedback is time consuming and cost consuming assessment process. Without having adequate resource to implement the process, it will end up nowhere and develop financial burden to organisation.
4. The trust and confidence on the employees who undergo this feedback assessment process is a determinant factor in its outcome. Many consider this appraisal as tool for downsizing.
5. The process involves a lot of paper work.
6. There are high chances of subjectivity from the management and employee part in the feed back assessment.
7. Many times the confidentiality of the appraisal cannot ensure from the HR department.
8. Since the assessment is based on qualitative data many times it cannot ensure unambiguous, clear, specific and, observable and quantifiable formats.

6.5 Balance Scorecard

The Balance Scorecard (BSC) creates a template of measurement of organizational performance as well as individual performance. It is a measurement based management system, which enables organizations to clarify vision and strategy before initiating action. It is also a monitoring system that integrates strategy into performance measures and targets, thus making it operational and highly effective. It helps cascade corporate level measures to lower level so that the employees can see what they must do well to improve organizational effectiveness and helps focus the entire

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organization on what must be done to create breakthrough performance. BSC was introduced in 1992 by Dr. Robert Kaplan and David Nortan and has been successfully adopted by numerous companies worldwide.

The Balanced Scorecard method is a strategic approach and performance management system that enables the organisations to translate its vision and strategy into implementation. The Balanced Scorecard is a conceptual framework for translating an organization's vision into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth. Indicators are maintained to measure an organization's progress toward achieving its vision. Other indicators are maintained to measure the long-term drivers of success. Through this scorecard, an organization monitors both its current performance (finances, customer satisfaction, and business process results) and its efforts to improve processes, motivate and educate employees, and enhance information systems – its ability to learn and improve. A Balanced Scorecard enables us to measure not just how we have been doing, but also how well we are doing ("current indicators" and can expect to do in the future (leading indicators). This in turn, gives us a clear picture of reality.

The Balanced Scorecard is a way of:

1. Measuring organizational, business unit's or department's success
2. Balancing long-term and short-term actions
3. Balancing different measures of success
   (a) Financial
   (b) Customer
   (c) Internal Operations
   (d) Human Resource System & Development (learning and growth)

Four Kinds of Measure

The scorecard seeks to measure a business from the following perspectives:

1. ***Financial perspective:*** Measures reflecting financial performance, for example, number of debtors, cash flow or return on investment. The financial performance of an organization is fundamental to its success. Even non-profit organisations must make the books balance. Financial figures suffer from two major drawbacks.
2. ***Customer perspective:*** This perspective captures the ability of the organization to provide quality goods and services, effective delivery, and overall customer satisfaction for both Internal and External customers.

   Example: Time taken to process a phone call, results of customer surveys, number of complaints or competitive rankings.
3. ***Business Process perspective:*** This perspective provides data regarding the internal business results against measures that lead to financial success and satisfied customers. To meet the organizational objectives and customers expectations, organizations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes are satisfactory. Internal business processes are the mechanisms through which performance expectations are achieved.

   Example: The time spent prospecting new customers, number of units that required rework or process cost.

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4. ***Learning and growth perspective:*** This perspective captures the ability of employees, information systems, and organizational alignment to manage the business and adapt to change. Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them. In order to meet changing requirements and customer expectations, employees are being asked to take on dramatically new responsibilities that may require skills, capabilities, technologies, and organizational designs that were not available before. It measures the company's learning curve for example, number of employee suggestions or total hours spent on staff training.

Objectives, Measures, Targets and Initiatives

Within each of the balanced scorecard financial customer, internal process, and learning perspectives, the organisation must define the following:

1. ***Strategic objectives*** – the strategy for achieving that perspective
2. ***Measures*** – how progress for that particular objective will be measured
3. ***Targets*** – the target value sought for each measure
4. ***Initiatives*** – what will be done to facilitate reaching out the target.

The balanced scorecard provides an interconnected model for measuring performance and revolves around four distinct perspectives – financial, customer, internal processes, and innovation and learning. Each of these perspectives is stated in terms of the organisation's objectives, performance measures, targets, and initiatives, and all are harnessed to implement corporate vision and strategy.

The name also reflects the balance between the short and long-term objectives, between financial and non-financial measures, between lagging and leading indicators and between external and internal performance perspectives.

Under the balance scorecard system, financial measures are the outcome, but do not give a good indication of what is or will be going on in the organization. Measures of customer satisfaction, growth and retention is the current indicator of company performance, and internal operations (efficiency, speed, reducing non-value added work, minimizing quality problems) and human resource systems and development are leading indicators of company performance.

Robert S Kaplan and David P Norton, the architects of the balanced scorecard approach, recognized early that long-term improvement in overall performance was unlikely to happen through technology only and hence placed greater emphasis on organizational learning and growth. These, in turn, consist of the integrated development of employees, information, and systems capabilities.

How to enhance Performance through Balance Scorecard?

In such constantly shifting environments, managements must learn to continuously adapt to new strategies that can emerge from capitalizing on opportunities or countering threats. A properly constructed balanced scorecard can provide management with the ideal tool in reacting to the turbulent environment and helping the organisation to correct the course to success.

Scorecard provides managers with feedback, thus, enabling them to monitor and adjust the implementation of their strategy – even to the extent of changing the strategy itself. In today's information age, organisations operate in very turbulent environments. Planned strategy, though initiated with the best of intentions and with the best available information at the time of planning may no longer be appropriate or valid for contemporary conditions.

As companies have applied the balanced scorecard, they have begun to recognize that the scorecard represents a fundamental change in the underlying assumptions about performance measurement.

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The scorecard puts strategy and vision, not control, at the centre. It establishes goals but assumes that people will adopt whatever behaviours and take whatever actions are necessary to arrive at those goals. The measures are designed to pull people toward the overall vision. Senior managers may know what the end result should be, but they cannot tell employees exactly how to achieve that result, because the conditions in which employees operate are constantly changing.

This new approach to performance measurement is consistent with the initiatives under way in many organisation: cross-functional integration, customer supplier partnerships, global scale, continuous improvement, and team rather than individual accountability. By combining the financial, customer, internal process and innovation, and organizational learning perspectives, the balanced scorecard helps managers understand, at least implicitly, many interrelationships. This understanding can help managers transcend traditional notions about functional barriers and ultimately lead to improved decision-making, problem-solving and enhanced performance. The balanced scorecard keeps organisations moving forward.

6.6 Assessment Centre

An assessment centre is a comprehensive, standardized procedure in which multiple assessment techniques such as situational exercises and job simulation (Business games, discussions, reports and presentations) are used to evaluate individual employees for a variety of decisions. Most frequently the approach has been applied to individuals being considered for selection, promotion, placement or special training and development in management.

Promotion

A decision to promote is essentially a decision to select from within the organization those most likely to succeed at higher level jobs. Any method used by the organization to take promotion decisions such as performance appraisal data, interviews, etc. should be supplemented by data from the assessment centre. Since, the assessment centre method is used to study the likely performance and behavior of a person in a role not previously performed by him/her; it can be used to supplement promotion decisions. Using additional inputs not only results in a more appropriate decision, it also helps eliminate individual biases and imparts more transparency and fairness to the promotion system. High validity has been reported in use of assessment centre data for promotions to first level supervisory and middle management levels; while no validity studies have been reported for higher levels of management.

Tools used in Assessment Centres

As mentioned above, the main characteristics of assessment centres are multiple methods of assessment using multiple assessors. The main assessment tools that are used are:

Psychometric Tests

In general three types of tests or questionnaires can be used in assessment centres: aptitude tests, ability tests and personality tests. Aptitude tests are those which attempt to evaluate verbal and numerical reasoning ability. Ability tests attempt to measure awareness. Knowledge and other such aspects. They also measure simple skills like problem solving ability, etc. For e.g., a chapter pencil test could be administered to find out the familiarity or level of skill of the individual in relation to computer literacy, financial management skills, etc. Personality tests are those tests which are aimed at studying various dimensions of personality rather than the ability. MBTI and 16 PF are tests used in many organizations. While ability and aptitude tests have right or wrong answers, personality tests do not have the same.

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The tests are selected for assessment taking the following points into consideration:

1. Objective—what needs to be measured;
2. Reliability and validity;
3. Length of time required to administer the test;
4. Availability of qualified experts to administer, scope and interpret the tests;
5. Cost involved.

Task Which appraisal method is more suited for appraising the following categories of employees?

1. IT professionals
2. HR professionals
3. Research professionals

Give suitable example for choosing any particular method.

6.7 Common Rating Errors

Differences in perception and value systems influence evaluations. For instance, two raters observe an employee disagreeing with a supervisor. One perceives this as insubordination, but the other sees it as a willingness to stand up to for what he believes in. Individual rather bias can seriously compromise the credibility of an appraisal. Some of the common syndromes are:

1. ***Halo Effect:*** This is a tendency let the assessment of a single trait influence the evaluation of the individual on other traits too.
2. ***Horns Effect:*** This is a tendency to allow one negative trait of the employee to color the entire appraisal. This results in an overall lower rating than may be warranted.
3. ***Leniency or Constant Error:*** Depending upon the appraiser's own value system which acts as standard, employees may be rated leniently or strictly. Such a rating does not carry any reference to actual performance of the employees. Some appraisers consistently assign high values to all employees, regardless of merit. This is a leniency error. The strictness tendency is a reverse situation, where all individuals are rated too severely and performance is understated.
4. ***Central Tendency:*** This is the most common error that occurs when a rather assigns most middle range scores or values to all individuals under appraisal. Extremely high or extremely low evaluations are avoided by assigning 'average ratings' to all.
5. ***Spill-over Effect:*** This refers to allowing past performance to influence the evaluation of present performance.
6. ***Personal Bias:*** Perhaps the most important error of all arises from the fact that, very few people are capable of objective judgments entirely independent of their values and prejudices.

The above errors have evoked concerns about performance appraisal. McGregor (1960), with his concern for the human side of enterprise, appraisal represented a judgment and demotivating process. Similar concerns were voiced by Deming (1982) who suggested that appraisal was 'a deadly disease which blamed individuals for problems systematic to organizations. Margerison

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(1976) went as far as to predict that appraisal would 'fall apart at the seams' due to a combination of managerial indifference, employee ambivalence and union opposition. This theme was reiterated by Fletcher (1993), who suggested that the days of standardized appraisal were numbered. But, despite these gloomy predictions, the use of performance appraisal has flourished.

Competency-based Balanced Scorecard Model: An Integrative Perspective

In the current globalization induced by abrupt changes in business environment, human resources have become the source of successful corporate strategy. This study emphasizes that human resource and HR practices are the foundation for achieving business excellence in terms of ROI, market share, employee satisfaction and customer delight. The paper explains the implementation of Balanced Scorecard by developing competencies in relation to values of the organization necessary for achieving business excellence."

Introduction

In today's dynamic world, companies are adopting newer approaches for facing competition and achieving business excellence. The new economic paradigm is characterized by speed, innovation, quality and customer satisfaction. The essence of the competitive advantage has shifted from tangible assets to intangible ones. Earlier, HR was concerned with activities such as payroll, staffing and employee welfare but rules of game have started to change completely as today organizations have to reckon with global competition and match international requirements in terms of product design, process technology, quality standards and on time delivery.

It is said today that business endeavours succeed or fail because of people involved and only by attracting the best people and making them perform their best will lead to accomplish deeds. Based on various studies (Pfeffer & Jeffrey 1994) it can be concluded that firms with more effective HR management systems consistently outperform the competition. However, evidence that HR can contribute to a firm's success doesn't mean it is now effectively contributing to success in business. It is a challenge for managers to make HR a strategic asset. This case justifies that there is a connection between human resource and business success in terms of tangible and intangible measures and establishes a framework which could assist HR professionals to make human resource a strategic asset. Based on Balanced Scorecard (Kaplan & Norton 1996) and through competency framework evident from corporate practices, the author has established a Competency-based Balanced Scorecard Model.

Balanced Scorecard

Developed in the early 1990s by Kaplan and Norton (1992), the Balanced Scorecard is a management system that enables organizations to clarify their vision and strategy and translate them into action and has become a prominent strategic tool for the management.

6.8 Summary

- Structure and Sayles have classified performance appraisal into three groups: traditional performance rating, newer-rating method and result-oriented appraisal.
- 360-degree feedback is also known as 'multi-rater feedback', as it is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come in contact with the employee on his job.

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- The quality of an appraiser is much more crucial than the appraisal methods. It is desirable to make the immediate superior a party to the appraisal program.
- Performance is a thing of the past, while potential includes the possible knowledge, skills and attitudes the employee may possess for better performance.

6.9 Keywords

360-degree Feedback or Appraisal: It is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come in contact with the employee on his job.

The Balance Scorecard: It creates a template of measurement of organizational performance as well as individual performance and enables organizations to clarify vision and strategy before initiating action.

Traditional Rating: It involves a completion of a form by the immediate supervisor of the individual who is being evaluated.

6.10 Self Assessment

Fill in the blanks:

1. In ……. method of appraisal, the immediate superior to the employees, fill up a performance review forms.
2. In ……. method, the employees are assessed relatively to the other employees working in his group.
3. Internal customers are also known as …… whose feedback on employee performance is instrumental in improving team spirit.
4. An employee's current evaluation is largely influenced by his previous performances. This type of error is known as …… .
5. Performance appraisal is present oriented, whereas ……. appraisal is future oriented.

State whether the following statements are true or false:

6. Performance appraisal can be either formal or informal.
7. MBO may be viewed as a system of management rather than an appraisal method.
8. A 360-degree appraisal is generally found less suitable for the managers.
9. Traditional rating involves a completion of a form by the immediate supervisor of the individual who is being evaluated.
10. The 360-degree feedback is time consuming and cost consuming assessment process.

6.11 Review Questions

1. Contrast traditional rating method and new rating method of appraisal.
2. "MBO is a tool that is inextricably connected with team building so that the work commitment of team members can be increased and their desire to excel in performance can be inspired." Discuss.
3. How 360 degree feedback system add values?

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4. "Performance appraisal is plagued by rating errors." Define the statement.
5. How newer rating method is more significant than the traditional performance rating method?
6. Why 360-degree feedback is also known as 'multi-rater feedback'?
7. How will you minimize the impact of common rating errors in performance appraisal?
8. Discuss the scope of 360-degree appraisal.
9. Which performance appraisal method is most suitable for HR professionals?
10. "Goals should be set by manager-subordinate pairs, and also by teams." Discuss.

Answers: Self Assessment

1.	traditional rating	2.	forced distribution
3.	Peers	4.	spill over effect
5.	potential appraisal	6.	True
7.	True	8.	False
9.	True	10.	True

6.12 Further Readings

Books

Aubrey C. Daniels, *Bringing out the Best in People*, 2nd edition, McGraw-Hill, 1999.

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Business Performance Management, Magazine, Matt Weiner.

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Unit 7: Performance Monitoring

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7.8 Review Questions

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Objectives

After studying this unit, you will be able to:

- Explain the characteristics and objectives of performance monitoring
- State the importance and process of performance monitoring

Introduction

Perhaps one of the most important concepts of performance management, and it bears frequent repetition, is that it is a continuous process of managing and developing performance standards which reflects normal good practices of direction setting, monitoring and measuring performance, providing feedback and taking action accordingly. Performance management should not be imposed on managers as something 'special' that they have to do. Neither should it be imposed on individuals and teams as something 'special 'that that is done to them. Performance management does no more than provide a framework within which managers, individuals and teams work together to gain a better understanding of what is to be done, how it is to be done, what has been achieved, and what has to be done to do even better in the future.

Caution Monitoring managee performance is an essential part of supervisory leadership, and naturally follows planning managee performance. This is a phase in which the cycle of PfM: Planning → Monitoring → Stocking occurs several times.

7.1 Performance Monitoring: Concept and Characteristics

Performance monitoring may be defined as the process of appraising an environment of continuous learning and development, maintaining the employee's performance, enhancing individual competencies to make them more productive for the organisation. Successful business management requires the ongoing monitoring of performance in order to generate data by which

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to judge the success or otherwise of specific strategies. Improvement in performance can only be realistically achieved when management is properly informed about current performance. To this end it is important to identify key performance indicators (KPIs) that will enable management to monitor progress.

As stated by the American Compensation Association (1996), it is important to develop performance management on the basis of 'open, honest, positive, two-way communication between supervisors and employees throughout the period'. From the viewpoint of performance, this means instant feedback to individuals and teams on the things they have done well or not so well. If people can be provided with the information they need to monitor their own performance, so much the better. It is not available readily, they can be encouraged to seek it. The aim is to provide intrinsic motivation by giving people autonomy and the means to control their work.

Interim informal reviews can be held as required – monthly, quarterly etc. They can be used to provide more structure feedback and, importantly, to revise objectives and plans in response toss changing circumstances.

Progress in implementing the personal development plan can also be monitored during the year.

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.

Note Some Monitoring and Mentoring Behaviours of the Manager

1. Praising good performance.
2. Faulting a behaviour without rejecting the person.
3. Sharing feelings rather than pronouncing value judgments.
4. Demonstrating and demanding integrity in behaviour and intent.
5. Being easily accessible to fulfill legitimate needs of her managees.
6. Nurturing effective managees through continual reaffirmation of their worth to the organization.

7.2 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

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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.

Did u know? **How do Periodic Reviews Work Better and Help?**

Periodic reviews help the performance manager:

1. Correct planning assumptions and errors mid-course before it is too late.
2. Monitor and encourage progress, and keep the work on track.
3. Strengthen dyadic relationship between the manager and her employee.

7.3 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.

7.4 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 specific issues and problems encountered by individual managee(s).

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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.

Task Discuss the performance monitoring system in ICICI bank.

7.5 Summary

- Performance monitoring provides scope for modification, change and/or alteration of the existing performance management system.
- Performance monitoring may be defined as the process of appraising an environment of continuous learning and development, maintaining the employee's performance, enhancing individual competencies to make them more productive for the organisation.
- Successful business management requires the ongoing monitoring of performance in order to generate data by which to judge the success or otherwise of specific strategies.
- Progress in implementing the personal development plan can also be monitored during the year.
- A performance monitoring plan is a critical tool for planning, managing, and documenting data collection.
- Coaching and mentoring seek to bridge the gap between traditional expectations of the organization and more contemporary approaches.

7.6 Keywords

Performance monitoring: Performance monitoring may be defined as the process of appraising an environment of continuous learning and development, maintaining the employee's performance, enhancing individual competencies to make them more productive for the organisation.

KPI: Key Performance Indicators.

7.7 Self Assessment

Fill in the blanks:

1. Successful business management requires the ..... of performance in order to generate data by which to judge the success or otherwise of specific strategies.
2. Progress in implementing the ..... can also be monitored during the year.
3. ..... explicitly promotes the value that a manager and her managee 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.
4. Improvement in performance can only be realistically achieved when management is properly informed about ..... .
5. Performance monitoring identifies areas for ..... improvement.

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6. Progress in implementing the ..... can also be monitored during the year.
7. Performance monitoring helps in maintaining the employees' performance as per the ..... of the organisation.

State whether the following statements are true or false:

8. Training and development are not an internal part of performance monitoring.
9. Performance monitoring provides scope for modification.
10. Monitoring facilitates career development of employees.

7.8 Review Questions

1. American Compensation Association (1996) states that, it is important to develop performance management on the basis of 'open, honest, positive, two-way communication between supervisors and employees throughout the period'. Discuss.
2. Design a standard monitoring process for banking industry.
3. "The performance monitoring plays an important role in the success of performance management system." Give suggestions in support of the above statement.
4. Why should managers provide ongoing feedback to employees about their performance?
5. Why is feedback a critical component of performance monitoring?
6. "Performance monitoring plays an important role in achieving the organisations goals and objectives." How?
7. How will you identify the monitoring and mentoring behaviour of a manager?
8. How performance monitoring helps in building the strong relationship between the employee and management?
9. Discuss the significance of performance monitoring in achieving the organisational goals.
10. "Performance management should not be imposed on managers as something 'special' that they have to do." Discuss.

Answers: Self Assessment

1. ongoing monitoring
2. personal development plan
3. PfM
4. current performance
5. competency
6. personal development plan
7. goals and objectives
8. False
9. True
10. True

7.9 Further Readings

Books

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Unit 8: Mentoring and Coaching

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Objectives

After studying this unit, you will be able to:

- Explain the concept of coaching and mentoring
- Discuss the implication of coaching and mentoring in organisation
- Identify the skills and activities of coaching and mentoring
- Describe ongoing mentoring and protégé development

Introduction

The traditional homogeneity of organizations is increasingly being replaced by encouragement of individuality, variety, innovation and difference. This, however, runs the risk of losing some of the key attractions of the traditional organization- stability and security.

Coaching and mentoring seek to bridge the gap between traditional expectations of the organization and more contemporary approaches. Several key features of coaching and mentoring, for individuals and organizations, make them attractive. They can encourage a culture of learning and mutual help, and combine both individual and organizational development.

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Both coaching and mentoring are natural human activities, often intuitively practiced by managers, although many managers practice them without thinking, many others have not developed these natural skills or have allowed them to stagnate or disappear.

Mentoring and coaching are distinguished from each other generally by the work-distance and time-frame of what is being discussed. Typically, managers coach those who report them, about fairly immediate work developments. A mentor is often organizationally more distant from the person they are mentoring (by seniority or by being outside the organization or department); and can work with the mentee on longer term issues of personal development and career planning.

8.1 Coaching and Mentoring in the Organization

The significance of coaching and mentoring for the modern organization lies in four key aspects:

1. ***The attention to the individual provided by these activities.*** This in itself is a shift from previous attitudes to the management of subordinates. This attention can provide a point of stability that makes people more able to respond effectively to change.
2. ***The individual becomes a skilful and reflective learner.*** This is the underlying aim of both activities. Individuals increasingly use their own experience as the key material for learning, assisted by the knowledge and wisdom of the coach or mentor.
3. ***The importance of the relationship.*** Both activities are examples of what has been described as 'developmental working relationships'. A large part of the success of the mentor or coach depends on the way they manage the relationship at a human and personal level. This ability transfers into other working areas, as not only a survival skill in the new style of organization, but as a means of sharing knowledge and expertise.
4. ***The effect of organizational climate, and the effect on it.*** Though the one to-one relationship is clearly central in coaching and mentoring, to be fully effective it needs to be part of an organization-wide appreciation of the value of learning as a driver for relevant change. Effective coaching and value of learning is a driver for relevant change. Effective coaching and mentoring relationships can help to develop this wider process as well as deriving benefits from it.

Coaching and mentoring frequently run alongside, or are an intrinsic part of, a self-development process set in place by the organization. This process can vary; with personal projects and personal development plans at one end of the continuum, and an organization-wide self-managed learning programme at the other. They are linked by an emphasis on development becoming something for which individuals have to take responsibility themselves.

One of the most important conditions for coaching and mentoring to be successful is the assumption that learning is a respectable activity, and that everyone can and should be engaged in it. The mentor and the coach challenge and support individuals in their learning, and help to provide the organizational framework in which it happens.

Success is also more likely where there is a clear, though evolving, picture of the nature of a person's job or role, and where it fits into the organization and the corporate goals. This requires a degree of clarity about job or role expectations:

Well-developed and thought-through criteria so success, clear regular feedback, some sense of the resources necessary to achieve the targets set, and an understanding of the work context, both internal to the organization and in the marketplace. This clarity is never easy to achieve, but a move towards it sets the scene for effective coaching and mentoring.

