

HANDOUTS OF PERFORMANCE MANAGEMENT (HRM 613)**Table of Contents**

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LESSON 1**COURSE OVERVIEW**

This course can assist in understanding the concept of performance, performance appraisal and overall performance management. Performance management is not just about evaluating the performance rather it is a whole process to set and communicate performance goals, equip employees to perform, evaluate their performance and reward them accordingly. This course will proceed in a sequential manner to explain the whole procedure of performance management through series of lectures. The sequence of course will be as follows:

An overview of Performance management system (PMS):

- Foundation of PMS
- Definition of PMS
- Significance of PMS
- Performance Management VS Performance Appraisal

Performance Management Process:

- Prerequisite
- Performance Planning
- Performance Execution
- Performance Assessment
- Performance Review
- Performance Renewal and Re contracting

Performance Appraisal methods and tools:

- Critical Incident Method
- Management by Objective (MBO)
- Narrative method
- Graphing rating scale
- Behaviorally anchored rating scales
- Ranking method
- Appraisal forms

Significance of PMS:

- Strategic purpose
- Administrative purpose
- Developmental purpose
- Communication purpose
- Organizational maintenance
- Role in HRM

Performance Management Skills:

- Coaching

Rewarding performance:

- Fixed & Contingent pay plans
- Monetary VS Non-monetary pay plans

Different perspectives of PM:

- Individual performance
- Team performance
- Organizational performance

Evaluating PMS:

- Criteria
- Method

Significance of the course

Organizational goals are attained through its people. The well guided and directed employee actions are the backbone of goal's attainment, which can be achieved through an accurate, timely and prompt monitoring mechanism. PMS provides such a monitoring mechanism to organization to direct the employee, continuously monitor their performance, identify the performance gaps, provide assistance to remove performance gaps, rewards the employee for future guidance and hence keep the organization strategically aligned with its goals. PMS operates in a chain manner where individual performance builds a team's performance which ultimately affects the organizational performance. As PMS is basically linked with individual performance and proceeds to organizational performance through individual performance, it serves as a major component of HRM. Different forces like technological advancements, globalization, market competition, labor market, work force diversity, regulatory bodies etc. influence the PMS of organization from time to time. All these related areas and significance of PMS will be discussed in detail in the following lessons.

LESSON 2

INTRODUCTION TO PERFORMANCE MANAGEMENT

Performance Management (PM) is a well-established concept which has been thoroughly defined and explained in the literature. This chapter will cover the established definition of PM, explanation of common concepts used in PM, its background, foundation based on underlying theories and significance in the organizational setting.

Definition of PM

In the literature following definitions are referred for PM:

“Performance management is the **system** through which organizations set work goals, determine **performance standards**, assign and **evaluate** work, provide performance