8.2 Coaching

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Effective coaching depends not only on the skills of the coach and the receptiveness of the person being coached, but also on the conditions outlined above being present (clarity about success criteria, usable feedback, etc.) in the work setting, at the same time, when managers start to coach, if they are working effectively there is a better chance of the surrounding conditions being improved. Coaching conversations may lead to increased clarity about job expectations, for instance, and may provide regular feedback and the opportunity to think through standards and criteria for success. There is a close two-way relationship between effective coaching initiatives and a favorable learning climate, each enhancing the other.

The concept of coaching remains most easily associated with sports coaching where the purpose of the coach is to help the person they are coaching to reach their personal best. Interestingly, the nature of sports coaching is undergoing basic changes-ones which are, to some degree, mirrored in organizations. There was a time when the coach was the person who drove the athlete on, forced the pace and continually instructed. Increasingly coaches are now moving to an approach which involves accurately targeted questioning to help the athlete become increasingly aware of 'what works'- for instance, the environment in which he or she performs best, how this feels, and what the obstacles are to achieving this repeatedly. Despite this changing emphasis, some traditional aspects of coaching remain-for example, the coach also celebrates victories and supports the athletes through bad times.

In the same way, the manager who is coaching subordinates finds a way of getting them to reflect on their performance, become aware of what they are doing and how they are doing it, so that each individual in the end learns to monitor his or her own performance. At the same time, the manager provides essential information and knowledge where there are gaps that need to be filled. While doing this, they are working to develop a climate where learning and innovation–as well as achievement–are expected and rewarded. The coaching approach challenges the manager to think about the nature of the roles of the people they may be coaching, and this is a developmental experience for the managers. Many HR functions are devolving some other their management development responsibilities to the line, and the concept of 'manager as coach' is seen as part of this trend.

8.2.1 Skills and Activities of Coaching

There are many possible approaches to coaching. They may involve watching what a person does and giving feedback on what you notice; working on problems with someone and learning together; asking stimulating open-ended questions; taking through your own thinking processes aloud, and encouraging the other person to do the same encouraging analysis of what really works for individuals; finding your own way of seeing the work and the learning from the other person's point of view; and using questioning as a way of helping a person understand their own thought processes.

Coaching can be thought of as two kinds of conversation: mapping-related and performance-related.

Mapping-related conversations may focus on:

1. ***The organizational setting or culture*** – 'what works around here?', where does this project fit into the overall strategic plan?
2. ***Identifying problems and possible causes*** – 'what exactly is going wrong?', 'has this happened before?'
3. ***Establishing overall desired outcomes*** – 'what are you trying to achieve?', 'what is the general purpose here?'

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Performance-related conversations may focus on:

1. What the person is doing-'what exactly did you do?', 'how are you going about this?'
2. Comparisons-'is this different from what you did last time?', are other people doing the same thing?', 'can you learn from them?'
3. Questions about thinking-'how are you thinking this through?', 'what evidence are you looking for?', 'what assumptions are you making?', 'do they need checking?'
4. Questions about resources-'what it help to organize your resources differently?'

Managers as coaches face a number of common pitfalls in their conversations, for any of the following reasons:

1. Having moved into coaching before establishing a certain amount of rapport and trust;
2. Being unclear in their own minds about what they are trying to achieve by engaging in the conversation;
3. Not listening properly because they are too busy deciding whether what they are saying is right or not;
4. Only using questions which demonstrate their knowledge;
5. Avoiding questions to which they don't know the answer;
6. Answering their own questions;
7. Not picking up signals as the conversation goes along about how useful it is for the other person.

These pitfalls can be avoided by keeping in mind the purpose and desired outcome of the coaching activity.

8.2.2 Coaching to Improve Unsatisfactory Performance

A further and more skillful area of coaching is in the area of challenging or confronting for performance improvement. When a person is not delivering the performance required, he/she may have a variety of emotional reactions such as despair, resistance, self-justification, or even complete unawareness.

The coaching approach in this situation is to deal with these by focusing on clear expectations. Often these expectations have not been properly mapped out or clearly understood.

Gathering information and agreeing where the problem lies are essential next steps, at the same time as staying aware of the other person's reactions.

In dealing with underperformance, the following pattern, for a coach, can be useful:

1. Get clear in your own mind what the situation is: what is the current performance, and what it is expected to be;
2. Lay aside feelings of blame and irritation and gather information about how individuals are reacting, their awareness of the performance shortfall, and what they see as the problems.
3. Get the person being coached to share in identifying the problems, adding their own perspective and ask them for possibilities to resolve them. This is a stage where it is particularly important to maintain a positive and clear relationship, focusing forward on next steps and change.
4. Establish a process whereby the employee will set up a plan for informing the coach/manager of progress against clearly stated goals.

8.2.3 Learning to Coach

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The value of coaching is that it establishes an effective and dynamic working relationship in difficult and changing situations.

In many cases, managers are encouraged to coach by 'manager as coach and developer' initiatives. Theses may take the form of workshops or of elements of management development programmes. As training and development responsibilities are being developed more and more to line managers, the pressure on them to work in this way increases. Lack of time or other priorities often get in the way, with the widespread feeling that in current working conditions it's quicker just to tell someone how to do things or, alternatively, to let them get on with their job, rather than taking time to coach. Because of this, there is often a certain amount of resistance to adopting a coaching style of management in the first instance; this resistance may also be in reaction to the hype that is in some cases connected with approaches to coaching.

Resistance may be overcome by starting the coaching from the top. The managers who are expected to move to a coaching style may themselves need to be coached. This experience helps them to understand the value of coaching at first hand, and to get an intuitive sense of how to do it themselves.

8.3 Ongoing Mentoring and Protégé Development

The concept of mentors and protégés traces its origin to Greek mythology. Odysseus left for the Trojan War and put the care of his household and his son Telemachus in the hands of his friend Mentor. He believed Mentor could and would live up to his expectations. These expectations were justified as Odysseus discovered on his return. Again, the combination of expectations and action based on these expectation resulted in a self-fulfilling prophecy. While mentoring has existed in business for many years on an informal basis, only recently has it become formally entrenched in the corporate realm.

Mentoring is a dynamic and reciprocal relationship in a work environment between a manager (mentor) and an employee (protege) aimed at promoting the career development of both. Reesa Staten of Robert Half International (2007) says that mentoring is a key practice for transferring wisdom, fostering talent, and promoting best practices within a firm or department. It is also one of the most effective ways to develop new leaders.

Strategic succession planning: The practice entails the assignment of a junior member of staff or a recently recruited graduate known as the protégé to a senior seasoned manager or executive known as the mentor. A mentor who knows about a subordinate's skills and talents can help that person reach his or her career goals.

Note Mentoring is a typical example of the Pygmalion effect in business.

The relationship of a mentor to a protégé is that of a staff capacity as opposed to a line capacity. The mentor provides advice and shares his or her experience with the protégé. The mentor must constantly act as a positive Pygmalion to make the process effective.

8.4 Mentoring

Mentoring has something in common with coaching but, at its best, has a different emphasis. The mentor has less of a vested interest in the mentee's performance results – the mentee's results don't directly have an effect on the mentor's business performance. This makes it easier for the

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mentor to take a long-term view and a broader approach to the mentee in his/her working life. The mentor is free to be objective, challenging or supporting as necessary, and is able to help mentees think through their overall career development, while their immediate manager or coach may quite properly bring in the more immediate or short-term focus.

Mentors are often used to help individuals manage the process of transition: graduates entering a large organization; someone moving to increased responsibility; a person moving to a level in which they may be seen as unusual (such as women promoted to a level where there are very few women).

Many organizations now have a well-established system of mentor selection and training, induction for mentees and monitoring of the process.

Example: GKN has a mentoring system for employees of high potential on a self-managed learning programmes; at supermarket chain ASDA, a senior store manager from a different area will be a mentor for people who are being prepared to be store mangers; at a division of the Prudential Corporation mentoring is used for women returning to work after maternity leave; and the UK Stock Exchange has a system of external mentors to support senior management through a major change scheme.

Although widespread mentoring is a fairly recent development in Europe, it is more notably acknowledged as an essential developmental experience in Japan. Research carried out by Warwick and Stirling Universities, compared the 'factors in growing as a manager' reported in paired British and Japanese companies. The emphasis on the effect of role models and mentors was cited most frequently by the Japanese, while the British emphasized education and wider experience of life.

The process of mentoring, when mentors come from within an organization, can have an organizational impact. Senior managers come into contact with, for instance, recent recruits, and this can give the mentor a fresh view on the organization and on the new generation of thinking. At the same time, the mentor who is working at a strategic level can be in a position to convey the corporate direction to the mentee in a way that is direct and immediate. In this way, the mentoring relationship can strengthen organizational cohesion.

8.4.1 Skills and Activities of Mentoring

What is required of a mentor? The most favoured attributes appear to be acting as a sounding board for ideas; being a source of organizational knowledge; and helping people to see themselves more clearly. Interesting, few potential mentors choose a role model; someone who exemplifies good practice although this is frequently the reason a mentor is chosen by a mentee.

Each variant of the mentor role requires different skills, but a core might include some familiar and well developed techniques, to be used during a mentoring meeting:

1. Listening openly without making judgments;
2. Asking open-ended questions;
3. Summarizing;
4. Clarifying;
5. Reflecting back;
6. Being aware of differences between verbal and non-verbal behavior;
7. Helping the mentee explore potential options and their outcomes.

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Behaviors which maybe tempting but that are particularly unhelpful to a mentor include:

1. Passing judgment;
2. Filling in a silence too quickly;
3. Asking questions when the mentee is trying to figure something out;
4. Being or feeling patronizing or condescending;
5. Telling the mentee what to do before he or she has started to think it through for themselves.

The main purpose of the mentoring relationship is to help mentees develop their own thinking and planning about their career and development, with someone supportive who has organizational experience and knowledge. Unhelpful behaviors such as those listed above sabotage this process.

It is noticeable, when working with potential mentors, how easy it is for them to fall into the trap of asking leading questions or of disguising statements or opinions as questions. These are habits acquired from an earlier style of management and it is easy not to be aware of them, or their inappropriateness, in the mentoring situation.

For senior managers, mentoring involves a change of behavior but an even more dramatic change of thinking. Senior managers have mainly got to where they are by being effective and decisive and by (quite appropriately) knowing what people should do and getting them to do it. Working with someone who is junior to them but whom they do not manage can initially be quite challenging. This stretch of style is one of the benefits that mentors identify as a personal gain from being involved in the mentoring process.

8.4.2 Learning to Mentor

Many organizations provide orientation or training for mentors, to provide a base-line or a common approach. Attending a mentoring workshop can be a welcome opportunity to engage in some personal development, to revisit the skills of listening, establishing rapport, reflecting on one's own behavior; skills that may have become rusty in the journey to a senior position. The use fullness of mentors lies partly in their knowledge and experience; but as this becomes less relevant with changing times, mentors' key value is in their ability to help their mentees to gain knowledge and experience of their own in their current role, and to develop their ability to make effective judgments in ambiguous or uncertain or uncertain situations.

8.4.3 Setting up Mentoring Schemes

Key factors in a successful mentoring scheme are similar to those in any organizational initiative. That is, commitment and modeling from those with most power and influence, clear and user-friendly systems and procedures, clarity about the reasons and desired outcomes of the schemes, and widespread and appropriate communication to all stakeholders. In the case of a mentoring scheme, the stakeholders include not only mentors and mentees, but also the mentees' managers.

In some organizations, only selected people are offered a mentor in a formal scheme. Mentoring may be provided for potential high-flyers, for women, for new recruits. These choices may have an impact on those who are not offered the same provision. Communication and explanation are therefore important. Mentoring may also be seen, usually wrongly, as a 'gateway', a way through to the fast track with a powerful protector; these notions needs to be contradicted if they are not the case, and the real reasons for the selection widely disseminated.

An essential element of the communication is clear briefing for all involved (mentor, mentee, mentee's manager), which may also include an element of training for mentors. Bringing mentors

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together at intervals supports this communication process as well as providing support for the mentors themselves.

8.4.4 Informal Mentoring

Many people have experience of an informal mentor; someone who took them under their wing at a crucial stage in their career. In a wide variety of organizations there are traces of this process, being, as it is, a very normal and well-respected human activity. This mentor may have been chosen in some sense by the mentee, or may have themselves chosen the mentee. One approach to promoting mentoring in the organization is to encourage this process by, for instance:

1. Describing it as a valuable process;
2. Encouraging new recruits to select a mentor;
3. Including developmental activities such as mentoring and appraisal criteria for senior managers.

8.5 International or Cross-cultural Implications

Cross-cultural research indicates that managers in different national cultures work from different sets of assumptions and priorities. The individualist assumptions in cultures such as those of the UK or the United States, for example, contrast with the collective assumptions in Japanese or Latin American culture. Assumptions will affect the pattern of mentoring and coaching in these countries, with varying emphasis not eh individual's career and personal development or the good of the organization or group. The assumptions about how status is attained (based on one's own achievements, or on the group a person was born into their personal connections) vary between countries and cultures, and this will affect the choice of mentors, and how they are valued by mentees. Expected behaviors by mentors in different countries or cultures with a history of mentoring may also vary.

There are also implications for mentoring in multinational organizations, particularly where there are managers of different nationalities working in the same company. In the light of known cultural differences, attitudes and under standing of what mentoring is to be in the organization need careful clarification, with shared meaning being developed.

Mentoring System: The NTPC Experience

"Mentoring is a brain to pick, an ear to listen, and a push in the right direction."

Mentoring: Genesis and Concept

The concept of mentoring, although centuries old, has been used as a development tool only since the 1970s. In ancient times, experienced individuals passed on wisdom to their proteges by acting as teacher and guide. In Homer's epic poem – The Odyssey, the original Mentor was entrusted the task of teaching and guiding Telemachus, son of Odysseus, King of Ithaka, when he went to fight the Trojan war.

In the Indian context, imparting *shiksha* to the *Shishya* (discipline) by the guru (teacher) is a well-established practice rooted in centuries-old tradition. The transfer of knowledge, skills and experience to the *Shishya* (discipline) is also very well-documented in the great epic *Mahabharat* where the story of Arjun, the powerful warrior, mastering the art of archery from his *Guru Dronacharya* gives enough testimony to learning through the *guru-shishya parampara*.

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Mentoring, from the Greek work mentor, is best described as a sustained relationship between a youth and an adult for guidance and assistance to the former. Through continued involvement, the adult, who is usually an older and experienced person, offers help and support to the younger person during the growing-up phase. In this manner, the mentor shows the right way in the turbulence of life to the mentee. Viewed from this perspective, mentoring can be referred to as an initiative meant for the overall growth and development of the mentee.

In modern times, the concept of mentoring has found application in all walks of life. In academics, a mentor is often used synonymously with a faculty adviser. In families where parents are either unavailable or unable to provide responsible guidance for their children mentors can play a critical role. In business houses, mentoring is being used as a tool for social integration, assimilation and development of newly joined employees. Further, this is also being used as a powerful instrument for enhancing the performance level of employees in the corporate world.

Mentoring Initiative: Need in NTPC

Right from inception, NTPC has laid a lot of emphasis on managing and developing talent through an integrated human resource development and management system. This philosophy of integrated human resource development is reflected in the HR strategy of NTPC which focuses on building competence, commitment, culture and systems. Further, the same spirit is also expressed in the HR vision of NTPC which is to enable our people to be a family of world-class professionals making NTPC a learning organization.

The process of attracting and developing talent is a way of life at NTPC Executives in NTPC is mostly inducted through the Executive Trainee Scheme and the same talents are nurtured, developed and grown to future leadership roles through comprehensive and innovative induction, orientation and other HRD practices.

The engineering and other professional talents hired through the NTPC Executive Trainee scheme are put on a one-year training period with the right mix of classroom and on-the-job training to inculcate in them the right attitude, value systems and functional competencies. This process has helped NTPC in infusing the right attitude and skills amongst newly hired young engineers and other professionals who join NTPc fresh from colleges and other institutions. Although the overall comprehensive training module is designed to instill the required technical, behavioural, managerial skills and internalize in them the right culture and other value systems of the company, we are sensitive to the possibility of the trainees not finding their bearings in a large multi-unit organization. Being fresh from colleges and other such institutions, they sometimes need tuning and orientation to the NTPC ethos, its values and cultures. Therefore, it was decided to introduce a system to guide and counsel the young talents through a personal touch for better socialization and thus facilitate effective integration and assimilation in the organization.

As such, mentoring as a formal system/HR initiative was introduced in NTPC in the year 1998 as an extension of the orientation practice in the workplace and township to meet the trainee's needs during and after training.

Objectives of the Mentoring System at NTPC

The mentoring system was launched in NTPC to achieve the following objectives:

1. To guide and direct the new entrant during the vital and formative years in the organization;
2. To clear doubts and apprehensions faced by the new entrant;
3. To enable the entrant to assimilate and adapt to the organizational culture;

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4. To provide a companion who could be a Friend, Philosopher and Guide; and
5. To act as a counselor for the new entrant.

Mentoring Model at NTPC

The mentoring system introduced in NTPC is based on the model.

Broad Features of the System

The mentoring system promotes and facilitates a relationship between the mentor and the mentee. A mentor is a fairly senior person (preferably one who had joined as an Executive Trainee himself), well versed with the working environment of the organization, having positive outlook and empathy, capacity to guide and known for his performance. A mentee as a new entrant to the organization, performance. A mentee is a new entrant to the organization, usually a fresh Executive Trainee. When the trainees join for on-the-job training, Human Resources Function catalyses the process of identification of mentor as per laid down guidelines and undertakes the role of an anchor by facilitating interaction, review meetings and social get-togethers. Further, the relationship is sustained, continued and developed through a well-defined structure in accordance with the mentoring system. Besides offering a number of opportunities for interaction and for building the relationship through socialization and guidance, the relationship is also publicly recognized through innovative practice like "Mentor's Day" which is celebrated every year on 5th September (Teacher's Day) with much fanfare and gaiety, bringing together all mentors and mentess on one platform for experience sharing and recognition. The camaraderie and team spirit is also promoted by a relaxed and playful environment created through organizing Quiz Competition, Antakshari, and indoor games and activities in which both mentors and mentees take part. The team spirit and bonding are further deepened by encouraging out-bond meets and programmes for them. To exchange progress, concerns, views, difficulties, learning from others and for networking, there is a system for formation of a Mentors Club. Although the formal mentor-mentee relationship is meant for the one-year training period, the informal relationship and dialogue usually continue beyond the training period.

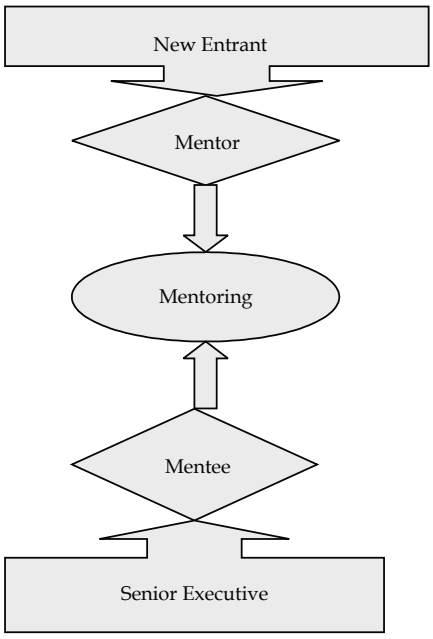

Figure 1: Mentoring Model

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Unique Initiatives for Institutionalization

To hone and harness the right and positive outlook in the mentors for actualizing the initiative, organizational workshops are conducted with the help of expert facilitators. This also generates interest and enthusiasm in the system. In the initial years, this was done every year in all locations to bring about involvement, appreciation of the initiative's purpose and clarification of the concept and its value. Refresher courses are held from time to time to renew and revisit the concept and its implementation. For creating exclusive identifying and to generating good feeling, Mentors Badges are provided. Besides recognizing the service of mentors by felicitating them through "Mentor's Samman (honour):, a lot of other rewards and recognitions such as appreciation letters, token gifts, dinner with HODs, informal get-togethers, etc. are presented and organized to encourage and sustain the initiative.

A Reality Check

With a very focused approach, NTPC succeeded in creating and developing a pool of over 305 mentors in the organization for driving the change initiative. It was further observed that the system greatly helps the socialization process, assimilating trainees easily into the NTPC culture and systems. It has also helped in tackling work-related stress and given a lot of personal benefits to the mentors, besides providing opportunities to the mentors to get fresh and creative ideas and perspective on technical and other issues which the young trainees pass on to them in the course of their interaction.

A perception survey amongst the mentors and the mentees, conducted through structured questionnaires, brought out the results given above. Besides getting good feedback on the effectiveness of the system and the implementation status, a few action areas have also emerged from the survey, which were incorporated for improving the system.

Conclusion

NTPC's commitment for building talent through a multi-pronged strategy is paying rich dividends. Mentoring—one of the initiatives launched for guiding, directing and counselling the young recruits—has contributed in enhancing their commitment level and in this process achieved its intended purpose. Overall, this HR initiative has been successful in integrating and assimilating the new executives in the culture and value system of the organization. It has also provided the new entrant a friend, philosopher and guide to share his pains and pleasures and show him the right way in professional as well as personal life.

Question

Make an analysis on mentoring system used by NTPC.

Task

Give some practical examples to describe the importance of mentoring and coaching.

8.6 Summary

- Several key features of coaching and mentoring, for individuals and organizations, make them attractive.
- Coaching and mentoring frequently run alongside, or are an intrinsic part of, a self-development process set in place by the organization.

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- This process can vary; with personal projects and personal development plans at one end of the continuum, and an organization-wide self-managed learning programme at the other.

8.7 Keywords

Mentor: A mentor is an experienced manager who provides guidance to the junior manager or professional and facilitates his/her personal development.

Mentoring: Mentoring is a fundamental form of human development where one person invests time, energy, and personal know-how assisting the growth and ability of another person.

Performance monitoring: Performance monitoring may be defined as the process of appraising an environment of continuous learning and development, maintaining the employee's performance, enhancing individual competencies to make them more productive for the organisation.

8.8 Self Assessment

Fill in the blanks:

1. The concept of mentors and protégés traces its origin to ..... .
2. Mentoring is a dynamic and ..... relationship in a work environment between a manager (mentor) and an employee (protege) aimed at promoting the career development of both.
3. A mentor who knows about a subordinate's ..... can help that person reach his or her career goals.
4. The relationship of a mentor to a protégé is that of a staff capacity as opposed to a ..... .
5. ..... has something in common with coaching but, at its best, has a different emphasis.
6. Many organizations provide orientation or training for mentors, to provide a base-line or a ..... .
7. Cross-cultural research indicates that managers in different national cultures work from different sets of ..... .

State whether the following statements are true or false:

8. Mentoring is same as coaching.
9. The main purpose of the mentoring relationship is to help mentees develop their own thinking and planning about their career and development.

8.9 Review Questions

1. How can a mentor help in improving the performance of employees?
2. "Mentoring is a dynamic and reciprocal relationship in a work environment between a manager (mentor) and an employee (protege) aimed at promoting the career development of both." Discuss.
3. Each variant of the mentor role requires different skills. Is there any common skill which helps in mentoring?
4. How mentoring is different from coaching?

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5. Analyse the usefulness of coaching and mentoring. What challenges do coaches and mentors face?
6. "Coaching can be thought of as two kinds of conversation: mapping-related and performance-related." Discuss.
7. Discuss the concept of strategic succession planning.
8. How coaching is helpful in performance improvement?
9. Make a coaching strategy to deal with underperformance.
10. Key factors in a successful mentoring scheme are similar to those in any organizational initiative. Discuss.

Answers: Self Assessment

1. Greek mythology
2. reciprocal
3. skills and talents
4. line capacity
5. Mentoring
6. common approach
7. assumptions and priorities
8. False
9. True

8.10 Further Readings

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Online link www.managementhelp.org

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Unit 9: Performance Counselling

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9.9 Further Readings

Objectives

After studying this unit, you will be able to:

- Describe the concept of performance counselling
- State the principles of performance counselling
- Explain performance counselling skills and performance counselling for higher job performance

Introduction

Performance Counselling is quite often misunderstood. It is wrongly interpreted as a process of correcting or controlling the employee behaviour by giving him negative feedback in an assertive manner by his boss. When employees make mistakes or become unmanageable or non-cooperative, executives often state that they need counselling. Some managers also are known to make statements like "I called him for counselling and gave him a bit of my mind" or "I called him for counselling and told him clearly that I am not going to tolerate his behaviour any more" or "I called him for counselling and finished him off", etc. Unfortunately, due to such misuse of the term "counselling" it has acquired some negative connotations in the minds of some managers. They confuse "verbal threats", "criticism" and "negative feedback" to be counselling. Actually such behaviours prevent counselling.

Did u know? **What is negative feedback?**

Negative feedback includes information that performance has fallen short of accepted standards the goal of providing negative feedback is to help employees improve their performance in the future; it is not to punish, embarrass, or chastise them.

A second reason why counselling has acquired a negative image in the minds of some executives is because of equating it with clinical counselling and psychotherapy which are more often associated with problem cases. In fact, a major difference between clinical counselling and performance counselling is precisely this.

9.1 Concept of Performance Counselling

Notes

Performance counselling is normally done in regular course of performance when there are no problems. When there are problems, executives should resort to appropriate methods of solving them rather than to counselling because exclusive focus on a particular problem or issue may prevent performance counselling. Performance counselling focuses on the entire performance (tasks and behaviours) during a particular period rather than on a specific problem. However, specific problems may be discussed during counselling as a part of analysing and understanding performance patterns.

Any organization interested in using a good performance appraisal and review system that aims at developing employees has to practice and pay enough attention to performance counselling. Performance appraisal does not serve the purpose of developing employees unless an effective system of performance counselling is introduced and practiced in the organization. Performance counselling can be defined as the help provided by a manager to his subordinates in analysing their performance and other job behaviours in order to increase their job effectiveness. Performance counselling essentially focuses on the analysis of performance on the job and identification of training needs for further improvement.

Counselling is a dyadic process. It is based on the relation between two persons, a manager who is providing help or how is counselling and an employee to whom such help is given or who is a counselee. It differs from training mainly in its intensity of dyadic relationship and its focus on establishing mutuality and confidentiality. Managers provide such help or counselling at various stages. For example, an employee may be provided such personal help soon after his selection or when he is facing difficulties or problems. The focus of performance counselling is the employee's performance on the task assigned to him.

Did u know? Performance counselling sometimes is also called "coaching" mainly because the purpose, the word" counselling" is a much wider and appropriate term for such a process.

9.2 Principles of Performance Counselling

Counselling is a means and not an end in itself. Development does not occur just because there is counselling. Counselling could be an effective instrument in helping people integrate with their organization and have a sense of involvement and satisfaction. The following conditions are necessary for counselling to be effective.

1. ***General Climate of Openness and Mutuality:*** If the organization or department in which the employee is working is full of tension, and people do not trust each other, counselling cannot be effective. A climate of minimum trust and openness is essential for effective counselling.
2. ***General Helpful and Empathic Attitude of Management:*** Counselling involves effective helping which is not possible unless the counselor has general helping attitude and has empathy for the counselee.
3. ***Sense of Uninhibited Participation by the Subordinates in the Performance Review Process:*** Unless the subordinates in a department or organization feel free enough to participate without inhibition in the process of review and feedback, counselling cannot be effective. Counselling is not a one-way process of communicating to the employee what he should or should not do. It is a process of developing dialogue which eventually contributes to better understanding on the part of counselee.

Notes

4. ***Dialogic Relationship in Goal Setting and Performance Review:*** Performance counselling focuses not eh counselee's achievement of the performance goals he had set in consultation with his manger. Joint participation by the employee and his reporting officer are necessary both in goal setting as well as in the performance review. Without such collaboration effort, counselling does not achieve its purpose.

5. ***Focus on Work-oriented Behaviour:*** The main purpose of performance counselling is to help the employee in improving his performance. Counselling can be effective if the focus is kept on the work-related goals rather than diffusing attention into various other areas. While doing so, discussion may involve other related and personal issues, but these are used to refocus on improvement of organizational roles rather than on personal or general personality problems.

6. ***Focus on Work-related Problems and Difficulties:*** Performance counselling is not related only to the achievement of goals, but also to the contextual problems in achieving or not achieving the goals. Analysis of performance therefore becomes the basis of counselling.

7. ***Avoidance of Discussion of Salary and Other Rewards:*** Performance counselling may not serve its purpose if it includes discussion about salary raise, rewards, etc. The main purpose of performance counselling is to use performance appraisal in planning and improvement of the employee, rather than understanding relationship between performance and reward like salary, etc. Bringing such discussion in the performance counselling may vitiate the main purpose of counselling.

Caselet

Performance Counselling in Hanford Pharmaceuticals

Hanford Pharmaceuticals intends to give employees reasonable opportunity to improve their performance as soon as they have been notified that their performance is falling below a satisfactory level. When performance is below a satisfactory level, communication will be through the performance counselling process.

Performance counselling is designed to identify performance problems and to recommend action plans for development and correction. Performance counselling offers the employee a fair, objective, and consistent program for development while offering the supervisor an unbiased and expeditious method for communicating expectations and performance standards.

Performance counselling is used for performance-related situations that affect productivity, quality, interpersonal relations, and efficiency. The focus of performance counselling is to promote employee success by identifying deficiencies and agreeing on method(s) for improving employee performance to a satisfactory level. Since the performance counselling is intended to be action oriented, every session will include scheduled review dates to monitor the employee's progress toward success.

Examples of performance-related issues that may require counselling are:

• Consistent errors in work	• Inconsistent performance
•Inability to perform assigned work	• Poor communications
• Adversely affecting others' ability to do work	

9.3 Performance Counselling Skills

Notes

The given below are the key performance counselling skills:

Listening

One of the key essential of performance counselling is active listening. Listening involves paying attention to the various messages being sent by the other person. The obvious message is the ideas being communicated (cognitive message). But more hidden may be the feelings and the concerns the other person may not be able to put clearly in words. Listening to feelings and concerns is very important for effective counselling. This involves skills which can be practiced. Some exercises can be used to improve listening of such hidden messages.

Asking Questions and Responding

Questions can facilitate or hinder the process of communication. Questions can serve several purposes: they can help in getting more information, establishing mutuality, clarifying matters, stimulating thinking. In a counselling situation questions play a very important role. Some questions can shut off the counselee, or make him dependent on the counselor. Another set of questions can build autonomy of the counselee. Obviously the latter will be helpful, and not the former.

Being Emphatic

Questions about the feelings of a person, his concern, his problem, not so much for finding solutions as to indicate and express concern, may be classified as emphatic questions. When a manager asks an employee: "How is your son feelings now?", he is not merely seeking information, but in fact indicating his personal concern about the health of the employee's son and thereby expressing empathy with the employee. Such questions help to generate more trust, and the necessary rapport with the employee. Empathic questions create a climate of mutual trust and human understanding.

Positive Reinforcement

It has been established by Skinner that change in behaviour cannot be brought about in human beings through punishment or negative reinforcement, but only through positive reinforcement. Influencing would involve providing encouragement and reinforcing success so that the person takes more initiative and is able to experiment with new ideas. Change cannot take place without experiment and risk-taking. And these are encouraged through positive reinforcement.

9.4 Performance Counselling for Higher Job Performance

Counselling is given by one who is senior to the other person-in competence, or in knowledge, or in psychological expertise, or in the hierarchical position in the organization. There are three main processes involved in counselling-communication, influencing, and helping. The counselor essentially communicates with the counselee. Communication involves both receiving messages (listening), giving messages (responding), and giving feedback. The person who provides counselling does all the three things. Counselling also involves influencing the counselee in several ways. The manager cannot escape the fact that he is influencing his employee in such a way that the latter is able to move in some direction. However, this influence is of a special type, enabling the other person to exercise more autonomy, providing positive reinforcement so that desirable behaviour is further strengthened, and creating conditions in which the person is able to learn from the behaviour of the counselor through the process of identification.

Notes

The third element in the process, i.e., helping also functions in a similar way. It involves three different elements. Helping behaviour is based on concern and empathy the counselor has for his counselee. It is also based on mutuality of relationship; counselee responds as much to the counselor's needs as the former does to the latter's. And finally, helping primarily involves identification of developmental needs of the counselee so that he may be able to develop and increase his effectiveness.

Communication

Interpersonal communication is the basis of performance review in which both the employee and his reporting officer are involved. The general climate of such conversation in performance review should be congenial which may help the employee to be in a receptive mood. It is important to keep in mind that communication is greatly influenced by how problems and issues are perceived by the two persons involved in the conversation. Communication may get distorted if people are not empathic to each other and do not try to understand each others' point of view. Non-verbal communication is as important as verbal communication. People speak much more through their gestures and postures than through words. The tone and manner of speaking is also important.

Feedback

Interpersonal feedback is an important input for increasing self-awareness. It helps in reducing the blind area of a person, helping him to become more aware about his strengths and weaknesses. If properly used, it results in higher mutuality between two persons. The process of interpersonal feedback and conditions which make it effective have been discussed in detail elsewhere.

Note **Essentials of Effective Feedback**

Feedback will be effective if the person who gives the feedback (counselor) makes sure that it is:

1. Descriptive and not evaluative;
2. Focused on the behaviour of the person and not on the person himself;
3. Data based and specific and not impressionistic;
4. Reinforces positive new behaviour;
5. Suggestive and not prescriptive;
6. Continuous;
7. Mostly personal, giving data from one's own experience;
8. Need-based and solicited;
9. Intended to help;
10. Focused on modifiable behaviour;
11. Satisfies needs of both the feedback given and one who receives feedback;
12. Checked and verified;
13. Well timed; and
14. Contributes to mutuality and building up relationship.

Notes

Influencing

Influencing would mean making an impact on the person in relationship. Such impact need not necessarily be of restrictive type. Influencing in effective counselling would involve the following three aspects.

1. ***Increasing Autonomy of the Person:*** Usually, influencing is understood in the only sense of restricting the autonomy of the person and directing him into channels which are predetermined by the person who is exerting influence. Positive influencing is the opposite of it; the autonomy of the other person is increased and he has larger scope of making his own choice. Even this is influencing. But this is a different kind of influencing.
2. ***Helping:*** Counselling is essentially helping. Helping involves several processes but the following three are mainly important.
3. ***Concern and Empathy:*** Without manager's concern for his employee, effective helping cannot be provided in the counselling session. Such concern is shown when the counselor is able to feel for his subordinate and is able to empathize with him. These would be reflected in the kinds of questions asked and the tone in which conversation takes place. Managers may constantly ask themselves how much concern and genuine empathy they have for the employees whom they are counselling. Without such genuine concern, counselling may only degenerate into a ritual and cannot achieve its goals.

Key Points of Discussion in Counselling

The following table explains the points of discussion during the counselling process:

Personal Problems	Professional Problems	Resources Constraints
• Career • Family • Financial • Legal • Health	• Absenteeism • Tardiness • Drug Abuse • Interpersonal conflict • Poor job performance	• Increased production cost • Increased employee turnover • Interpersonal conflict • Low morale

Who should do the Counselling?

In most cases it is your responsibility as a manager to provide counselling to your staff in relation to work performance and conduct. However, in circumstances where performance is affected by factors outside the workplace, for example if a person has a problem with drugs or alcohol or has difficulties in their private life, it may be appropriate, after an initial discussion, to refer the person to a staff counsellor or counsellor from an Employee Assistance Program (EAP). This does not mean that you should back away from the problem, but you should focus on ways to improve the person's performance at work and not attempt to solve problems that may be occurring in the individual's private life. In most cases, managers are not qualified to take on such a role.

Apart from providing a counselling service for staff, EAPs can also help you as a manager. For instance, if you are faced with having to give a person critical feedback about their performance and you feel uncertain about your approach, you may wish to contact the EAP to obtain advice on how to best frame the discussion. You may also wish to consult a more senior manager or contact your human resources area for advice.

In some cases it may be appropriate to involve a professionally qualified counsellor outside your agency, such as a medical practitioner. If you are considering an external referral you should not put pressure on the person to seek outside counselling. A referral should be arranged only with the person's consent.

Notes

Performance Improvement: The IOC Experience

Introduction

In the deregulated business environment there has emerged a growing need to accelerate performance improvement to face the challenges of the free market and competition. With globalization, the oil industry in India has had to gear itself to complete effectively with the entry of private players including MNCs.

This calls for a rethinking of performance management and measurement practices and policies that are aimed at encouraging a performance-oriented culture. Among the key factors that drive performance improvement are differentiation of high performance, and recognizing and rewarding it, as also setting up a transparent communication channel.

What is Performance Management?

It is said that whatever gets measured gets done and whatever gets done is measurable. Performance measurement is a significant movement from Human Resource Development to Human Resource Management.

It is a process that measures output in terms of delivered performance in relation to expectations expressed as objectives. A forward-looking developmental approach, performance management is more a transformational rather than an appraisal process. A smart approach in goal-setting presupposes that goals are specific, measurable, achievable, relevant and time targeted.

Performance quotient is a function of emotional quotient plus intelligence quotient, which indicates that possessing intelligence or knowledge is not enough for high performance. It must be supplemented by emotional maturity.

The Oil Industry Context

The oil industry, in general and Indian Oil in particular, has been experiencing a variety of concerns in the recent past due to the opening up to the market. These concerns relate to the following:

1. Extreme pressure on the bottoms line
2. Commercial competitiveness
3. Dismantling of the administered pricing mechanism (APM)
4. Entry of big players
5. Squeezed resources
6. Enhanced stakeholder expectations
7. Social aspect of business

In view of the above, some of the critical issues confronting the management are:

1. Moving from potential to performance
2. Providing an environment to excel
3. Enhancing competitiveness
4. Creating differentiators for performers

Contd....

Notes

5. Motivating people to perform
6. Managing organizational and environmental turbulence

Being a leading public sector enterprise, Indian Oil has successfully faced the various challenges of the turbulent market environment and also has become a strategically of the Government of India by ensuring timely supply of petroleum products to the armed forces in wartime. Its operating performance and vast infrastructure are a clear indication of its inherent ability to face the challenge of competition and fulfill its social responsibilities. (See in Exhibit 1)

Exhibit 1

About Indian Oil (2000-2001)

Sales	**Over ₹ 1.13 lac Crore**
Employee strength	33,000
Sales record	47.8 T (53%)
Sales point	Over 21,000
LPG (liquefied petroleum gas) bottling plants	71
Aviation fuel stations	92
State offices	22
Divisional offices	47

Indian Oil owns nine of the seventeen refineries in India. It is the only Indian company in the Global Fortune 500 list. It ranks 112th in the Forbes International 500 list of largest companies outside the US and 34th among the largest 1000 Top Asian Companies of Asia Week.

The general assumption is that money drives performance, but that is not all. There are other factors too that drive performance. Some of these are enumerated below:

Mission (aspirations)	Very clear
	High level and inspirational
	Consistent over time
Target/Goals	Highly aggressive
	Both short and long-term & measurable
	Adjusted over time
Organization	Few layers
	Many P&L (profit and loss)
	Units ("atomized")
Performance feedback	Transparent
	Internal and external benchmarking
	Rankings made public
Consequence management	Visible and quick
	Varying severity

Contd....

Notes

In the fiercely competitive market environment, Indian Oil has been working towards evolving innovative schemes to recognize and reward high performance which also can serve as a strong incentive to other employees of the organization. Towards this end, the marketing division has developed a unique scheme that recognizes the performance by various section of the marketing division. It has also evolved a highly comprehensive methodology for differentiating the high performers who deserve rewards.

Performance Management Schemes

Some of the incentive schemes implemented at Indian Oil are:

1. Productivity-linked incentives bonus, region/unit-wise
2. Ex-gratia (applicable for all)
3. Performance-related incentives (for super perfumers)

Methodology

The steps involved in carrying out the schemes are threefold.

Step 1: Target Setting

The scheme is goal-oriented. Targets are broken down and allocated top-down across all the levels. The allocation is done by the Head Office based on annual growth projections aligned with business realities. These targets are agreed upon and owned by the business heads at various levels as benchmarks of their performance.

In accordance with the methodology, target setting is done: region-wise by the Head Office: state-wise by the regions; and location-wise by the State Offices.

Step 2: Measurement

The measurement parameters provide for the consequences of performance by assigning weightage and value to achievements, including negative marking.

Step 3: Evaluation

The final evaluation is carried out by evaluation committees at the state, regional and head office levels. The HRD department coordinates the entire process.

Towards High Performance with an Integrated Approach

To motivate teams to not only delivers performance for achieving targets but also to strive for excellence in the entire range of service, quality, safety and other related areas of performance. The Indian Oil marketing division identified the key business units and also the frontline personnel responsible for achieving critical business results. The performance parameters of the following personnel throw light on the various areas of performance taken into consideration.

1. ***Best Head of State:*** Performance Parameters
   (a) Market share
   (b) LPG enrolment
   (c) Indane showroom computerization
   (d) Inspections
   (e) Growth in profitability
   (f) Computerization, Executive information system

Contd....

Notes

(g) Non-Directorate of Government Supply & Distribution (DGS& D) outstanding

(h) Revenue/capital utilization

(i) Stock loss control

2. ***Best Head of State, Market share:*** Performance parameters

(a) Increase in market share MS (Motor Sprite-retail and HSD (high speed diesel), FO (Fortune oil), LSHS (Low sulphur heavy stock), bitumen/naptha/LDO (light diesel oil)/LPG (liquefied Petroleum gas)/special products.

(b) Increase in lube-fuel ratio

(c) Percentage of volume growth lubes

(d) SKO (superior kerosene oil) sales

3. ***Best Divisional Manager:*** Performance Parameters

(a) Increase in market share

(b) Lube/grease volume growth

(c) Lube-fuel ratio

(d) SKO allocation vs sales

(e) Retail outlet (RO) commissioning

(f) Vision 2000 upgradation (RO modernization scheme)

(g) Conversion from "B" site (i.e. dealer-owned, dealer-operated) to "A" site (i.e., company-owned, dealer-operated)RO

(h) Upgradation of state transport undertaking/railway depots

(i) Inspections

(j) Non-DGS&D and beyond, credit outstanding

(k) Stock loss

(l) Quality control index of supply points

4. ***Best Depot/Terminal Manager:*** Performance Parameters

(a) Stock loss

(b) Tank-truck performance

(c) Quality control index

(d) Safety maintenance and inspection (M&I) index

(e) Innovations

(f) Cost control

(g) Claims and Demurrages

(h) Disposal of scrap

(i) Revenue and capital budget

(j) Compliance with statutory provisions

Contd....

Notes

(k) Compliance of inspection report

(l) Training activities

5. ***Best sales Officer (Retail):*** Performance Parameters

(a) Increase in market share

(b) Lube-fuel ration

(c) RO Commissioning

(d) Vision 2000 up gradation (RO modernization scheme)

(e) Conversion from "B" site (i.e., dealer-owned, dealer-operated) to "A" site (i.e., company-owned, dealer operated) RO

(f) Inspections

(g) Mandatory facilities at retail outlets

(h) Dishonour of instruments

(i) Irregularity at dealership

(j) Customers' complaints

(k) Pump attendants' uniform

6. ***Best Sales Officer Consumer:*** Performance Parameters

(a) Sales, volume, growth MS and HSD, FO, LDO

(b) Sales, volume, growth HSD (Direct)

(c) Sales, volume, growth FO, LDO

(d) New business potential tapping

(e) Lubes volume, growth

(f) Consumer pump upgradation

(g) Non-DGS&D collections

(h) Customers' complaints

(i) Railway Consumer Depot (RCD) inspections/meetings

7. ***Best Sales Officer (Retail and Consumer):*** Performance Parameters

(a) Potential customer tapping

(b) Lube-fuel Ration

(c) Lubes volume growth

(d) RO Commissioning

(e) Vision 2000 upgradation (RO modernization scheme)

(f) Sales, volume, growth MS, and HSD, FO, LDO

(g) Increase in market share MS, (retail) and HSD (retail)

(h) Sales, volume, growth HSD (Direct)

(i) Sales, volume, growth FO

Contd....

Notes

(j) Servo shop

(k) Non-DDGS &D collections

(l) Inspections Retail, SKO

(m) Customers' complaints

(n) Mandatory facilities at retail outlet

(o) Night outs

For each of these awards, parameters with a significant impact on performance were involved and reward announced. (See Exhibit 2)

Exhibit 2: Parameters and Reward

Unit	Parameter	Reward All India	Others
State Office	Overall	Singapore (3 nights)	Nepal (2 nights)
		-do-	Goa
State Office	Market Share	Nepal	-do-
Dividioanl Office	Overall	-do-	-do-
Terminal	Overall	-do-	Goa
Depot	Overall	Nepal	
Field Officer	Retail Consumer		

The spouse could accompany the rewardee and travel, boarding and lodging are on company account.

Officers going abroad are expected to study the practices of multinational in similar retail business.

Conclusion

Indian Oil's scheme is a unique policy intervention aimed at recognition and reward of high performance by team heads and individual performers. It has gone a long way in creating a motivational climate in its marketing division, and thus, has had a highly positive impact in product sales/market share. In the post APM scenario, this scheme has been indirectly instrumental in helping IOC maintain its high sales volume and market leadership position.

The following data illustrates this point.

Year	IOC Product Sales (in mt)	Market Share (as %)
1998-99	46.05	53.1
1999-00	48.79	53.3
2000-01	47.80	52.5

Question

Evaluate the PMS schemes used by IOC.

Task

Is there any relation between the counseling and job performance?

Notes

9.5 Summary

- Performance Counselling is quite often misunderstood. It is wrongly interpreted as a process of correcting or controlling the employee behaviour by giving him negative feedback in an assertive manner by his boss.
- It is advisable to have performance counselling discussions quite frequently depending upon the needs of each appraise and the time availability of the counselor. In fact, the more attention a manager pays to counselling his subordinates, the more time he is likely to gain in the long run as a result of improved capabilities of his subordinates.
- Counselling is a means and not an end in itself. Development does not occur just because there is counselling.
- Counselling could be an effective instrument in helping people integrate with their organization and have a sense of involvement and satisfaction.

9.6 Keywords

Influencing: Influencing would mean making an impact on the person in relationship.

Performance Counselling: In this, the counselor initiates the discussion as a part of an appraisal system or as a part of some processes that take place in the organization.

9.7 Self Assessment

Fill in the blanks:

1. Counselling is a ..... process.
2. Performance counselling essentially focuses on the analysis of performance on the job and identification of ..... for further improvement.
3. ..... does not serve the purpose of developing employees unless an effective system of performance counselling is introduced and practiced in the organization.
4. ..... involves paying attention to the various messages being sent by the other person.
5. ..... can facilitate or hinder the process of communication.
6. Communication involves both receiving messages (listening), giving messages (responding), and giving ..... .
7. ..... would mean making an impact on the person in relationship.
8. Listening to ..... and concerns is very important for effective counselling.
9. Counselling can be effective if the focus is kept on the ..... goals rather than diffusing attention into various other areas.
10. A climate of ..... and openness is essential for effective counselling.

State whether the following statements are true or false:

11. The focus of performance counselling is the employee's performance on the task assigned to him.
12. Counselling is a one-way process of communicating.
13. Performance counselling is only related to the achievement of goals.

Notes

14. Performance counselling may not serve its purpose if it includes discussion about salary raise, rewards, etc.
15. Communication may get distorted if people are not empathic to each other and do not try to understand each others' point of view.

9.8 Review Questions

1. "Performance Counselling is quite often misunderstood." Substantiate.
2. Is there any difference between feedback and performance counselling? Explain your answer with suitable examples.
3. "Interpersonal communication is the basis of performance review in which both the employee and his reporting officer are involved." Discuss.
4. Is performance counselling the right tool to deal effectively with employee dissatisfaction?
5. Development does not occur just because there is counselling but counselling could be an effective instrument in helping people integrate with their organization and have a sense of involvement and satisfaction. Discuss the necessary conditions for effective counselling.
6. Why are some managers more articulate in performance counselling as compared to others?
7. Performance appraisal does not serve the purpose of developing employees unless an effective system of performance counselling is introduced and practiced in the organization. Give the key reasons in support of the given statement.
8. "Interpersonal communication is the basis of performance review in which both the employee and his reporting officer are involved." Define.
9. "Performance counselling is the heart of performance management system." Do you agree?
10. "Listening to feelings and concerns is very important for effective counselling." Discuss.

Answers: Self Assessment

1.	dyadic	2.	training needs
3.	Performance appraisal	4.	Listening
5.	Questions	6.	feedback
7.	Influencing	8.	feelings
9.	work-related	10.	minimum trust
11.	True	12.	False
13.	False	14.	True
15.	False		

Notes

9.9 Further Readings

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Online links

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Unit 10: Performance Management Implementation

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Objectives

After studying this unit, you will be able to:

- State the bottlenecks in performance implementation
- Describe the strategies and factors affecting performance implementation

Introduction

Performance management is a fundamental component of any business management system. A Performance Management Plan provides a formal, regular, rigorous process for data collection, analysis and usage. Thus changes in effectiveness and efficiency can be measured, enabling comparison of performance over time and against that of other similar entities.

10.1 Bottlenecks

Performance management is a broader concept which includes the performance planning, performance appraisal, monitoring and performance evaluation. Like any management concept and tool, the success and failure of any performance management system can be attributed primarily to the management and its employees. Lawler and McDermont (2003) stated that the establishment of a performance management system is a major challenge to most organizations. It would be very difficult to effectively manage the human resource without an instrument that measures its effectiveness and capability.

Caution For effective utilisation of human resource the organizations need a system that can identify the capabilities and performance of its human capital so that they can deal with performance problems and encourage performance excellence.

Notes

However, experience shows that there are a number of factors which causes the failure of an organisational performance system. Some of the major reasons are given as below:

1. ***Organizational Fears:*** Department and agencies may be apprehensive about implementing performance management systems due to fears on how the results will be interpreted, what it may indicate about the department's performance, and/or a lack of clarity of how it will affect the department and its employees.
2. ***HR Professional Fear:*** Similar to organizational fears, HR professionals may have similar fears about how the performance data will be used, analyzed or interpreted by the management and concerned persons. Additionally, HR professionals may be reluctant to support investments in performance management systems if there may not be a clear return on the investment.
3. ***Lack of Performance Oriented Culture:*** Performance management can be overwhelming endeavor for some organizations and can be viewed complex, time-consuming, and simply requiring a tremendous effort given resource constraints. Organizational culture may work against the drive to support implementation.
4. ***Regular Review and Use*:** If data is not being used for decision-making, it loses its value to the organization and leads to eventual questioning of why the information is being collected or reported. Organisations need to develop policies on how performance results will be used for operational and fiscal decision-making.
5. ***Looking to Software as the Solution:*** Too often organizations rely on software as a precondition for performance
6. ***Lack of Flexibility of the System:*** In an effort to create a very well-defined system, organizations end up having a complicated performance management system. Many a times, there is a lack of scope for carrying out modification, change, and/or alteration of the existing performance management system in order to respond to the changes necessitated by external environment. This results in the continuation of the same old format model and it becomes a simmering blockade to new or improved performance management system. Hence, top management along with line managers and HR professionals must foresee the linkage of the system to organizational objectives.
7. ***Lack of Proper Management Tools and Techniques:*** Organizations must continuously improve their performance to get success in this changing and competitive environment However, to do so requires adopting proper management tools and techniques such as performance management system.
8. ***Perforamnce Planning:*** Performance planning plays an important role in the success of a performance management system. Lack of proper performance planning creates a lot of problems in performance implementation. A proper performance planning clearly identifies the tasks and work performance at each level of the organisation.
9. ***Communication Gap:*** Communication gap is the key reason for the failure of a performance management system. For the success of a performance management system there should be proper communication between the top management and the employees at lower level.
10. ***Individual vs Team:*** Managing team performance is important but this does not mean that the individual needs of members of the team should be neglected. As Vicky Wright and Liz Brading (1992) have pointed out "leaving teal dynamics to manage performance by such things as team pressure can be dangerous and unfair. Managing team performance is important but it is not a substitute for managing individual performance."
11. ***Top Management Commitment:*** Many organisations, particularly the Indian organisations are having less focus and commitment towards their human resources. The organisational success is based on the organisational performance and the organisational performance

Notes

can only come through a continuous improvement of an individual performance. The organisations are focusing on other areas of organisational activities rather than strengthening their human capital.

12. ***Subjectivity vs Objectivity:*** Subjective and objective performance evaluations are two distinct ways of measuring employee effectiveness. Subjective performance evaluations rely more on intangible qualities that can't be measured or quantified. Objective performance evaluations only look at measurable qualities. Some people believe that workplace evaluations are used to decide which employees are expendable. In other words, some workers think that performance evaluations can only hurt them. However, this is not the case. Performance evaluations are usually used to help strengthen the performance of current employees.

13. ***Limitations in Existing Financial System:*** In many organizations, the chart of accounts which is used to structure the budget development and financial reporting is not aligned to support operational analysis. The financial systems do not have the capacity to for reporting and sorting of data to support performance reporting. Data often does not supporting linkage of financial and operational data to determine cost per service unit or other efficiency metrics.

10.2 Strategies for Effective Implementation of Performance Management

Performance Management is a highly collaborative effort that involves multiple internal and external stakeholders working through how goals and objectives translate into lower level KPIs, which in turn link to front line metrics. It is only after an organization creates these linkages that alignment can occur. A common thread for any strategy - regardless of industry - is that with time it will somehow change as organizations react to internal and external events, so one can also look at it as an evolutionary process that involves everyone working towards a common set of goals and objectives which at some point over in the future will be changed or modified. Some of the strategies for effective implementation of performance management are discussed as below:

1. ***Supportive leadership and management:*** HR professional and top management plays an important role in successful implementation of performance management. A supportive leadership and management make the implementation strategy easy and effective.

Notes Performance-oriented work culture encompasses the following:

1. Quality of work challenge, interest, achievement, freedom and autonomy, workload, quality of work relationships
2. Work-life balance supportive environment, recognition of life cycle needs flexibility, security of income, social environment
3. Future growth opportunities learning and development beyond current job, career advancement opportunities, performance improvement, and feedback
4. Tangible rewards competitive pay, good benefits, incentives for higher performance, ownership potential, recognition awards, fairness of reward
5. Enabling environment caring attitude, encouragement for risk taking and acknowledgement of failure without fear, knowledge sharing, instilling ownership

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2. ***Performance Oriented Work Culture:*** Work culture drives organizational performance because an organization becomes successful by developing a real and meaningful culture where performance is one of the core values. Performance oriented work culture means launching a variety of improvement efforts, including designing high-performance work systems.

3. ***Providing Training and Feedback:*** Training is an important tool to enhance the performance of employees. Employees should get proper training and timely feedback.

4. ***Building Participative Environment:*** The organisations should introduce a participative work culture where both the managers and employees can discuss their views. Furthermore, the involvement of employees is also crucial. Inviting managers and employees to assist in the development of the system facilitates their buy-in, and enhances their trust, understanding, and ownership of the performance management system.

5. ***Effective Communication Strategy:*** Communication is one of the most important factors in effective implementation of performance management. Communication provides feedback of work performance, clarifies all the important aspects related with performance management. This facilitates the buy-in from the people in the organization without which performance management is less likely to be successful. There should be effective communication of performance objectives to all the employees in the organisation.

Did u know? **What are the SMARTER performance objectives?**

SMARTER performance objectives means:

S-performance objectives must be specific

M-performance objectives must be measurable

A-performance objectives must be attainable

R-performance objectives must be realistic

T -performance objectives must be time-based

E-performance objectives should be exciting

R-performance objectives should be recorded

6. ***Benchmarking Best Practices:*** If organisations want to be more competitive they need to continuously improve their performance, and benchmark against best practices in performance management. By undertaking benchmarking, organizations can equip themselves with insightful and measurable information on improving organizational performance. Organizations should freely share with their employees such benchmarked information, so as to create a role model to emulate, which is appropriate for the organization.

The following are the other key strategies for effective implementation of performance management system:

1. Relying on Objective Assessments
2. Adopting Performance Management Policies
3. Honesty and Transparency
4. Encouraging Participation without Punishing Poor Results
5. Incremental Improvements
6. Dedicating Staff and Resources
7. Clearly Defining Organization Direction

10.3 Factors affecting PM Implementation

Notes

The factors affecting effective use of performance management are listed here.

1. ***Corporate culture:*** The implementation of a performance management system depends on the culture of the organisation. Corporate culture should be such that it encourages team working, ownership of problems, risk taking or entrepreneurship, and orientation towards continuous improvement.
2. ***Skilled Staff:*** Staff that dedicated, knowledge and skilled in performance management.
3. ***Leadership and Commitment:*** Leadership that actively supports and sustains performance management throughout the organization.
4. ***Alignment:*** The alignment of individual goals and strategies with the organisational goals helps in effective implementation of performance management system.
5. ***Ongoing Monitoring and Mentoring:*** A continuous review of the strategy, the performance is important. The performance management should be used for improvement and learning, rather than control.
6. ***Effective Communication and Reporting:*** Communication and reporting of performance and feedback on an ongoing basis is essential.
7. ***Employees Participation:*** Employees participation plays an important role in implementation of PM system. Involvement in the selection and definition of measures can reduce the employees' and the manager's resistance to performance management, and increase their usage level of performance measures.
8. ***Reward link Pay:*** The reward link pay improves the employee motivational level and affects the performance of employees.

Caselet

IDBI Bank Implements Variable Pay for Officers

IDBI Bank has initiated the implementation of the variable compensation scheme for its officers from January onwards. But the complete implementation of the scheme, along with the Performance Management System (PMS), will take over six to eight months, said Mr Pramod Sadarjoshi, Executive Director and Group Head-Human Resources, IDBI Bank.

The package, which will cover over 8,000 officers, will include a 70-per-cent fixed component and a 30-per-cent variable component.

As part of the PMS, the bank will create a system to differentiate between the performances levels of its employees. This will include building methodologies to define job descriptions, by Key Result Areas (KRA) and job objectives.

Differentiator

"The idea is to differentiate performance and pay on the basis of the performance. We are trying to implement the PMS in a phased manner," Mr Sadarjoshi said.

Each department or group within the bank has started work on its individual methodology and the PMS implementation would start as and when they are ready to be rolled out.

The frequency at which the variable component will be paid could be three months or six months and a final decision is yet to be taken.

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The variable portion of 30-per-cent could increase by a maximum of 100 per cent, depending on the performance, taking the whole package to 70+30+30.

However, the bank has also ensured that even if an employee does not get the 30-per-cent variable component, the final salary would not fall below the existing salary, said Mr K. P. Nair, Chief General Manager, Head-Human Resources.

In talks with union

The management is still in discussions with the clerical and Class IV staff, about how this scheme would be implemented as the union had raised a dispute under the Industrial Disputes Act. They number about 3,000. The management had organised 25 workshops with employees to communicate this change in the pay structure over the past few months, Mr Sadarjoshi said.

IDBI Bank is the first public sector bank to introduce a variable compensation scheme. It is not part of the Indian Banks' Association, with regard to wages, as its pay scales are at par with that of the Reserve Bank of India.

For the next fiscal, the bank is looking to hire between 3,000 and 3,500 personnel, based on the current plans to add over 300 branches to its network.

Industry observers feel that IDBI Bank, with over 11,900 employees, may be a testing ground to check the effectiveness of variable pay before it is rolled out in other public sector banks.

"The new pay structure has been introduced in our bank unilaterally without taking the officers' into confidence," said Mr R. S. Athalye, General Secretary of the All India IDBI Bank Officers' Association.

He also pointed out that the new pay scales are lopsided. While officers in the first three grades got an average salary increase of 20-23 per cent, in higher grades the increase is 45-65 per cent.

Source: www.thehindubusinessline.com

Task

Make a strategy for effective implementation of performance management system.

10.4 Summary

- Performance management is a broader concept which includes the performance planning, performance appraisal, monitoring and performance evaluation.
- It would be very difficult to effectively manage the human resource without an instrument that measures its effectiveness and capability.
- For effective utilisation of human resource the organizations need a system that can identify the capabilities and performance of its human capital so that they can deal with performance problems and encourage performance excellence.

10.5 Keywords

Performance oriented work culture: Performance oriented work culture means launching a variety of improvement efforts, including designing high-performance work systems.

KPI: Key Performance Indicators

Notes

Performance Management Plan: A Performance Management Plan provides a formal, regular, rigorous process for data collection, analysis and usage.

10.6 Self Assessment

Fill in the blanks:

1. Performance management is a broader concept which includes the performance planning, performance appraisal, ... and performance evaluation.
2. ..... is an important tool to enhance the performance of employees.
3. ..... provides feedback of work performance, clarifies all the important aspects related with performance management.
4. The reward link pay improves the employee ..... and affects the performance of employees.
5. A ..... leadership and management make the implementation strategy easy and effective.
6. It would be very difficult to effectively manage the human resource w ithout an instrument that ..... its effectiveness and capability.
7. Organisations need to develop policies on how ..... will be used for operational and fiscal decision-making.
8. The organisations should introduce a ..... work culture where both the managers and employees can discuss their views.

State whether the following statements are true or false:

9. Performance Management is a highly individual effort.
10. Communication and reporting of performance and feedback on an ongoing basis is essential.
11. The reward link pay reduce the employee motivational level.

10.7 Review Questions

1. Experience shows that there are a number of factors which causes the failure of an organisational performance system. What are those factors?
2. Communication is one of the most important factors in effective implementation of performance management. Why?
3. Why does implementation of performance management successfully pose a number of difficulties in the organisational context?
4. Can effective performance management system be instituted in small scale enterprises?
5. Lawler and McDermont (2003) stated that the establishment of a performance management system is a major challenge to most organizations. Make some suggestions to support the given statement.
6. "A supportive leadership and management make the implementation strategy easy and effective." Discuss.
7. Lack of flexibility in the performance management system can be a cause of failure of a performance system. Give some examples to support the statement.

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8. How you will differentiate a performance oriented work culture form the traditional work culture?
9. Give some industrial examples to define the SMART performance objectives.
10. "The performance management should be used for improvement and learning, rather than control." Discuss.

Answers: Self Assessment

1. monitoring
2. Training
3. Communication
4. motivational level
5. supportive
6. measures
7. performance results
8. participative
9. False
10. True
11. False

10.8 Further Readings

Books

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Online link

www.managementhelp.org

Unit 11: Organisational Change through Performance Management

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Objectives

After studying this unit, you will be able to:

- Discuss operationalizing change through performance management
- Explain building and leading high performance team
- Define organisational culture and performance management

Introduction

Human beings and their creating capabilities are the primary source of competitive advantage, hence, organizational configuration and management choices must reflect the dynamics of creativity. Organizations cannot stay/sustain the pressure of competition unless environment ignites creativity, conserve/nurture ideas and translate the ideas into action. Ideas, initiatives and creativity comes from those who feel free, and are convinced that their jobs are worth doing. Today, organizations have to focus on decentralized communication, network culture and support freedom of expression, failing which it may be regarded as useless.

Change and learning are built right into the same fabric. What it might take for a whole organization to learn it would be the ability of all individuals to change and learn and learn to change. Unless the organization and its people change, it is not possible to cope up with turbulent time and build our future.

Today's illusions that power and authority can produce results are over.

The organization which is willing to take risks, pragmatic in nature, has definite purpose, clear direction and devoid of cookbook approach can sustain itself unpredictable/competitive environment.

Notes

Did u know? **Meaning Enhances Efficiency**

Today's illusion that power and authority alone can produce results are over. And in the present context, it is hardly conceivable to give orders without indicating the *how* and the *why* of what is being requested. In other words, meaning enhances efficiency.

In the eagerness to face the challenges of competition some of the organizations have forgotten the importance of building capabilities and focus their attention excessively on the performance. They are attracted to the management bandwagon of bookshelf and haphazardly introduce certain ideas which lead to more confusion/dilemma within the organization. Such casual approach of building competitive edge is not only disastrous, but also affects the bottom line.

Therefore we can say if an organization has to survive or sustain the current and future challenges of global competition, the only way is to adopt the Learning Path to Build capabilities and hence the importance of learning organization.

11.1 Creating a High Performance Learning Environment: The Leadership Challenge

The leaders of any large-scale organizational change quickly learn that it's not enough to develop a new and improved set of strategies, structures and work processes. Inevitably, those formal initiatives run headlong into stiff resistance from the "informal organization"— the deeply entrenched social fabric of the enterprise.

Consequently, change leaders face two alternatives. They can leave the existing culture intact, try to work around it, and then watch helplessly as their change initiative first stalls, and then collapses, Or they can roll up their sleeves and undertake the daunting task of reshaping the organization's values, beliefs and behavior in ways that support its new business requirements.

The ultimate goal, in our view, is to create a high-performance operating environment. Simply put, that requires aligning the business strategy with the working environment – the way people do their jobs, relate to their co-workers and interact with their customers. Of course, there's nothing simple about it, and with good reason; experienced leaders often observe that when it comes to organizational change, "the soft stuff is the hard stuff."

Why is it so hard to change the operating environment? The answer goes to the very heart of successful organizational change-the ability, over time, to significantly alter the perceptions, behaviour and performance of large number of people in pursuit of clearly articulated strategic objectives. Inspired strategies, creative organization designs and streamlined processes, by themselves, will not produce lasting change in the way an enterprise conducts its business. Profound shifts in organizational performance require fundamental changes in individual behaviour.

And yet, experience shows that most organizations, faced with the threats and demands of complex change, will focus on changing their strategy, structure and work processes but avoid tackling the operating environment. That's understandable; the immediate demands of running the business, responding to customers, complying with legal requirements, and meeting financial goals – all have an undeniable immediacy.

On the other hand, issues involving people and the operating environment somehow seem less critical, and are easily shoved aside in favour of more pressing concerns. Nevertheless, there's great danger in leaving the operating environment to linger on the back burner. All too often, the existing operating environment is replete with behaviour, attitudes and beliefs that undermine the change effort and make it inherently impossible to successfully implement the newly crafted strategy, structure and processes.

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Consequently, it is our view that creating a high-performance operating environment is, at once, one of the greatest opportunities and most difficult challenges facing leaders as they embark on fundamental organizational change. Toward that end, this paper explores:

1. ***What is it:*** A description of the operating environment and a discussion of why it has such a powerful impact on performance;
2. ***Implications for leaders:*** Principles for leading operating environment change;
3. ***How to change it:*** A description of specific interventions; and
4. ***Tactical issues:*** Some considerations that should influence the staging and timing of change initiatives.

11.2 Building and Leading High Performance Teams

A high performing team is every leader's dream. The leader of any team wants to build a team that want to achieve, that knows how to achieve and who enjoys getting better and better.

Did u know? **What is a high Performance Team?**

A high performance team is a group of individuals working together in harmony to achieve what others might think of as the impossible.

The following are the key steps for building and leading a high performance team:

1. ***Commitment:*** A team needs to have a sense of being a team, a feeling of cohesiveness. They get this from bonding and spending time together socially as a whole team.

   Example: Having a work lunch or evening drink. More elaborate after work activities are good, but not essential. What is important is that they get to know each other, to build respect and trust.

2. ***Aligned on Purpose and Vision:*** It is critical for any team to be totally aware of their shared team purpose and that they are all working towards achievement of shared goals. Each person knows where they fit, how their effort contributes to the shared goals. It is equally important that they internalise how their team purpose contributes to the business goals of the organisation, that they feel connected to the wider purpose. The more connected they feel to the business and to our Customers, the more motivated the team will be to achieve its goals
3. ***Setting Individual targets:*** It is the role of the leader to win the respect of the team, and to inspire them to achieve their goals. The team leader must give the team their direction forward. What do you want us to achieve? Why is this important? If we succeed, what will that feel like? What kind of team will we need to be to achieve our goals?
4. ***Effective Organisation:*** A good leader will know the strengths of each team member, and will use combined strengths to improve team performance. Running effective meetings is key to organising and to building the team. Set clear objectives for each meeting, and vary how you run the meeting to achieve your specific objectives.

   Example: One meeting could be a state of play of the workload, the next identifying blocks to success, a third a brainstorm session to generate new ideas, and a fourth process mapping to improve how we work with other departments.

5. ***Setting Short-term Goal:*** Always have both individual goals and team goals each month. Team goals should include both immediate workflow, and also working on goals to improve how the team works together. Goals should be achievable but stretching the team.

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6. ***Providing Feedback:*** Many leaders set goals and walk away. It is the leader's role to ensure there is feedback on the progress of the goals and on goal achievement. Vary how this is done each month. Try to make it interesting and fun. You can use graphs on the wall, or stars for each section of the goal achieved. You can ask the team how we could make feedback more motivating. Ensure you notice and praise extra effort or major milestones.
7. ***Team Motivation:*** An effective leader uses many different methods to motivate their team to achieve. The most basic foundation block is generating a 'can do' and 'how can we do it' ethos. The leader does this by modelling this behaviour, and by challenging team members to think in terms of solutions.
8. ***Rewarding Performance:*** A reward is simply a way of recognising success. The most motivating and effective rewards are simple, personal tokens of appreciation. Verbal praise is a reward; praise from a senior executive is even more rewarding.

Example: Providing tickets to their favourite sporting event will be highly appreciated.

Task Enlist some practical example of high performance teams in Indian organisations and their impact on performance management.

11.3 Organisational Culture and Performance Management

Culture is a term that is used regularly in workplace discussions. It is taken for granted that we understand what it means. In their noted publication In Search of Excellence, Peters and Waterman (1982) drew a lot of attention to the importance of culture to achieving high levels of organisational effectiveness. Like wider delineations such as national culture, an organisational culture may be generally described as a set of norms, beliefs, principles and ways of behaving that together give each organisation a distinctive character.

Notes A few aspects of organisational culture are:

1. overt and implicit expectations for the members' behaviour
2. specific customs within the organisation
3. in-group slang and language
4. an environment the group has created
5. certain values that group members invoke and sustain

Today's liberalized economic policy has opened up doors of a global market and pushed Indian industries into the global market. Globalization of market implies increase in the number of players, each one wanting to exploit opportunities available, grab and retain the target market share. This is a one rule game – "*Survival of the Fittest*". Winds of change are blowing almost with a vengeance and organizational development and renewal have to be one of the top priority activities of the management. Organization has to build on its strengths, eradicate the weaknesses and has also to become information based, if it has to sustain the global competition. In recent days organizations have recognize the fact that culture plays an important role in competitive advantage and long-term sustainability. Culture is no longer the concern of only HR professionals, but now has been gaining recognition at the top management level.

Building a Strong Organisational Culture

Notes

Building a strong performance culture facilitates the organisations in improving the performance and financial results of the organisation. A strong culture is development oriented, which emphasizes flexibility, readiness, and adaptability in the face of change and puts a high value on organizational growth. Moreover, a strong organisational culture needs to anticipate the changes in advance to produce better financial performance. Performance depends on many variables, and may therefore be found to be very high in organizations with weak cultures. Therefore, organizational culture needs to be adaptive to respond effectively to changing performance requirements.

Notes **Key Essentials of Building a Strong Culture**

1. Aligning culture with organizational objectives and strategy
2. Changing culture to drive performance
3. Benchmarking culture against excellent and successful organizations
4. Going beyond being a best employer to become a best performer
5. Assessing culture quickly and simply
6. Combining culture with other initiatives to drive performance
7. Understanding the role of top management in building culture
8. Engaging employees through culture
9. Using a positive culture to sustain performance in time of major change
10. Building trust inside and outside the organization with a positive culture
11. Developing a culture that respects and celebrates diversity

Case Study

TATA Performance Management System

Introduction

Ensuring Development and Growth of Employees (EDGE), is what Tata Steel's Performance Management System aims at. In the past, the Performance Management System was regarded only as a tool to evaluate and reward good performance. The understanding and use of the system has today undergone a paradigm shift with emphasis on individual development and growth, in addition to performance.

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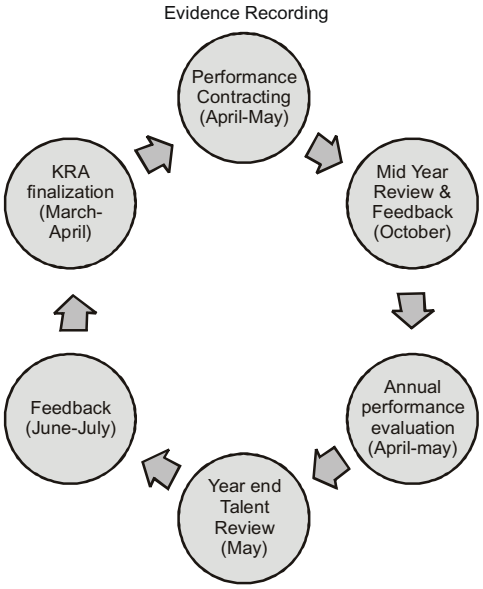

Figure 1: Edge Cycle

Success will depend on how we communicate the expectations, understand the needs of employees using the performance management system and address them subsequently. This alone will bring about the distinctiveness needed to achieve high performance standards throughout the organization. Once in place, it will serve as a unifying force in unleashing people's potential and providing Tata Steel the competitive EDGE.

Elements of Edge

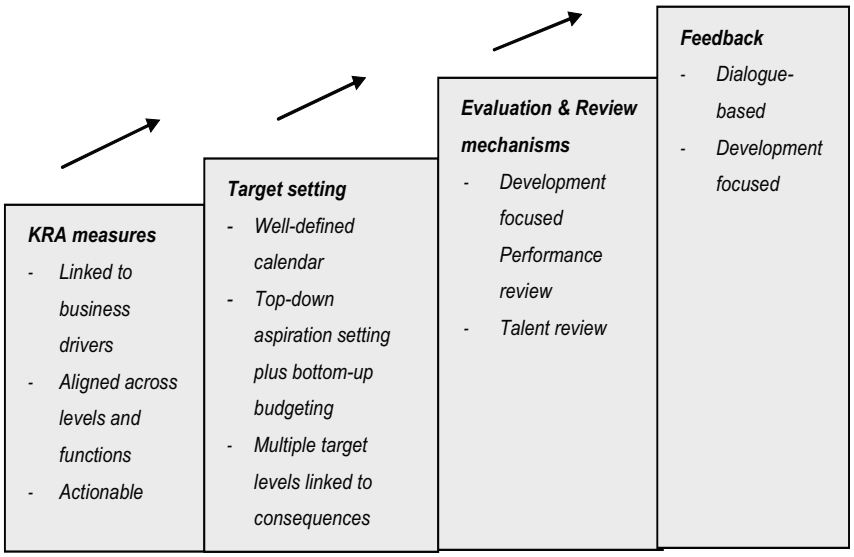

Figure 2: Elements of EDGE

KRA measures are the key focus areas to which an officer is accountable to and has to deliver during the year apart from his/her normal deliverables. KRA measures are identified by cascading the Annual Business Plan and the Balanced Score Card of the respective Department/Division.

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Key Aspect of KRA Measures

1. KRA measures are cascaded from relevant scorecards and ABP
2. A maximum of 8-10 KRA measures needs to be defined for each manager (with indicative weightages attached to ensure prioritization)
3. Clear measurement tools outlined for all KRA measures

Weightages against KRAs

All KRA measures should have weightages assigned to them totalling to 100%. There should not be any KRA which has less than 5% weightage.

Performance Contracting

Once the KRA measures have been identified, the next step is Performance Contracting. It is the process of arriving at targets against each KRA measure through the process of discussion between officer and superior to agree on the rating scales and qualitative grids.

Performance contracts lists down the agreed KRA measures between the superior and the subordinates.

The KRA measures are mentioned under the following five areas:

1. Finance
2. Customer
3. Internal Business Process
4. People Development
5. Special Projects

Note: KRA measures are mentioned in the applicable areas only in case any of it is not applicable.

In case of dual reporting relationship, the document is also discussed with the dotted line/functional superior. There may be certain deliverables, which the functional superior may wish to include in the document. All such inputs are taken by the solid line/ current superior before finalizing the document.

Evidence Recording

Evidence recording is the process of documenting information or observations related to a subordinate's efforts/activity by superiors.

Need for Evidence Recording

1. To substantiate objective and meaningful feedback to subordinates (feedback could be related to very specific dimensions of performance or very generically related to once or more competency. This way the superior is able to initiate the first activity of his subordinate's development i.e., identification of development needs).
2. To aid in objective and meaningful individual case preparation for talent review (during Talent Review, the superior is not only required to present the evaluation ratings but also needs to defend these when they are challenge and discussed).

Responsibility for Evidence Recording

Responsibility of evidence recording will rest with the immediate superior (who is closely observing the subordinate's performance.)

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Process of Evidence Recording

The most common method for workplace assessment is observation of performance and making note of the person's work or demonstrated behaviour. The format for Evidence Recording provides two sheets per person: one for favourable and the other for unfavourable ones.

Mid-year Review

1. The mid-year performance reviewers take place in the month of October.
2. Mid-year review is done by the immediate (solid line) superiors.
3. Inputs from the functional superior is also taken into account.

Mid-year review serves the following purpose:

1. The objective and focus of the mid-year review is primarily feedback and
2. Review of performance contracts and performance against KRAs.
3. Resolve bottlenecks
4. Preparation for the final end year review.

Performance evaluation is an annual exercise conducted in the month of April/May. The exercise aims at evaluating performance of an officer in the manner which

1. Provides for basis of improvement in employee performance
2. Provides the organization with structured record of employee performance
3. Serves as one among various inputs for career development and rotation decisions
4. Provides input for compensation decisions.

Apart from the above, the superior also gives his/her recommendations are made on a 5-point detailed scale on both performance and potential. The evaluator is also categorized as functional expert if he is considered to be domain expert of his/her functional area.

Process of Performance Evaluation

The process of annual performance evaluation starts formally during March and is captured through a structured performance evaluation form. The form has following parts:

PART-A: Self-evaluation

PART-B: Superior's evaluation

PART-C: Performance and potential categorization and classification into functional Expert

PART-D: Feedback (evaluator's comments and performance summary and Evaluatee's comments).

The process starts with the self-appraisal/evaluation. The respective filed HR managers hand over the evaluation forms to the superiors. The person evaluating performance of his direct reports (Solid-line reporting) is an evaluator. Evaluator is the current superior of the evaluate.

In case of dual reporting relationship, rating should first be done by functional superior on a separate sheet, which will be an input for final rating by the Evaluator. A blank copy of Part-B may be used for this purpose. Similar procedure is applicable for obtaining ratings from previous superior in case of transfer during the appraisal period.

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Talent Review

Talent review is a mechanism, which provides a platform for a focused, fact-based and comprehensive discussion by a panel of higher level executives on performance, potential and development of group of subordinates. The whole process puts spotlight on performers and identifies high performers (listers) and under performers. For the unit, it helps in identifying talent gaps and any challenges affecting the talent pool e.g., development shortfalls, retention problems.

Talent Pools and Review Groups

Review Groups: Set of superiors who are presenting/discussing the cases of their subordinates. The review group members collectively assess individuals and assess performance and potential categories. They take key development and reward decisions for individuals and resolve all unit related issues such as high attrition, talent gaps, etc.

Talent Pools: Set of officers whose cases are being presented and discussed. The talent pools will be formed along the business lines impact level wise with adequate functional inputs.

Participants in the Talent Review Process

Presenter: Presents the case of employees reporting to him/her. Each member of the group will have responsibility of a set of cases.

Chairperson/Owner: Facilitates/co-ordinates the review group. Typically, a person to whom all review group members report.

Guest Invitee: This is optional. The chairman may call a guest invitee. They normally provide external perspective on employees e.g., functional superiors. A guest is typically the superior of the chairperson who is present toward the end of the review meeting to ensure cross calibration.

HR: It is the HR that facilitates the Talent Review discussions. They help presenters prepare the cases of individuals.

Key Features of Talent Reviews (Inputs and Outputs)

1. The annual evaluations have recommendations on performance and potential of officers, which are discussed and vetted in the Talent Review.
2. The final performance and potential category serve as two main inputs to that Talent Review. Each superiors who is a part of the review group is expected to go prepared with a case before discussing his/her subordinates during the talent reviews.
3. The cases have details of past performance, potential, strengths, areas of improvement, evidence to support judgements and any other details which may be useful for taking decision on officer's performance and development.
4. The review group decides the performance and Potential categories of the officers in review pool.
5. The performance categories are finalized after debating and discussing the officer's performance and other areas of contribution by way of relative comparisons and cross calibration.
6. Once performance and potential categories are decided, officers are then placed on performance-potential matrix to decide their classifications as lister, potential star, solid performance, etc. All development and rotation decisions are based on these classifications.

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Notes

7. Apart from performance and potential categorization, an officer is considered to be a domain expert. (Functional Experts are selected few officers who are considered to be domain experts of their functional area and their expertise is valuable for the department and the organization. Such expertise is difficult to build up).
8. The output is captured in form of a report for each officer. This captures the key highlights of the Talent Review decisions and discussions on the officer.
9. The Talent Review group at the end of the meeting is expected to adhere and arrive to a desired distribution/spread which are given as guidelines to all superiors during the start of annual performance evaluation exercise.
10. It is at the time of Talent Review that a detailed Executive Development Action Plan is made for all listers. For others, it is made offline by respective superiors with the help of HR managers.
11. It is after the Talent Review that the PDP process is also initiated.

Feedback

The feedback captures the following points:

1. The evaluator rating and the final performance and potential categorization. In Overall performance summary, key strengths, development needs and issues to be addressed next year.
2. Key decisions and discussions during talent review.
3. Once the evaluatee has received the feedback, he is required to sign the document and give his comments.
4. It is after the feedback, that the annual increment letter is handed over to the officer (evaluator).
5. The letters are handed over even in cases of disagreement/ specific issues but with a commitment that the issue will be handled and sorted out at the earliest within a months time). In such cases, the evaluatee may choose not sign the evaluation form and may sign only after being fully satisfied.

Performance Ethic Programme (PEP)

Four Pillars of PEP

1. Performance Ethic Programme in Tata Steel was based on the four pillars. The total process of restructuring in TISCO brought down the levels from previous 17 to existing 5. The organization identified five major "impact levels" as IL1, IL2, IL3, IL4, & IL5.
2. These impact levels were identified by the qualitative contributions and their direct impact on the performance of organization.
3. Competency assessment is to have more transparency and authenticity. Assessment process included both for 'managerial competencies' and 'functional competencies'. Authenticity to be further strengthened by facilitating reassessment by validation, revalidation and even cross-validation of scores.
4. Jobs are to be identified and positioned according to their work content and impact levels. Matching managers against the jobs would do whole matching process. Ensure positioning the right person on the right job.
5. Strengthen the HR processes by clearly addressing the softer issues. HR uplift to be achieved by professional and upgraded HR support, target specific recruiting events and communication, individual action plans for development, consistent criteria and process for termination etc.

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Success levers say that clear HRM philosophy/strategy with clear responsibilities, that are implemented with effective measures should be Specific, Consistent, Thorough and Continuous

Personal Development Plan (PDP)

The PDP outlines the developmental initiatives to be taken to improve functional and managerial competency of the individual. It addresses current needs as well as future needs using both on-the-job and formal Training methodologies.

Key Features of the PDP

1. It focuses on 2-3 most important competencies to be developed during the year.
2. It outlines the activity plan for the year to address those 2-3 competency needs.
3. It creates alignment in the thinking between the individual and the superior and makes both their developmental responsibilities clear.
4. It makes menu of Development activities available on PDP Toolkit.
5. Under PDP the HR manager/line manager guides in selecting the most appropriate development option.
6. It provides greater support to help people in their learning.

PDP Implementation

Process

1. Discussion between superior and subordinate
2. Managerial and Functional Need Identification
3. Both off-the-job and on-the-job development

Responsibility

1. Superior facilitated (by HR)

Compliance and Monitoring

1. Regularly by superior
2. Mandatory Review by HR

Timelines

End February

A good PDP should have operational and tactical focus and compliance.

Reflection

Multi Rater Feedback

Overview

Reflection, as the name suggests, is exactly what this exercise of Multi Rater Feedback (MRF) is. It aims at providing a comprehensive reflection of one's own self and thereby presenting to an individual a better understanding of his/her work and behaviour styles and development areas. The feedback arrived at is objectives as the responses are given by a cross-section of people with whom he/she has interacted. It also provides a different perspective on the skills, attributes and other job relevant characteristics and thus helps to build a richer, more complete and accurate picture than could be obtained from any single source.

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The Process

For each individual, the feedbacks are collected through a questionnaire. The questionnaire is sent to a fixed number of randomly selected respondents from the list of names we receive from you. These respondents are classified into the following categories – Self, Superior, Subordinates, Peers and Customers.

The Questionnaire

The questionnaire presents series of behaviours for rating and some narrative response questions.

The questionnaire includes a few statements on each of the competencies identified for Tata Steel. In addition, feedback is also be taken on some other important behavioural attributes which are considered important at work.

There are two open-ended questions at the end which you will also have to respond to.

Feedback (What will you as a respondent have to do?)

You will have to consider each behaviour under the various heads in the questionnaire and reflect on your observation of the person for whom you are filling the form (self if you are giving feedback for yourself) in the working environment. You need to rate each statement on a 4-point scale. Your response should not be guided by one or two incidents during your interaction with the concerned person, but should be based on a thorough analysis of the previous year's interaction and experience in an ideal scenario.

In case, you have not observed any behaviour during the course of your interaction, you can mark your response as "Not Applicable" or "Not Observed".

The Rating Scale

The rating scale is defined as follows:

"To what extent do you agree that each statement accurately describes her/his characteristic behaviour?"

Rating Scale

Not Applicable/Not Observed

Almost Never/To Limited Extent

Just Sometimes/To Moderate extent

A Lot of Times/A Great Extent

Almost Always/To a Very Great Extent

Sending the Form

Once filling up the questionnaire is completed, it is sent as suggested to HRS.

Final Report

Once all the Reflection (MRF) forms from all the respondents are received, a formal report will be sent after analysing the feedbacks.

Confidentiality and Anonymity

Needless to mention, that one need not give any personal details. Confidentiality and anonymity will be maintained all throughout the process.

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Job Rotation

In TATA STEEL, job rotation is positioned to give employees developmental experiences. For officers it helps to.....

1. Perform more effectively in their present position.
2. Prepare for positions of greater or different responsibility
3. Support individual professional development by offering a range of learning

Guiding Principles: Job Rotation in Tata Steel

The objective is of developing expertise in management and technology both.

1. Reaching the top layers of the organization will require sufficient grounding and experience in both technical and management skills.
2. The Tata Steel Job Rotation system will aim at balancing the needs of the organization with the strengths and interests of the individual.

The development action plans will capture rotation details for officers.

Format-1: Development Plan for Listers

Detailed career plan on the officer's movement/development with justifications, whether the person is being groomed for a particular leadership position, or is being rotated to acquire in depth knowledge in the domain area, or is being rotated to a specific group to develop his business perspective, etc.

Format-2: Development Plan for Others

For others, i.e. potential stars, solid performers, under-performers and strugglers, the decision will be taken offline by the concerned chief/head along with the respective field HR. This decisions will be consolidated in a separate format.

The respective field HR and the heads will ensure that approximately 15% officers are rotated/transferred every year.

Rotations to out locations will be an overriding practice in all PC/CCs. All PC/CCs will recommend around 2% officers for rotations to out locations HR will consolidate and finalise the rotations to out locations.

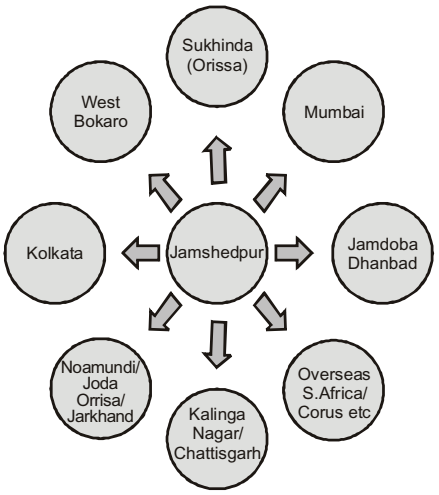

Figure 3: Rotations

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Notes

Potential Category will be one of the inputs to the Talent Review

Very High Potential (5)

Has potential and is capable of taking up responsibilities much above his current level. Has broad professional skills, aspires to higher level challenges and opportunities. Business perspectives much beyond current levels.

High Potential (4)

Capable of taking up responsibilities above his current level. Has reasonably good business perspective. Demonstrates potential to reach the next level in a year. However, progress beyond that level is difficult to predict now.

Some potential (3)

Has potential to handle expanded responsibilities at the present level. Has a business perspective appropriate for current position. Demonstrates potential to reach the next level, maybe in two to three years. However, progress beyond that level is difficult to predict now.

Yet to demonstrate (2)

At or near capacity in the present position. Progress beyond the current level is difficult to predict now. Will have to continue in the present position for some more time.

No Potential (1)

Just meets the expectations.

Job Rotation in Tata Steel is Different for Different Categories of Officers

Fresh Recruits: Irrespective of their area/function of work, all fresh recruits should be rotated at least once and preferably twice in five years from the year he/she has joined. This rotation should preferably be in the same PC/CC. All chiefs and heads of respective department will be responsible for all such moves.

While taking decisions on rotations it should be ensured that an officer has been stationed in his pervious position for a minimum period of one year.

Officers with more than five years of experience within or outside Tata Steel: Such officers will figure into one of the five-performance/potential category (PP Matrix) during Talent Review (Lister/Star performer, Potential Star, Solid performer, Performer and C-Player/ Struggler)

Job rotation decisions will accordingly flow based on the category.

Listers: Listers may be rotated within two to three year's time though a structured career plan. The objective should be to expose them to varied work situations so as to develop and keep the talent pipeline full.

Areas to which they can be exposed will largely depend on the cluster/position they are being groomed for.

Example: Post-talent Review, if an IL3 person is identified as a lister and the group feels that he is a possible business leader and can be groomed to take up a responsible IL2 position of a business unit head, his rotation plan will accordingly be prepared.

Listers: The possible career moves of a lister can be broadly into the following areas;

1. Operations
2. Technology

Contd....

Notes

3. Maintenance
4. Marketing
5. Sales, Engineering
6. Specialised functions (HR, F&A, Legal, IT, TOP, etc.)
7. Administration and General Management

The period to be spent on such possible stations would be decided during the Talent Review as a part of the plan.

Potential Star: Such officers should be rotated in the same function once in 5 years. Such officers may also be cross-functionally exposed for 2-3 years to some task forces or assignments or areas like Business Excellence, HR Implementation, TOP, etc.

Conclusion

The HR processes practiced in Tata Steel are very robust and some of them are even benchmarks in the industry. In an organization with around 4,500 executives, the deployment of the processes in their true spirit is an issue, which needs to be addressed. If we want to achieve the desired deliverables of the processes we need to ensure that the processes are implemented uniformly and in totality across the various departments in the organization.

The study of the deployment level has brought to the fore those departments where the processes are deployed properly and pinpoints areas where the deployment needs improvement. Moreover, it also reflects the deployment across the impact levels. The project further highlights the elements within the processes that are not being strictly adhered to and are adversely affecting the deployment of the process.

The analysis of the deployment levels shows that the processes are deployed relatively better in CSI, FP and Shared Services. However, deployment needs to be more focused in Tubes and LP. However, the deployment of PMS is highest in Tubes.

Among the processes, deployment of PMS is the best followed by PDP. In PMS, mid-year review of the KRAs needs to be addressed immediately. In PDP, there has to be a regular dialogue between superior and subordinate while filling up the PDP. PDP deployment is largely affected by the deployment of training programmes. This brings to the fore the issue of on-the-job training, which is alarmingly miserable.

MRF is an extremely useful process which aims at providing a comprehensive reflection of one's own self and thereby presenting to an individual a better understanding of his/her work and behavioural styles and development areas. It needs certain improvements in terms of identification of the people from whom the feedback is to be taken.

The company needs to come up with a more comprehensive and extensive system for ensuring job rotation to provide growth avenues to the executives. Among the impact levels the processes are deployed best at IL3, followed by IL5 and IL4.

With a little improvement in monitoring mechanism and a proactive approach towards implementation of the processes, most of these issues can be taken care of.

This will reflect HR's vital role across HR processes, delivery, systems and performance improvements, thereby contributing to Business Excellence.

Question

Make a discussion on job rotation in Tata Steel.

Notes

11.4 Summary

- Organizations cannot stay/sustain the pressure of competition unless environment ignites creativity, conserve/nurture ideas and translate the ideas into action.
- The leaders of any large-scale organizational change quickly learn that it's not enough to develop a new and improved set of strategies, structures and work processes.
- A high performance team is a group of individuals working together in harmony to achieve what others might think of as the impossible.
- Culture is a term that is used regularly in workplace discussions
- Building a strong performance culture facilitates the organisations in improving the performance and financial results of the organisation.

11.5 Keywords

High performance team: A high performance team is a group of individuals working together in harmony to achieve what others might think of as the impossible.

Organisational culture: Organisational culture may be generally described as a set of norms, beliefs, principles and ways of behaving that together give each organisation a distinctive character.

Performance Culture: It refers to an organisational culture where performance is one of the core value.

11.6 Self Assessment

Fill in the blanks:

1. A ..... is a group of individuals working together in harmony to achieve what others might think of as the impossible.
2. An ..... may be generally described as a set of norms, beliefs, principles and ways of behaving that together give each organisation a distinctive character.
3. Building a strong performance culture facilitates the organisations in improving the performance and ..... of the organisation.
4. A strong culture is ..... .
5. ..... should be such that it encourages team working, ownership of problems, risk taking or entrepreneurship, and orientation towards continuous improvement.
6. ..... should include both immediate workflow, and also working on goals to improve how the team works together.

State whether the following statements are true or false:

7. Change and learning are built right into the same fabric.
8. A team needs to have a sense of being a team.
9. Running effective meetings is key to organising and to building the team.
10. Performance depends on a few variables.

11.7 Review Questions

Notes

1. Why it is important for HR professionals to make pre-assumptions of organisational change?
2. Why has high performance team assumed importance in recent past?
3. Is there any relation between the organisational culture and performance management?
4. Why is it so hard to change the operating environment?
5. How does the operating environment affect performance?
6. How does a leader take their group and turn them in to this high performing team?
7. "A team needs to have a sense of being a team, a feeling of cohesiveness." Discuss.
8. "Change and learning are built right into the same fabric." Discuss.
9. Building a strong performance culture facilitates the organisations in improving the performance and financial results of the organisation. Give some industrial examples to support the statement.
10. Organizations cannot stay/sustain the pressure of competition unless environment ignites creativity, conserve/nurture ideas and translate the ideas into action. Discuss.

Answers: Self Assessment

1.	high performance team	2.	organisational culture
3.	financial results	4.	development oriented
5.	Corporate culture	6.	Team goals
7.	True	8.	True
9.	True	10.	False

11.8 Further Readings

Books

Aubrey C. Daniels, *Bringing out the Best in People*, 2nd edition, McGraw-Hill, 1999.

BD Singh, *Performance Management Systems*, Excel Books, New Delhi.

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Dixit Varsha, *Performance Management*, 1st edition, Vrinda Publications Ltd.

Herman Aguinis, *Performance Management*, Pearson Education, 2007.

Kevin R Murphy, *Understanding Performance Appraisal: Social*, Jeanette Cleveland.

Routledge Taylor and Francis Group, *Journal of Organizational Behavior Management*, Published Quarterly, 2009.

Tapomoy Deb, *Performance Appraisal and Management*, Excel Books, New Delhi.

Thomas C. Mawhinney, William K. Redmon and Carl Merle Johnson, *Handbook of Organizational Performance*, Routledge. 2001.

Online link www.managementhelp.org

Notes

Unit 12: Performance Management Linked Reward System

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Objectives

After studying this unit, you will be able to:

- Describe the concept of performance based reward system
- Explain the components of reward system
- Analyse linkage and implication of performance management linked reward system

Introduction

Performance management is concerned with creating a culture in which organisational and individual learning and development are continuous process. It provides means for integration of learning and work so that everyone learns from successes and challenges inherent in day-to-day activities. The desire to enhance performance is making ever-greater demand on the knowledge and skills of the workforce and on the people, who carry a much greater responsibility for their own performance. Performance and results are important but concern for people, their well-being and fairness of treatment is equally important.

If organisations want to attract high performers and retain and motivate the high performer, they have to be willing to reward excellent performer highly. This requires abandoning traditional pay structures and practices in which the best performers are only paid a little more than average and below average performer. In today's new economy, companies have to invest money in human capital in order to make them.

12.1 Performance Management and Reward

Notes

According to Lockett (1992) "the essence of performance management is the development of the individuals with competence and commitment working towards the achievement of shared and meaningful objectives within the organisation, which supports and encourages the achievement." Performance Management is a process which is designed to improve organisation team and individual performance – it is shared/participative process, an integrating process – based on agreements on accountability, measurement and Review, feedbacks, development and improvements on continuous basis.

Notes Some Safeguards before introducing Performance Pay

1. Criteria for measuring performance of work and contribution to company needs to be developed, communicated, understood and accepted
2. Clarity in setting target/results for measuring performance
3. Regular/Periodic Feedback on Performance
4. Reward System/Performance Pay on line with desired target/result to be achieved
5. Appropriate ratio in pay which is subject to performance
6. Need for a periodic evaluation of the scheme
7. Need to recognise that performance when influenced by factors outside control how will they be evaluated (Exchange rates, recession, sudden spurt/fall in demand)

The challenges before compensational reward system are to attract the right kind of human capital and to motivate it to develop and perform in the way that increases shareholders value. Unless their reward and compensation system accomplishes these two objectives, most organisations cannot be affected in a highly competitive business environment. Simply spending large amount of money is not enough; the money must be spent in ways that attract, retain and motivate the right people.

Creating reward systems that focus on excellence and treat employees as human capital investors requires a major change in the way most systems operate. Reward system generally treats employees as jobholders and how well they perform their jobs. Viewing them as human capital investors suggests a different approach to rewards in two respects. (1) It suggests basic reward on the value of human capital that people bring to organisation. What their job is at a particular moment is much less important than the value of their knowledge and skills. (2) It suggests rewarding people according to how effectively they use their human capital – their knowledge, skills and competencies – to help the organisation improve its business performance.

Creating reward system that recognises the value of human capital and reward performance excellence is not easy. It requires a total departure from traditional compensation system and a careful articulation of existing reward system, business strategy, organisational design, information systems, etc.

Designing performance linked reward system is conditioned by a variety of factors; such as, nature of business, type of technology, the attitude of unions, and human resource strategy of organisation. Therefore, no standard model can be recommended. It has to be customized.

Notes

Caution Performance linked reward systems reduce labour cost, result in increase in real wages and motivate performance. They provide a method of observing cost escalation on account of pay increase and thus, help in sustaining the competitiveness of the organisation.

It has been increasingly realised that performance related pay if used in isolation, may have little impact on motivation for performance. Appropriate conditions have to be created in the organisation for performance linked reward system to be motivationally effective. These conditions will involve, for instance, proper information, proper consultation, proper communication, proper training and development of the employees, developing a proactive attitude and performance-oriented culture, providing non-monetary incentives and evolving an efficient management performance.

Employee's performance depends on mainly three factors – skill, knowledge & motivation:

Employees performance= f (SKM) + External Environment

Where,

S = Skill & ability to perform task

K = Knowledge of facts, rules, principles & procedures

M = Motivation to perform

12.2 Components of Reward System

The key elements of an organisation's reward system can be categorised as follows:

1. ***Financial Reward:*** Financial rewards include the direct monetary rewards in terms of cash for their work and achievements.

   Example: Salary, wages, incentives etc

2. ***Non-financial Rewards:*** The non-financial reward contains many of the reward components that behavioral scientists have been describing for the past 50 years as critical for improving workplace performance. Non-financial rewards can be in form of:

   (a) *Enhanced Dignity and Satisfaction from Work Performed:* Possibly the least costly and one of the most powerful rewards an organization can offer to an employee is to recognize the person as a useful and valuable contributor. This kind of recognition leads to employee feelings of self-worth and pride in making a contribution. Few people want simply to be given something. They would much prefer to know that through their own efforts, they have earned and deserved rewards. Every compensation and non-compensation reward component should carry with it the message. "we need you and appreciate your efforts."

   (b) *Enhance Physiological Health, Intellectual Growth and Emotional Maturity:* Considering the number of hours a person spends on the job, on travel to and form the work site, and off the job in attempting to resolve job-related problems frequently receive minimal attention until a serious problem occurs. Once this happens, however, it overrides all other employee concerns and activities. Modern health practices recognize the direct relationship between the physiological health and intellectual and emotional well-being of each individual.

   (c) *Promote Constructive Social Relationships with Coworkers:* An old adage states that "One man is no man." Although there are constant reminders of what one dedicated

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person can achieve, there are even more reminders that one human alone is weak. However, with concerted action, people can accomplish almost anything. In this world of extreme specialization, people need and rely on other people more than ever. One of the most valued rewards gained from working is the opportunity to interact in a socially constructive manner with other people – to enjoy the comradeship of work-place associates.

(d) *Design Jobs that Require Adequate Attention and Effort:* Over the past 40 years, organizational scientists have discussed at length the problems arising boredom related to work assignments that were developed in the last quarter of the nineteenth century. Jobs were designed so that workers could be taught quickly how to perform a few highly repetitive tasks. Workers then were required to perform these few tasks for as long as they remained on the job. What first appeared to be an efficient way of melding human resources with machine technology proved to have serious drawbacks.

(e) *Allocate Sufficient Resources to Perform Work Assignments:* Requiring employees to perform assignments for which they have neither the knowledge nor the skills opens the door for problems. Not only is the organization likely to suffer because of outcome failures, but employee job-related interest and satisfaction are apt to break down because of the likelihood or inevitability of failure. Most employees seek a sense of accomplishment from their work. They want some degree of challenge, but they also want to feel reasonably, sure that they can succeed.

(f) *Grant Sufficient Control over the Jobs to Meet Personal Demands:* From the 1950s to the present time, behavioral scientists have discussed the need to grant employees greater opportunity to participate in organizational decision-making processes. One problem with this participation concept is that organizations are composed of all kinds of people with all kinds of decision-making desires. Some people simply want to be told what to do, to be shown what is an acceptable level of performance, and then to be left alone to do their jobs. A few people in every organizational want to tell top management how to run the organization. Between these two extremes is a wide variety of demands for a greater voice in determining how to perform assignments.

(g) *Offer Supportive Leadership and Management:* This dimension is difficult to separate from all other non-compensation rewards, but it is so important that it must be recognized as a unique dimension of the non-compensation rewards and not just a component of the other factors.

12.3 How to Link Performance with Compensation?

A performance appraisal system is often the link between rewards employees hope to receive & their productivity. The linkage can be thought of as follows:

Caution Productivity — Performance appraisal — Rewards

Performance-based compensation affirms the idea that pay raises should be given for performance accomplishments rather than for seniority.

Did u know? **What is variable pay?**

Pay for performance is also known as variable performance linked pay or contingent pay.

Notes

Where a performance-oriented philosophy is followed, organizations do not guarantee additional or increased compensation simply for completing another year of organizational service. Instead, pay and incentives reflect performance differences among employees. Employees who perform well receive larger compensation increase; those who do not perform satisfactorily see little or no increase in compensation. Thus, employees who perform well receive larger compensation increases; those who do not perform satisfactorily see little or no increase in compensation. Thus, employees who perform satisfactorily, advance in relation to market compensation levels, whereas poor or marginal performers may fall behind. Also, bonuses are determined on the basis of individual, group, and/or organizational performance.

Few organizations follow totally performance-oriented compensation practices. However, in the midst of organizational restructuring occurring throughout many industries, organizations look for compensation systems that break the entitlement mode. Even in the public sector, some organizations have recognized the need to shift toward more performance-oriented re-organized compensation practices. How fast the shift occurs, given the traditions and the strength of public-sector unions, remains to be seen.

A performance orientation requires a variable pay approach in which pay goes up or down based on a measure of performance. Not everyone in the same job will be paid exactly the same, and not everyone will like the approach.

Notes **Traditional Compensation Approach vs. Total Rewards Approach**

Traditional Compensation Approach	Total Rewards Approach
Compensation is primarily base pay	Variable pay is added to base
Bonuses/perks are for executives only	Annual/long-term incentives are provided to executives, managers, and employees
Fixed benefits are tied to long tenure	Flexible and portable benefits are offered
Pay grade progression based on organizational promotions.	Knowledge/skill-based broad bands determine pay grades.
Organization – wide standard pay plan exists	Multiple plans consider job family, location and business units

12.4 Implications of Performance Linked Reward System

Four main questions in relation to reward system are:

1. Who should be rewarded?
2. What rewards should be given?
3. How should assessment be done for deciding the rewards?
4. How rewards should be given?

We shall discuss each issue with examples of practices in the Indian organizations.

12.4.1 Whom to Reward?

Rewards are symbols of appreciation and recognition. Rewards reinforce what the organization values and wants to be strengthened. So, almost every one related to the organization can be covered by the reward system.

Notes

1. ***Individual Employees:*** Individuals showing exceptional behaviour and high performance should be rewarded. Individuals are being rewarded by all organizations that follow a reward system. Variable pay is one type of reward. We shall discuss below individual rewards under other aspects of reward system. Probably about 20% managers are likely to get rewards.

Example: Performance at Polaris is categorized into four levels: Premium, Outstanding, Competent and Learning. These are indexed to the 90th, 75th, 50th and 25th percentile. "The Premium Performers are at the top end of the industry, and that is consistent with our policy of institutionalizing meritocracy at all levels of the company." Among the rewards schemes at Polaris are Konark, aimed at identifying potential leaders and encouraging the "cream to float to the top".

Example: At Cognizant "statistically speaking, the top performers have progressed about 70 percent quicker, and have received cash award up to three times higher than the others in the organization. That pretty much sums up our performance ethic."

2. ***Teams:*** As already stated, individuals work in teams, and the organizations need strong, cohesive, competent and self managed teams. Therefore, in future more and more rewards should be given to teams. Teams need to be empowered by giving high performing teams more autonomy and resources.

Example: In Tata Cummins, which runs operations through self managed teams of workers, each team is given money every month to use for raising the level of performance. Teams also include departments. High performing department should also be recognized and rewarded.

3. ***The Organization:*** Exceptional performance by the organization needs to be celebrated. Every one belonging to the organization then has a sense of pride.

4. ***Outsiders:*** Customers, suppliers vendors etc. can also be covered in the reward system.

Example: In Associated Capsules and Universal Capsules, outstanding employees chosen are asked to name any outsider, who in their opinion, has contributed to the business of the company in the last quarter. They may invite that person to the company's dinner and the Chairman writes the invitation letter to such persons. This is a very innovative way to recognizing external persons through internal people.

Example: At ICICI recognition extends to the employees' family as well: employees' children who excel in academics or extracurricular activities are recognized through scholarships and sponsorships.

12.4.2 What to Reward?

As already stated rewards are meant to reinforce desirable behaviour, high performance, values etc., whatever the organisation wants to be strengthened and promoted further. Some of the following aspects can be rewarded.

1. ***Performance:*** Performance needs to be rewarded, both of individuals and teams. Criteria of performance excellence and their weightage may be determined. The following criteria and weightage are suggested as an illustration.

Notes

2. ***Organizational level:*** Profit, market share, customer satisfaction, employee satisfaction, achievement index of one thrust area to be declared every year exceptional events like new product launch, export award, crossing a significant milestone etc. should be celebrated.

3. ***Unit/Department level:*** Internal customer satisfaction, innovations leading to efficiency, achievement-index-of one thrust area to be declared in advance, quality, culture building, team work, creativity, internal customer service, cost reduction, strategic initiatives, etc. Any of these could also become annual thrust areas or some other thrust areas could be declared by the organization or the unit/department like export, energy saving, wastage reduction, zero defect, safety, breakthrough in chronic problems. A few Chairmen's shields may be constituted, given each year to the units/departments/being judged as the best units for the year's thrust area, and other aspects to be promoted by the organization.

4. ***Speed and efficiency:*** Ericsson Falcon Award is given for Speed and efficiency to promote fast, urgent work pace with speed and efficiency. The Qualifiers are: Increase in efficiency; cost savings for the company; Earnings/rewards for the company. Demonstrated Behaviours for the award are:

   (a) Exceeds timelines consistently

   (b) Completes projects in record time

   (c) Always withstands pressures

   (d) Does not wait for assignments, decides what is needed to be done

   (e) Respond promptly to sudden/unexpected problems in own unit/department

5. ***Loyalty:*** When employees complete their first year with Hughes Software they are presented a watch; when they complete five year, they (and their families) are given a company paid holiday. Ernst & young also reward people who stay in the company in considerable time.

6. ***Innovation:*** Gujarat Gas gives "innovation helps" reward for an idea given by an employee who has resulted in cost reduction/improved efficiency. Philips Software Centre rewards innovation ₹5,000 for sending an idea to head office and $750 when it is filled for patent. So far more than 1,400 ideas have been filed and in the last two years 12 patents were granted. At Texas Instruments (India) Development Centre, employees feel that they really don't do peripheral work. This fact comes out quite clearly in the patent data. Over the last 16 years. TI's India centre has filed 225 patents out of India. That is more than two and a half times the next company on the list, IBM, which has 85 patents filed from India in 10 years.

7. ***At Ericsson:*** India Ericsson Innovator Awards are given for Innovation, Creativity and Functional Excellence. The purpose is to promote: Innovation, creativity and performance excellence; Initiative taking and doing an extra yard; a climate of experimentation and learning that focus continuously on new ways to create added value for customers and shareholders. Nominations for this award should consider visible and concrete value addition in the form of increase in revenue; increase in efficiency; cost reduction; functional value addition. The following are the demonstrated behaviors for this reward:

   (a) Uses opportunities to develop new and better ways of doing things.

   (b) Challenges the status quo.

   (c) Puts generated ideas into implementation.

   (d) Explores innovative and new ideas in problem solving.

   (e) Reflects on past experiences to learn.

   (f) Approaches problems in generally curious and open minded manner.

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(g) Is able to modify and use learned concepts or methods appropriately.

(h) Makes a different, original use of the existing information.

(i) Uses intuitive approach to develop new systems and procedures to increase efficiency; Stimulates creative ideas in others.

(j) Anticipates and prepares for problems that are not obvious to others.

(k) Does not stop at the firs solution.

(l) Thinks positively even when faced with obstacles.

(m) Encourages innovation around him/her.

(n) Uses tools like brainstorming to stimulate creativity around him/her.

8. ***Upholding values:*** Hughes Software gives formal award for adherence to company values. Ambassador award is given for values and Business Excellence. The award is given to promote: Human and business competencies which are mandatory for Ericsson employees, viz. Ericsson knowledge, customer orientation, communication, teamwork, negotiation, cultural awareness and approach to change; Ericsson values: professionalism, respect and perseverance; Ericsson wanted behaviors passion to win, dedication to customer success; fast, urgent, creativity, value adding teamwork. For the award Ericsson values and behaviors should be demonstrated in the following areas: Visible market or product beak-in; Achieving strategic contract; Successful customer partnership; Great enhancements in customer satisfaction. Demonstrated behaviors are:

   (a) Puts forth views influentially because of the deep insight in the matters.

   (b) Handles all customer situations with confidence

   (c) Shares knowledge, skills and experience in a clear, concise and open manner

   (d) Leads teams through difficulties by soliciting ideas and eliciting their co-operation.

   (e) Adapts to new challenges and is able to identify, accept and introduce changes in order to meet the future customer and market requirements.

   (f) Persists in face of difficulties.

   (g) Understands business situation and decision making process in client organization, by establishing contacts with key persons and reading the organization.

   (h) Exerts to get ahead, is enterprising and gets the job done.

   (i) Delivers promises with speed and a sense of urgency.

   (j) Understands on a strategic level, the relationship between finance/technology/ business areas of the company and uses it effectively in negotiating business deals.

   (k) Understands business situation and decision making process within customers' organization, by establishing contacts with key persons and building relationships.

   (l) Is able to take a decision even under high stress when the risks cannot be planned.

   (m) Understands how the customer gains profit from doing business with Ericsson.

   (n) Has knowledge of Ericsson's main competitors and their competitive strategies.

9. ***Technical Solution:*** Hughes Software holds employee poll for rewarding the "person with best technical solution".

10. ***Learning:*** Infozech Software rewards the personal achievement of the employees. For example employees who have cleared examination like; MCSD, MCSE, MCIP, MCDBA,

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CISCO certification, Sun certification, they are given a cash reward in the monthly meeting.

11. ***Good behaviour:*** Hughes Software holds employee poll to reward "the most warm and friendly person".
12. ***Sense of humor:*** Hughes Software also gives reward for the best sense of humour.
13. ***Teaching:*** In Hughes Software employee poll is also held for rewarding "the best teacher".
14. ***Publications:*** Gujarat Gas gives "the triumph" reward to an individual employee or the team who have come out with an in-house publication.
15. ***Event Management:*** Gujarat Gas also gives reward to persons involved in an event management without help of external agency.
16. ***Social Concern:*** RPG gives awards to people who have done something on social issues like riot relief or flood relief. RPG gives awards to people who have done something on social issues like riots relief or flood relief.

12.4.3 How should Assessment be Done?

A tricky question is how to decide who should be rewarded. In some cases the criteria may be quite objective (e.g. production, selling etc.). However, in most cases some judgment is required. Different ways are used to reduce subjectivity in decision making. One way is to have a team decision rather than individual choices. Various methods have been used as illustrated below. Discrimination of the head of unit/department should also be given importance in rewarding employees.

For Unit/Department level rewards, survey, instruments may be prepared for assessing achievement in the selected area. Other alternative arrangements may be to have Audit Teams for each aspect, whose recommendations may be sent to the apex team for finalization of rewards.

If audit is to be used for Business/Corporate function rewards, the top management may constitute two Audit Teams. One Audit Team may cover internal customer satisfaction, strategic initiatives, and the other Audit Team may cover culture/climate, team work, and subordinate development. The Audit Teams can utilize survey data, in addition to their on-the-spot visits. Audit Teams may develop their own guidelines. The teams may core the Units/ Depts. in A, B, C categories. The top management may nominate one of the six members as Chairman of the joint teams to finalise their recommendations.

For rewarding individuals some devices have been used to make it more objective. In Hughes Software employee polls are used to pick up individuals for rewards. When the management makes decisions in rewarding employees, people may doubt that management would pick up their favourites. Employee polling is free from this kind of bias. In NIIT the HR department organizes a poll for choosing best employee. Thirty names are chosen from the poll results and these employees become members of Presidents Forum. At Net Across one has to be nominated for the best employee by one of the department members. The information about the nominee, the criteria on the basis of which the person has been nominated, the projects he has undertaken and his accomplishments, competency etc. are displayed on intranet. And the best employee is selected after the polling. No cash rewards are connected with this.

Balance between Objectivity vs Subjectivity Performance Evaluation

Many workplaces use evaluations to decide which employees should advance. Many companies do quarterly or annual evaluations. Evaluations also help employees improve their performances

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by pointing out areas that are strong along with areas that need improvement. Depending on the workplace, it may be better to evaluate based on subjective or objective criteria or a mix of both.

1. ***Objective Performance Evaluation:*** An objective performance evaluation might focus on an easily measurable number, such as total sales. The "Performance Appraisal Handbook," published by the U.S. Department of the Interior, describes some ways to objectively evaluate employees. For example, employers could measure quantity of work. In this case, the "Performance Appraisal Handbook" describes quantity of work as "how much work the employee or work unit is expected to produce. Measures are expressed as a number of products or services expected."
2. ***Subjective Performance Evaluation:*** For some service jobs, a subjective performance evaluation, which looks at an employee's qualities not the quantity of work, might include how well a certain employee interacts with customers. While quantity of work can be easily measured, how well a certain employee interacts with customers cannot. Instead, such criteria rely on observations and opinions.

12.4.4 How do Organizations Reward?

Rewards are given to recognize outstanding work of individuals, teams (units and departments including) or other connected with the organization. It is important to communicate appreciation in public. Celebrating achievement in public boosts the value of the reward. Exceptional performance by the organization, crossing a milestone or launching of a new product etc. may be celebrated organization-wide with small gifts (the same to all employees, from the top to the lowest level). A team of 5 to 7 employees (or preferably their wives), from different levels and locations, may decide the gift to be given.

Based on the "performance" of the units/departments (all units/departments to be rated by a corporate committee as A,B,C), the units/departments may be given discretionary funds from the Reward Corpus, to be utilized to reward their employees. The recommendations made by the unit/department heads, along with justification, should be sent to the Corporate Rewards Committee. The rewards should be declared by the unit/department heads.

Individuals or team rewards may include monetary rewards, computers, family holiday plans, stock/share options, declaration in the newsletter, medals and certificates (to be given in a function by Unit/Department Head/CEO, also a person who collects four medals or so may be given some intrinsic/extrinsic reward), visit to other plants, visits abroad etc.

Survey of customer satisfaction, internal customer satisfaction and employee satisfaction, may preferably be conducted by internal or external team (say by short placement IIM/IIT/other institute graduates). Survey forms may be developed by a Task Force, reviewed and finalised.

1. ***Empowerment:*** One way to reward people is to empower them, giving them autonomy with support to act in relation to their work.

   One good example is the public sector undertaking, BPCL, which reorganised itself and gave more freedom to people in the field.

   Example: Territory managers in retail can award jobs up to ₹2 crore or take action against errant dealers. In Philips Software Centre 70-80% vacancies get filled by employee referrals. Wipro Spectramind has a programme CONTACT (Cutting Out New Talent Activity) for employee referral.

2. ***Recognition:*** Recognition is the greatest reward.

   Example: 1. Texas Instruments, rated no.1 Great Places to Work in India, recognizes people by electing them as TI Fellows, one of the highest steps on the technical ladder.

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2. "ATI Fellow is like being a Don at Oxford. Only 0.6% of the TI population is fellows. These are the chaps who are the 'brains' – people who help TI meet its most difficult technical challenges. Becoming a fellow is difficult. Your peers and seniors evaluate your work to see if you have been innovative in your thinking right through… Staying there is even harder. You are re-assessed every year. If you fall behind you can lose your fellowship as the total number cannot be more than 1% at any given time."

3. ***Career Growth:*** An excellent way to reward people is to provide career growth to deserving people.

Example: 1. In Federal Express an employee started as a receptionist, oved on to operations, and then to customer service. There each employee can tailor his/her career path.

2. Texas Instruments has a "technical ladder", communicating to people that it does not matter even if they want to remain technical gurus all their lives. They would still be rewarded on par with people who move into management. The tool is the "technical ladder'. It is a parallel career path to the management ladder.

3. Eli Lilly (India) career growth is promoted through cross-functional competencies. ELI recently introduced one of parent Eli Lilly's interventions – a technical competency model (TCM) – to help those employees who want to develop deep technical expertise and also want to progress in their specialized function. TCM was introduced after it was debated heavily in the cross functional teams set up to assess the pros and cons of the model.

4. ***Development:*** Developing people, raising their competence and qualifications is a great reward for them. Value is added to them, and their ability to carry higher responsibility increases. Several companies are increasingly investigating in employee development. Employees get more mobility and opportunities for career growth.

Example: 1. Texas Instruments have set up Development Centre, so have Aditya Birla Group, Gyanodaya, a learning Centre.

2. Johnson & Johnson have tied up with various business schools for MBA courses for deserving employees.

3. In Jindal Iron and Steel Company shop floor workers are routinely moved and trained. The company trains them before they are given a new function. They can get ₹10,000 allowance once in two year to pay for tuition fees. The result: productivity per worker has increased from 300 tonnes in 2000 to 575 tonnes in 2003.

5. ***Celebrating and Fun:*** As already discussed, rewards should be celebrated. This may be in many forms. Having a party is one of celebration. In fact, more and more emphasis is being given on developing fund and joy at work place.

Example: Wipro Spectramind has a budget of ₹150-200 per employee per month to have a party either on the premises or outside or a weekend party. The company also believes in immediate rewards. ₹25,000 to 30,000 a month are spent on on-the-spot rewards as watches, pens, caps, T-shirts, travel bags, etc. This is called Pragati initiative.

Task Discuss the reward system used in HDFC bank.

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Performance-based Compensation Structure in Crompton Greaves Ltd.

Introduction

This case study deals with the introduction of a Performance-Based Compensation (PBC) package in Crompton Greaves (CG) in 1994. After a thumbnail profile of the company, the rationale for introducing PBC, its objectives, the structure, the process, and learnings are discussed.

CG is the largest multi-technology, and multi-locational electrical products manufacturing private sector company in the country. It has a sales turnover of ₹17,000 millions and a workforce of 8,000 people. The company is headed by a Managing Director with four business groups and three functional areas at the corporate level.

The organization has broadly five layers of management:

1. Strategic Business Unit (SBU) and corporate functional chief-president
2. Multi-profit centre chief (in-charge of more than one profit centre)—Senior Vice President/Vice President/Sr. General Manager
3. Profit centre head – Sr. General Manager/General Manager
4. Departmental head – Dy. General Manager/Sr. Manager
5. Sub-departmental head/frontline supervisor – Manager/Asst. Manager

Over the years, several managerial designations have come into existence within the five layers of this hierarchical structure due to operational factors such as seniority, needs of the organization and needs of individuals.

Pre-requisites for PBC Schemes

For successful implementation, monitoring and evaluation of a PBC Scheme, there are certain conditions which should be met in the organization. The organization should possess the following:

1. A corporate culture of confidence and mutual trust.
2. An image of management, being one among employees of fairness and equity
3. Clear communication throughout the organization about the mission, values, vision, objectives and goals of the organization.
4. HRM processes that are adequately positioned, including non-monetary employee development systems.
5. A professional style of management.
6. A working environment that is conducive to give employees professional and personal space for functioning.
7. Above all, scheme that is "SMART", that is:

S	:	Specific
M	:	Measurable
A	:	Achievable
R	:	Realistic
T	:	Time-bound

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The raison detre for CGs PBC for Executives

Some of the major reasons for introducing a PBC Scheme for executives in CG are as follows:

1. The Government of India's decision to open up the Indian economy and markets for global competition made it imperative for the organization to make strategic interventions for gaining a competitive edge over other global players. The performance-based compensation scheme was introduced in the organizational efficiency.
2. CG's compensation package was not competitive compared to other leading organizations in similar business in the country.
3. The organization realised that to retain its competitive edge in the market and to achieve profitable and sustainable growth, it had to make certain HRD interventions to motivate the employees.
4. CG's business of telecom, information technology (IT) products, etc., one of its strategic business, had been incurring losses for quite some time. With IT emerging as a 'sunrise industry', the organization was finding it difficult to attract and retain talented professionals.
5. There was a distinct trend for rapid increase in executive remuneration in the country.

In the light of the above, CG made some critical HRD intervention. These included:

1. Restructuring and re-engineering of the organization.
2. Creation of Strategic Business Groups.
3. Redesigning the appraisal system to be compatible with the PBC Scheme.
4. Hastening the process for implementing Total Quality Management (TQM) and to bring the total population within its umbrella by 1998.
5. Introduction of a PBC package for senior executives.
6. Establishing an HRD centre to further hasten competency and capacity building of employees.

The management felt that due to TQM campaign launched in the company as back as 1990, the environment in the organization was conducive for introducing a performance-based compensation scheme.

Intensive discussions were held within the hierarchy of the management. On the basis of the consultations within different levels of management, the final performance-based compensation scheme was finalized and introduced.

Of the various HRD interventions mentioned above, we will discuss only the PBC for senior executives.

Objectives of the PBC Scheme of CG

The major objectives of the scheme are:

1. To make CG's compensation package for executives comparable with that of the first three companies in similar business in the country.
2. To attract talented young professionals into the IT group without distributing the basic CG compensation structure.
3. To strengthen performance-compensation linkage in SBUs.

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4. To use compensation as one of the critical motivators within the overall HRM strategy.
5. To attract and retain the best available talent in the industry.
6. To recognize, encourage and reward employees for good/exceptional performance.
7. To strengthen manufacturing and other processes and make them more predictable.
8. To prepare CG for future global competition.

Salient Features of CG's PBC Schemes

The salient features of the PBC Schemes are:

1. Measurement of performance is on the basis of four specific elements: (1) cash, (ii) profit before tax, (iii) sales and (iv) process cost.
2. Minimum and maximum compensation varies across levels.
3. The scheme takes into account the performance of the company, SBU, division and individual. Weightage is assigned to performance at difference at different levels and to different elements.
4. Less than 100% performance is also rewarded.
5. The scheme is made simple to the extent that an individual, at the end of the year, can calculate his performance and the amount permissible to him.
6. The scheme encourages teamwork as it gives details of individual performance with the division, SBU and company performance.

The 'Pride Money' Scheme

The PBC Scheme was termed as 'Pride Money' Scheme replacing the existing scheme of bonus and commission.

The 'Pride Money' scheme was conceptually different from the loosely defined concept of bonuses and commissions. Being scientific in nature and basically quantifiable, the quantum of reward to executives was on the basis of performance of the company, SBU, division and individual.

Such schemes are generally dynamic in nature and need to be periodically reviewed and redesigned, based on the changes in the external and operating environment and to keep in consonance with the organizational thrust areas.

Process of Setting Goals

Personal Goals

At the beginning of the year, the executive and the appraiser decide performance areas and set mutually agreed goals to be achieved during the year. The process has an in-built system of informal feedback to the executive by his superior. At the end of the year, the appraiser evaluates the performance on the basis of achievement of goals.

Divisional Goals

The second step in the process is setting of Divisional goals through discussions between the Divisional and Departmental heads. The divisional goals are set by the divisional head in consultation with the departmental head. As a first step in the process, the departmental head discusses departmental goals with Sectional heads.

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SBU Goals

SBU goals are set by the process of discussions between the SBU Chief and the Divisional heads of the concerned SBU.

The final goals are set on the basis of discussions between the SBU Chief and the Chief Executive of the company.

Company Goals

The CEO of the company consults the SBU Chief and Corporate Heads for evolving company goals.

Performance and Evaluation Parameters

The final package under PBC scheme of each individual, depending on his position in management, is on the basis of performance of the following:

Designation	Performance of : (goals related to)
1. President	Personal, SBU and Company
2. Sr. Vice Presidnet/Vice	Personal, Divison and SBU
President/Sr. General Manager	
3. General Manager/Sr. GM	Personal, Division and SBU
4. Dy. GM/Sr. Manager	Personal and Division

Lessons from Cg's Experience

1. There is no standardized PBC scheme which can fit all types and sizes of organizations. Business line, product range, operating environment, corporate culture, business strategy, management style and various other factors influence the shape and success of a PBC scheme in an organization.
2. The management should be clear about expectations from the scheme.
3. The review of the scheme should be an ongoing process to make it responsive to the changing needs of the organization.
4. Care should be taken to guard against "sand bagging" of goals.
5. No PBC scheme can be 100% objective. Efforts should be to reduce the subjectivity to the minimum. Efforts should also be made to reduce heartburn amongst executives of different profit centres.
6. It should be simple, measurable, achievable, realistic and time bound.
7. Finally, it is critical that a PBC scheme should fit into the overall HR strategy of the organization.

Question

Make a critical analysis of evaluation parameter used by Cromption Greaves Ltd.

12.5 Summary

- Performance and results are important but concern for people, their well-being and fairness of treatment is equally important. If organisations want to attract high performers and retain and motivate the high performer, they have to be willing to reward excellent performer highly.

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- Designing performance linked reward system is conditioned by a variety of factors; such as, nature of business, type of technology, the attitude of unions, and human resource strategy of organisation.
- Non-compensation rewards are important component of reward system that is critical for improving workplace performance.
- Organisations have to seek answers to 4 basic questions while designing a reward system: who should be rewarded, what rewards should be given, how should employee assessment be done and how rewards should be given.
- Employees who perform well receive larger compensation increase; those who do not perform satisfactorily see little or no increase in compensation.
- A performance orientation requires a variable pay approach in which pay goes up or down based on a measure of performance. Not everyone in the same job will be paid exactly the same, and not everyone will like the approach.
- Variable performance in the pay is a financially measurable reward paid to an individual based on his overall performance. This measure includes the cumulative performance of the individual, his strategic business unit and that of the organisation.

12.6 Keywords

Fixed Pay: It is a reward that is fixed, irrespective of the performance.

Goalsharing: These plans pay bonuses when performance is above a standard.

Group Incentive Schemes: They provide for payment of bonus either equally or proportionately to individual within a group or team.

Profit Sharing: It means paying employees a share of the net profit in addition to their wages or salary.

Variable Pay: It is a financially measurable reward paid to an individual based on his overall performance.

12.7 Self Assessment

Fill in the blanks:

1. The major objective of a reward plan is to attract appropriate …….. and motivate them to perform better.
2. Your performance mainly depends on your …….. .
3. A company rewards people on the basis of the duration for which they serve the organisation. The basis for reward is …….. .
4. Under ……. approach, employees get fringe benefits only after serving the organisation for a certain duration.
5. …….. is the reward paid to the employees for performing beyond normal expectations.
6. Pay for performance is also known as …… linked pay or contingent pay.
7. …… are symbols of appreciation and recognition.
8. Performance management is concerned with creating a …….. in which organisational and individual learning and development are continuous process.

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9. Performance linked reward systems reduce ……, result in increase in real wages and motivate performance.

10. ……. include the direct monetary rewards in terms of cash for their work and achievements.

State whether the following statements are true or false:

11. Reward system generally treats employees as jobholders and how well they perform their jobs.

12. Employee's performance depends on mainly three factors – skill, knowledge & motivation.

13. Performance-based compensation affirms the idea that pay raises should be given for performance accomplishments rather than for seniority.

14. A performance orientation requires a variable pay approach in which pay goes up or down based on a measure of performance.

15. Rewards reinforce what the organization values and wants to be strengthened.

12.8 Review Questions

1. Should organizations go for performance based pay? What are its benefits?

2. Why do you think that the organizations are going for more & more for variable pay?

3. "The enthusiasm that many employers have for variable pay is not shared universally by workers." Justify.

4. "Employees getting merit awards cannot visualise a proportionate relationship between their performance and reward." Discuss.

5. What are non-compensation rewards? How are they useful?

6. "Performance management is concerned with creating a culture in which organisational and individual learning and development are continuous process." Discuss.

7. What are the key questions which should be considered while designing a performance linked reward system?

8. Why has performance-linked reward management attracted increased attention in the recent years?

9. "A performance orientation requires a variable pay approach in which pay goes up or down based on a measure of performance." Discuss.

10. Why is it that many organisations have no yet instituted a performance linked reward system? State the key reasons with your suggestions?

Answers: Self Assessment

1. human capital
2. skills, knowledge and motivation
3. loyalty
4. traditional compensation
5. Variable Pay/Incentives
6. variable performance
7. Rewards
8. culture
9. labour cost
10. Financial rewards

11. True
12. True
13. True
14. True
15. True

Notes

12.9 Further Readings

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Online link

www.managementhelp.org

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Unit 13: Ethics in Performance Management

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Objectives

After studying this unit, you will be able to:

- Explain the principles of ethics in performance management
- Discuss ethical issues and dilemmas
- State developing code of ethics and performance management in MNCs

Introduction

The major concern of performance management is performance improvement in order to achieve organizational, team & individual effectiveness. A good performance management system is also concerned with employee development as continuous development of competencies and capabilities leads to improved performance. It also deals with satisfying the requirements and expectations of stakeholders at every level be it management, staff, customers, general public etc.

A performance management system should work on principles of ethical considerations leading to transparency and respect for all. Employees affected by decisions made on their performance should have a right to know the 'how' & 'why' of the decision thereby leading to transparency. Procedures should be implemented fairly to avoid bias on any basis and there should be mutual respect for each others needs as well as for every individual of the staff and management side.

13.1 Meaning and Concept of Ethics

Ethics is a system or code of moral standards of a particular person, group or profession. Ethics may be defined as the actions an individual take on himself to ensure his continued survival across the dynamics. In essence, it deals with whether to perform certain kinds of action or not in line with what is acceptable to the society as a whole. Therefore, ethics is the process of deciding as to what is good for human beings.

"Ethics may be defined as a process whereby we choose between competing moral and/or economic values."

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– Dave Kinnear 2002

Ethics is a process of rational thinking aimed at establishing 'what values to hold and when to hold them'.

Did u know? **Why ethics is a science?**

Ethics is called a science, because it presents the principles of morality in a systematic form and seeks to find the basis upon which they rest.

It requires the continuous re-alignment of values, reasoning patterns, thinking, and behaviour in order to be ethical, and to remain ethical over time. Hence, ethics demand a willingness to change.

Ethical behaviour of an organisation is a key essential for doing business in today's competitive market. Ethical behaviour plays an important role in the organisation's overall success. Ethics professor Brenner (1992) observed, 'A corporate ethics programme is made up of values, policies, and activities which impact the propriety of organisation behaviour.'

Notes Organizations define a comprehensive ethics and compliance program as one that includes six components:

1. Written standards of ethical workplace conduct
2. Means for an employee to anonymously report violations of ethics standards
3. Orientation or training on ethical workplace conduct
4. A specific office, telephone line, e-mail address or Web site where employees can get advice about ethics-related issues
5. Evaluation of ethical conduct as part of regular performance appraisals
6. Disciplinary action against employees who commit ethics violations

13.2 Principles of Ethical Performance Management

The following are the key principles of ethical performance management:

1. An ethical performance management system directs its employees to respect the core values of the organisation so that ethics practiced by the organization is in conjunction with its environment. On the other side, the organization respects its employees and provide good working environment.
2. An ethical performance management system is designed to make transparency in its operation. All the parties involved in performance management system respect each other's needs, values, and preoccupations.
3. An ethical performance management emphasizes individual responsibility for personal decision making, behaviour, and action rather than collective responsibility.
4. An ethical performance management system put emphasis on employees respecting and actively considering the ethical concerns and issues of all stakeholders, rather than focusing merely on shareholders alone.

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5. An ethical performance management seeks to build or change culture to a state in which the vision of the organization includes its employees, its customers, and the society at large. The organization's values and norms support employee's decision making, behaviour, and actions consistent with an 'ethical' vision.

6. An ethical performance management system provide fair and free environment to its employees so that employees can get the opportunity to scrutinize the basis upon which the important decisions were made.

13.3 Ethical Issues and Dilemmas

"An ethical dilemma is not a choice between right and wrong, but a choice between two rights."

– Rushworth Kidder (1995)

Many managers talk about ethics but do not recognize or act upon ethical issues in their day-to-day managerial responsibilities. Most ethical questions arise from people relationships within the organization. Recent survey results in one large organization indicate that only 26% of managers believe they are recognized and reinforced for their ethical decisions and behaviors.

Performance management is essentially a commitment-based system of the organization which seeks to align employee action and behaviour towards the desired organizational goals. Most organizations understand that employees tend to engage in behaviour that is recognized and rewarded, and avoid behaviour that is penalized. As employees are the key to the organization, their beliefs, values, behaviours, and actions have a profound impact on the organization's outcomes.

Example: ABC Ltd. is having performance-based reward system. One of the employees has done an outstanding job all year, so he deserves strong recognition. However, he is already paid at the top of the salary range for his job grade and ABC Ltd. has too many people in the grade above him, so the company cannot promote him.

Some of the ethical issues and dilemmas are listed below:

1. ***Performance Appraisal:*** Performance appraisal lends itself to ethical issues. Assessment of individual's performance is based on observations and judgement. HR managers are expected to observe the performance in order to judge its effectiveness. Often managers tend to rate those employees highly whom they consider to be their loyalists. They inflate their performance ratings and reward them for performance they have never exhibited, or perhaps could never deliver. Such managerial unethical behaviours and actions have a detrimental effect on the rest of the employees including performers.

2. ***Value Conflict:*** Every organisation has its own set of core values and the organisation expects that its employees should honour and practice these values. On the other hand the employees also have their own set of values and goals. They want follow their own value rather than the organisation's values.

3. ***Politics on Workplace:*** Workplace politics is the major concern in these days. According to a survey it is estimated that 18 per cent of an administrator's time is spent resolving conflicts among employees. It states that use of such intentional behaviour is designed to acquire power or to protect their self interest.

4. ***Employee Engagement:*** Many talented employees' shows dis-interest to their jobs. They tried to maintain the minimum level of performance to hold on to their jobs. They spent their times on other unnecessary activities.

Example: Employees using their organization's Internet access for personal purposes during work hours results in productivity losses.

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5. ***Taking Unnecessary Credit:*** Many managers show their employees work as their own. They take unnecessary credit of their employees work. These managers are either incompetent or dislike to work, and manipulate their subordinate's good work as their own. These kinds of issues adversely impact the performance of employees.

6. ***Illegal and Unethical Practices:*** These kinds of activities include feudal treatment given to employees, bribery, backstabbing, office politics, etc. All these activities affect the outcome of performance management. According to a survey of Ernst and Young, India maintains comparatively higher fraud levels at 42 per cent with global level of 27 per cent. Such unethical managerial behaviour has a devastating impact on the morale, motivation, commitment, and the performance of employees.

7. ***Multiple Loyalties:*** Many people feel an obligation to promote the interests of special groups or friends. Loyalty is an ethical value. However, the primary loyalty is to the code of ethics and the public good. The obligation can become unethical when it extends to making sure that a special group or individual benefits at the expense of other groups.

Task Make a list of key ethical issues and dilemmas in Dell India Ltd.

13.4 Developing Code of Ethics

The HR professionals are responsible for developing and maintain the code of ethics for performance management in the organisation. Therefore, it must be realized by HR professionals that they should follow certain ethical principles for ensuring credibility of performance management system in their organizations.

The given below are the key guidelines to maintain an ethical performance management system in the organisation.

1. ***HR Responsibility:*** HR professionals are responsible for adding value to their organisations by developing HR functions. HR professional are responsible for maintaining the balance between the performance improvement and ethical behaviour in the organisation. The HR professionals shall act as ethics custodian for the organisation and train and develop human resources for dealing effectively with relationship issues of morality, integrity, and honesty with other stakeholders particularly customer, suppliers, and society at large.

2. ***Developing Standards:*** Human resource professionals must strive to meet the highest standards of competence and ethics and keep abreast of organizational strategy, mission, and objectives on a continuous and consistent basis. They must drive ethics training of top managers and employees on a wide scale and educate them on the significance of ethics in attaining high performance standards. Through performance management system, HR professionals shall transmit ethics to employees, managers, and external stakeholders.

3. ***Ethical Leadership:*** Human resource professionals must exhibit individual leadership in making performance management a truly business aligned, transparent, and credible management endeavour. They should act as an ethics communicator for their organisations.

4. ***Fairness and Justice:*** There should be fairness and justice in respect of rewards and recognitions for employee's work achievements and their contribution in improving the organisational competence and performance. Human resource professionals are ethically responsible for promoting fairness and justice in the organisation. They must enable a culture where ethical behaviour and action is a key performance criterion.

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5. ***Conflict Management:*** Human resource professionals must safeguard the interest of all stakeholders to eliminate the conflict arising between manager-employees, employer-employee and employees-organization on certain issues related to rewards and recognition etc.

6. ***Transferring Information:*** Human resource professionals should ensure truthfulness of communication in respect of performance feedback and counselling and help top leadership in taking informed personnel decision.

13.5 Performance Management in MNC

MNC is a company that has business activities beyond its domestic borders. MNCs operate in a number of countries for various business and competitive reasons. Corporate strategy varies based on the extent to which an MNC wants or needs to adapt practices to local conditions. Performance management (PM) is a strategic HRM process that enables the MNC to continuously evaluate and improve individual, subsidiary unit, and corporate performance against clearly defined, preset objectives that are directly linked to company strategy. A number of studies have suggested that, provided the design and implementation of PM are appropriate, it has the potential to affect employee attitudes in a way that makes a significant and positive contribution to company performance.

Caution Performance management as a strategic human resource management process enables the MNC to continuously evaluate and improve individual subsidiary unit.

(Lindholm 2000)

Effective performance management is important as a competitive advantage. Therefore, performance management system assumes critical importance in the competitive priority of MNCs. However, even if performance management represent a tool for control in implementing organizational strategy, it should also consider local business conditions and be arranged in a way that fit and is responsive to those.

Did u know? **What are the external factors affecting local performance?**

External factors affecting local performance include economic circumstances, competition, demographic, supporting infrastructure, unions and national culture.

There are major differences in implementation on the international operations, even if the goals and purpose is quite the same as in the domestic. One thing that affects this is the degree of support and interaction with the parent. The goals comprise two domains: evaluation and development.

Evaluation Goals

The evaluation goals in the international environment include:

1. providing feedback to employees at all levels so they will know where they stand
2. developing valid bases for employment decisions involving pay, promotion, job assignment, retention and termination
3. provide a mean to warn employees about unsatisfactory performance

Development Goals

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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 to evaluate in a local cultural environment. It is necessary to make some adjustment to problems with cultural adaptation and associated with the complexity of conducting international business. According to guidelines for adequate global PM it is important to consider the fairness of the evaluation to ensure that the MNC receives full value from its managers. There need also to be decided who conducts the appraisals. (Briscoe & Schuler, 2004) PM might be the most challenging HR process in the international context because of geographical spread and product and operation mode diversity. To manage performance in various locations requires some planning. Firstly, MNC´s need to recognize the difference between overall strategic goals and subsidiary goals, to look at it in the right context and recognize various constrain that may affect goal attainment. They can be whole versus part (the good of the whole is more important than one subsidiary's short-term profitability), non comparable data (for example, quality checks can be different from one country to another) turbulence of the international environment (even long-term goals need to be flexible), separation by time and distance and variable levels of maturity (for example more time is might be needed to achieve results).

Caselet

How Effective is your Performance Management System?

The Performance Management System has been recognised as a significant tool for employee development. Organisations worldwide are leveraging this tool to create a high-performance culture.

As with other organisational systems, it is important to measure the effectiveness of the appraisal management system too. Traditionally, appraisal systems have been measured against percentage completion and timeliness. However, such a measurement is incomplete and does not bring out the best from this powerful people development tool.

Efficiency & Effectiveness

There are two sides to measurement. Measuring efficiency is the most commonly practised. While recruitment efficiency has been measured against time-to-hire and hiring cost, training efficiency is based on the man-days of training conducted, reaction-level evaluation, schedule integrity and employee attendance. The efficiency of the performance appraisal system has been frequently measured against its adherence to timelines for goal-setting and review/rating, the employees covered for completion, and the like.

The primary motivation for efficiency measurement has been the ease of measuring these parameters. The real challenge lies in measuring the not-so-easy effectiveness of HR systems. The measurement of effectiveness can have an impact on enhancing the human

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capital of the organisation. Effectiveness dimensions provide qualitative insights essential for making fruitful decisions on the part of the stakeholders.

Stakeholder Advantage

While efficiency-focused measurements of the performance management system may benefit the HR function or department, key stakeholders like the employees themselves and their managers do not stand to gain anything from this level of measurement. To that extent, efficiency-oriented measurements become "pseudo measurements" that do not deliver any value.

I propose a more complete 'assessment model' for assessing an organisation's performance management system. While there can be many other frameworks, I describe the one that we at Symphony Services follow. This has helped us get the maximum benefit for all the stakeholders involved, in leveraging the developmental tool of the appraisal system.

The Staircase Approach

The staircase model combines both the efficiency and effectiveness required of a good appraisal system, ensuring that the system delivers the intended benefit. The approach covers the holistic perspective for measurement.

Level 1 – Process compliance: Most organisations measure the effectiveness of their performance management systems at this level. Process compliance refers to satisfying a check-list of parameters relating to system implementation. This check-list includes, amongst others, adherence to timelines while goal-setting; quarterly, mid-year or annual reviews; and signatures of employees appraiser and reviewing managers and HR as the system may warrant.

Level 2 – Content completeness: In some organisations, the HR function takes the measurement to the next level by either randomly or entirely checking the appraisal documents. This ensures that the employee, appraiser and the reviewing managers have filled out the form in detail. If a manager has not done a good job, HR sends the appraisal document back. The manager is also invited to go through a refresher module so that the nuances and seriousness of doing a comprehensive appraisal is understood for the future.

Level 3 – Vitality curve analysis: Mature organisations go beyond levels 1 and 2. They also do a detailed analysis of the employee distribution in terms of their rating category and draw up a "vitality curve" or what is popularly known as the "bell curve." The vitality curve and accompanying analysis helps organisations segment talent, which is the first step towards creating a high-performance culture besides identifying a slate of high-potential candidates when viewed along with a robust potential identification process. Talent segmentation is also necessary to tailor specific development actions.

Level 4 – Employee experience: At this level, HR partners the different business units within an organisation to measure the employee's experience with the appraisal review process. This involves choosing randomly 12 to 15 per cent of the employees and asking them questions on their experience with the performance management cycle. The focus is on the quality of the appraisal review session, the quality of the dialogue, the manager's willingness to receive feedback and the nature of the discussions around developmental actions and the like.

While levels 1 and 2 represent the efficiency focus, levels 3 and 4 make up the effectiveness focus of the measurement of the performance management system. Interestingly, the higher levels of measurement in the staircase model do not call for sophisticated tools. Well-trained HR partners and those responsible for HR analytics can do this with ease.

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Value Creation

I am reminded of a bill-board advertisement of a popular brand of two-wheeler some 20 years ago. It read: "Fill it, Shut it and Forget it!" This was to communicate how easy it was to handle the bike.

Looking at the way in which some organisations handle performance management, one is reminded of a similar approach. Organisations are more concerned with filling it, closing it and filing it away without much thought being given to the action that should follow a good appraisal session.

The appraisal process conducted along the staircase model promises clear value creation. Until then, McGregor taking an uneasy look at appraisals is well justified!

Source: www.thehindubusinessline.com

13.6 Summary

- The major concern of performance management is performance improvement in order to achieve organizational, team & individual effectiveness
- A performance management system should work on principles of ethical considerations leading to transparency and respect for all.
- Ethics is a system or code of moral standards of a particular person, group or profession.
- An ethical performance management system is designed to make transparency in its operation. All the parties involved in performance management system respect each other's needs, values, and preoccupations.
- The HR professionals are responsible for developing and maintain the code of ethics for performance management in the organisation.
- MNCs operate in a number of countries for various business and competitive reasons.
- Effective performance management is important as a competitive advantage. Therefore, performance management system assumes critical importance in the competitive priority of MNCs.

13.7 Keywords

Corporate ethical programme: A corporate ethics programme is made up of values, policies, and activities which impact the propriety of organisation behaviour.'

Ethics: Ethics is a system or code of moral standards of a particular person, group or profession.

MNC: MNC is a company that has business activities beyond its domestic borders.

13.8 Self Assessment

Fill in the blanks:

1. Ethics is a system or code of ..... of a particular person, group or profession.
2. Ethics is called a ....., because it presents the principles of morality in a systematic form and seeks to find the basis upon which they rest.
3. ..... is a company that has business activities beyond its domestic borders.
4. Effective performance management is important as a ..... advantage.

Notes

5. A ..... is made up of values, policies, and activities which impact the propriety of organisation behaviour.
6. An ethical performance management system is designed to make ..... in its operation.
7. Performance management is essentially a ..... of the organization which seeks to align employee action and behaviour towards the desired organizational goals.
8. Human resource professionals are ethically responsible for promoting ..... and justice in the organisation.
9. The organization's values and norms support employee's decision making, behaviour, and actions consistent with an 'ethical' ..... .
10. Human resource professionals must exhibit ..... in making performance management a truly business aligned, transparent, and credible management endeavour.

State whether the following statements are true or false:

11. Ethics is a process of rational thinking aimed at establishing 'what values to hold and when to hold them'.
12. Ethical behaviour plays an important role in the organisation's overall success.
13. According to recent survey results in one large organization indicate that only 36% of managers believe they are recognized and reinforced for their ethical decisions and behaviors.
14. Internal factors affecting local performance include economic circumstances, competition, demographic, supporting infrastructure, unions and national culture.
15. The issue of global performance management needs an effective system to be able to evaluate in a local cultural environment.

13.9 Review Questions

1. "Employees affected by decisions made on their performance should have a right to know the 'how' & 'why' of the decision thereby leading to transparency." Make a comment on the given statement.
2. "Ethics is a process of rational thinking aimed at establishing 'what values to hold and when to hold them'." Discuss.
3. Ethics in performance management is an emerging subject. Why is it still grappling to catch attention of HR professionals?
4. Ethical behaviour plays an important role in the organisation's overall success. Why?
5. "HR professionals should follow certain ethical principles for ensuring credibility of performance management system in their organizations." Discuss.
6. Recent survey results in one large organization indicate that only 26% of managers believe they are recognized and reinforced for their ethical decisions and behaviors. What are your predictions from the survey results?
7. Ethics professor Brenner (1992) observed, 'A corporate ethics programme is made up of values, policies, and activities which impact the propriety of organisation behaviour.' Do you agree with the statement? Give suitable examples.
8. "Effective performance management is important as a competitive advantage." Discuss.

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9. An ethical performance management system is designed to make transparency in its operation. What are the other requirements of an ethical performance management system?

10. Why code of ethics in performance management is more concerned with HR professionals?

Answers: Self Assessment

1.	moral standards	2.	science
3.	MNC	4.	competitive
5.	corporate ethics programme	6.	transparency
7.	commitment-based system	8.	fairness
9.	vision	10.	individual leadership
11.	True	12.	True
13.	False	14.	False
15.	True		

13.10 Further Readings

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Online link www.managementhelp.org

Notes

Unit 14: Role of HR Professional in Performance Management

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Objectives

After studying this unit, you will be able to:

- Explain the appraising HR functions
- Discuss future role of HR professional in performance management in knowledge millennium

Introduction

The power of organization is increasingly linked to its intellectual capital rather than its physical assets. People are now the drivers of corporate performance and competitiveness. Therefore, performance management deals with improving organizational performance by improving employee performance; essentially, the cost of competitiveness involves efficiency and productivity. Dr Mritunjay Arthreya (2004) observed that workforce productivity constitutes around 60 percent of the total cost. Therefore, the growing significance of performance management needs no further emphasis.

HR professionals play an important role in designing a performance management system in the organisations. The extent to which HR professionals (a) demonstrate subject matter expertise; (b) draw upon relevant theory an research evidence and (c) influence through leaders within organizations to focus energy on the aspects of performance management that make a significant difference to performance. Human resource professionals should follow a win-win approach in order to help managers and their employees succeed.

Did u know? **What is the role of HR professional as a strategic partner?**

The role of the HR manager must parallel the needs of his or her changing organization. Successful organizations are becoming more adaptive, resilient, quick to change direction and customer-centered. Within this environment, the HR professional, who is considered necessary by line managers, is a strategic partner, an employee sponsor or advocate and a change mentor.

14.1 Appraising HR Functions

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Human Resources is responsible for initiating the performance appraisal process for the department to assess the performance of its staff. On top of it, Human Resources is tasked to design and develop the Performance Management System.

Human Resources would need to know the business for its critical success factors. Human Resources play the role of business partner of the company. The key performance indicators (KPIs) shall derive from the business indicators. These indicators can be tangible or intangible.

Few organizations meaningfully involve the HR function in formulating corporate strategy, designing offerings, and managing partnerships.

Caution 'The business has two basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.'

Peter F. Drucker

The objective of the HR function is to provide a favourable and supporting climate and appropriate systems to align the human performance with business strategies of the organization. The two major crises faced by Human Resource are:

1. Identity crisis in defining its role in the organization, and
2. Accountability crisis in demonstrating the value of HR contribution in improving the organization's performance

One major problem with the HR function is that its results are difficult to quantify in the balance sheet of the organization, which leads to down-grading of its contributions. 'Performance scorecard' methodology, based on the balanced scorecard method, can be evolved to appraise the performance of the HR function, Performance scorecard enables the leadership to determine how effectively HR is leveraging on human capital, as well as mobilize and galvanize the people within the organization in terms of four perspectives-quality, cost, delivery, and responsiveness.

A performance scorecard helps in appraising HR functions from the following perspectives:

1. ***Operations Perspective:*** This perspective includes the internal business processes and their alignment with HR functions. The HR function should find out the key problems and their effective solution.

   Metrics based on this perspective allow senior leadership to know the effectiveness, efficiency, and quality of these HR processes in meeting organizational and environmental requirements.

2. ***Financial Perspective:*** Another important HR function is to keep the cost of compensation and benefits at an optimal level. The HR professions should consider the organisation's ability to pay and other growth perspective. The HR professional's needs to focus on the employee's contribution in terms of financial data with respect to investment made on employees.

3. ***HR Perspective:*** HR perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In these days the organisational success depends on how effectively the organisations are discovering and managing their human resources. The key differentiator between the successful and unsuccessful organisations is the effectiveness of knowledge-worker. Today's HR function needs to develop an innovative workforce capable of delivering results at all times, consistently and continuously.

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4. ***Customer Perspective:*** The recent days the organisations have realised the importance of customers in business success. The organisational have realised that if customers are not satisfied, they will eventually find other organisations that will meet their needs.

14.2 Future Role of HR Professionals in Performance Management in Knowledge Millennium

Some of the key future role of HR professionals is discussed as below:

1. ***Strategic Partner:*** In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. In this role, the HR person contributes to the development of and the accomplishment of the organization-wide business plan and objectives.

   The HR business objectives are established to support the attainment of the overall strategic business plan and objectives. The tactical HR representative is deeply knowledgeable about the design of work systems in which people succeed and contribute. This strategic partnership impacts HR services such as the design of work positions; hiring; reward, recognition and strategic pay; performance development and appraisal systems; career and succession planning; and employee development. HR professionals as a strategic business partner will be required to perform the following functions:

   (a) HR professionals will be required to craft and execute corporate strategy which results in inimitable results, actions, and behaviour of human resources of the organization.

   (b) The HR professional will have to play a pivotal role in the identification of performance gaps, benchmarking, and enabling a higher level of individual performance so that the synergistic effect can be obtained.

   (c) He shall be entrusted with the job of taking stock of performance-related issues and problems on a proactive basis,

   (d) He shall assist managers and top management in boosting overall organizational performance through human resources by creating appropriate performance-oriented work culture, devising innovative reward and compensation systems, managing talent pools, developing competencies and managing appropriate ethical behaviour in the organization.

2. ***Making Effective Forecasts:*** In this global business scenario, only those organisations are successful which are making effective forecasts and taking appropriate steps to take the maximum advantages. This is possible only when the employees of the organization are capable, competent, motivated, and committed, and deliver excellent performance on a continuous basis.

   Performance problems are likely to occur in such a scenario. Now, there are two ways open to HR professionals-either wait for the inevitable performance problem to occur, or pre-empt performance problems by sniffing around. Given that results have to be correct the first time, only pre-empting the performance problem is open to HR professionals of the future, as the old proverb goes 'prevention is better than cure'. Therefore, by pre-empting performance problems, HR professionals can save organizations a lot of cost in terms of failed efforts, lost opportunities, counselling time and efforts, etc.

3. ***Acting as 'Performance Counsellor':*** Performance counselling is a manager initiated strategy for improving an employee's performance. Performance counselling is a supportive process conducted by a manager to enable an employee to define and work through personal problems or organizational changes that affects job performance. Because it means better

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bottom-line results, organizations recognize and reward such managers. Managers with good counselling skills can get that kind of performance from their employees by using the tools of counselling.

HR professionals can help managers to master performance counselling skills so that high levels of performance are expected and received from the employees by assisting managers in identifying skills and motivational or resource support being required by the employee. Also, HR professionals can motivate and seek commitment from managers about the vitality of performance counselling in order to get employees ready for new tasks or assignments that require new skills and provide direction, support, feedback, and training to help employees achieve performance expectations. At the same time, HR professionals can help employees to remove or reduce their inner obstacles to outer performance so that the employee is helped to successfully monitor and observe his job performance on an ongoing basis with assistance of his manager.

4. ***Employee Advocate:*** As an employee sponsor or advocate, the HR manager plays an integral role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, and happy.

   Fostering effective methods of goal setting, communication and empowerment through responsibility, builds employee ownership of the organization. The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment to serve customers well.

   In this role, the HR manager provides employee development opportunities, employee assistance programs, gainsharing and profit-sharing strategies, organization development interventions, due process approaches to problem solving and regularly scheduled communication opportunities.

5. ***Change Champion:*** The constant evaluation of the effectiveness of the organization results in the need for the HR professional to frequently champion change. Both knowledge about and the ability to execute successful change strategies make the HR professional exceptionally valued. Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change.

   The HR professional contributes to the organization by constantly assessing the effectiveness of the HR function. He also sponsors change in other departments and in work practices. To promote the overall success of his organization, he champions the identification of the organizational mission, vision, values, goals and action plans. Finally, he helps determine the measures that will tell his organization how well it is succeeding in all of this.

Notes HR Managers should do the following things to ensure success:

1. Use workforce skills and abilities in order to exploit environmental opportunities and neutralize threats.
2. Employ innovative reward plans that recognize employee contributions and grant enhancements.
3. Indulge in continuous quality improvement through TQM and HR contributions like training, development, counseling, etc
4. Utilize people with distinctive capabilities to create unsurpassed competence in an area, e.g. Xerox in photocopiers, 3M in adhesives, Telco in trucks etc.

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5. Decentralize operations and rely on self-managed teams to deliver goods in difficult times e.g. Motorola is famous for short product development cycles. It has quickly commercialized ideas from its research labs.
6. Lay off workers in a smooth way explaining facts to unions, workers and other affected groups e.g. IBM , Kodak, Xerox, etc.

Caselet

Pricol Incident brings HR Professionals' Role to the fore

Bangalore, Sept. 25 The death of Roy J. George, Vice-President - HR, Pricol, who was attacked by company workers in Coimbatore, has brought to the fore the tightrope walking that HR professionals have to do where disputes rage between management and unions on wages and other demands.

While such disputes are not new, only in mid-1990s, human resource development, as an industrial practice, gained significance. Violence and assaults are not unknown but the latest incident has sent shock waves in industrial circles.

"With improved economic and educational background of today's second-generation workers, incidents of this nature are coming down compared to the late 1970s and early 1980s. But events such as this one and earlier ones in Gurgaon and Assam are unfortunate," says Mr D.V. Nandakumar, Vice-President (Industrial Relations), Bosch Ltd.

The role of an HR executive is crucial in ensuring a peaceful work atmosphere, but when issues do crop up, it is important to prevent escalation, point out HR experts.

There should be a fair, equitable and legal way of handling HR issues, especially when it involves dealing with labourers. "HR professionals need not always be pro-management. They should understand workers' needs and advise the management accordingly," says Mr Ahmed Ali, Chairman – HR and Training Committee, Bangalore Chambers of Industry and Commerce (BCIC).

Mr Nandakumar, an HR professional for 30 years, stresses the need to "have a two-way communication." Instead of just sending out notices to workers, the management must strengthen the dialogue process in the organisation and "look at employees as partners in the company's growth. All differences can be dissolved through dialogue. If the culture of dialogue is blocked, that can give rise to tension. Botched up feelings can lead to extreme emotions. If management is sensitive to workers' needs, things won't escalate in any organisation," he says.

Even while dismissing an employee, the management has the responsibility to convey to the worker where he went wrong, he adds.

Proactive Role

Some organisations play a proactive role to prevent such violence. In an attempt to understand what the employees think, auto major Volvo conducts exhaustive employee surveys across all its global facilities every year. Based on the feedback received, the company conducts workshops on implementing changes wherever necessary, says Mr Atanu Sengupta, Head – HR, Volvo India, adding, "we believe in diversity and inclusiveness of employees."

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Violence can never be justified, says Mr Nandakumar. "While it's understandable that loss of job can lead to emotions and insecurity, it can't justify violence. In the Pricol case, the workmen could have filed a case or gone to the labour commissioner with their grievances. Loss of life does not do any good to anyone. The industrial climate and working atmosphere gets affected," he says.

In addition to workers' rights, importance should be laid on workers' responsibilities too. "Violence has no place in any industry. You are just doing a job for an organisation. In any civil society, people can coexist even with differences and handle differences in a proper manner. You need not resort to violence. I would say this even if the management had beaten up a worker," he adds.

Any issue can be resolved through a tri-partite discussion — involving the employer, union or workers and the Government, says Mr Ali.

Acts of violence can slur the image of the country at a time when foreign investors are looking for a slice of action here, say industry players.

Says Mr T.R. Parasuraman, Chairman of the industry and manufacturing expert committee of BCIC, "When India is on a growth path, incidents of this nature will dampen investor confidence. We need to reflect this seriously and put in every effort to prevent such happenings in future. When foreign investors are looking at us, this is not a good sign. Industrial growth will get affected and will in turn affect employment."

Source: http://www.thehindubusinessline.in

Task

What is the role and responsibilities of HR professionals in Bharti Axa Life Insurance Co.?

14.3 Summary

- HR professionals play an important role in designing a performance management system in the organisations.
- Successful organizations are becoming more adaptive, resilient, quick to change direction and customer-centered.
- The objective of the HR function is to provide a favourable and supporting climate and appropriate systems to align the human performance with business strategies of the organization.
- Performance counselling is a manager initiated strategy for improving an employee's performance.
- Managers with good counselling skills can get that kind of performance from their employees by using the tools of counselling.
- The key differentiator between the successful and unsuccessful organisations is the effectiveness of knowledge-worker.

14.4 Keywords

Competitive advantage: Competitive advantage is an advantage over competitors gained by offering customers great values, ethics by means of lower price of by providing greater benefit sand services.

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Performance counselling: Performance counselling is a manager initiated strategy for improving an employee's performance.

Performance scorecard: Performance scorecard enables the leadership to determine how effectively HR is leveraging on human capital, as well as mobilize and galvanize the people within the organization in terms of four perspectives-qualities, cost, delivery, and responsiveness.

14.5 Self Assessment

Fill in the blanks:

1. HR professionals play an important role in ..... a performance management system in the organisations.
2. Performance management deals with improving organizational performance by improving ..... .
3. Human Resources would need to know the business for its ..... .
4. ..... enables the leadership to determine how effectively HR is leveraging on human capital, as well as mobilize and galvanize the people within the organization in terms of four perspectives-quality, cost, delivery, and responsiveness.
5. The HR professions should consider the organisation's ability to ..... and other growth perspective.
6. The key differentiator between the successful and unsuccessful organisations is the effectiveness of ..... .
7. Performance ..... is a manager initiated strategy for improving an employee's
8. Fostering effective methods of goal setting, communication and empowerment through responsibility, builds ..... of the organization.
9. The objective of the HR function is to provide a favourable and supporting climate and appropriate systems to align the ..... with business strategies of the organization.
10. The key performance indicators (KPIs) shall derive from the ..... .

State whether the following statements are true or false:

11. Few organizations meaningfully involve the HR function in formulating corporate strategy.
12. Balance scorecard is derived from performance scorecard.
13. The HR business objectives are established to support the attainment of the overall strategic business plan and objectives.
14. As a strategic partner the HR professional will have to play a pivotal role in the identification of performance gaps.
15. Performance counselling is a supportive process conducted by a manager to enable an employee to define and work through personal problems or organizational changes that affects job performance.

14.6 Review Questions

1. HR professionals are considered as a strategic partner to organisations. What should be the role of HR professional as a strategic partner?

Notes

2. "Performance scorecard enables the leadership to determine how effectively HR is leveraging on human capital, as well as mobilize and galvanize the people within the organization in terms of four perspectives-qualities, cost, delivery, and responsiveness." Discuss.
3. Why HR professionals shall be a change champions in future?
4. As an employee sponsor or advocate, the HR manager plays an integral role in organizational success. How?
5. "HR professional have a tunnel vision." Comment on the statement.
6. "HR professionals can save organizations a lot of cost in terms of failed efforts, lost opportunities, counselling time and efforts, etc." Discuss.

Answers: Self Assessment

1.	designing	2.	employee performance
3.	critical success factors	4.	Performance scorecard
5.	pay	6.	knowledge-worker
7.	counselling	8.	employee ownership
9.	human performance	10.	business indicators
11.	True	12.	False
13.	True	14.	True
15.	True		

14.7 Further Readings

Books

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Online link

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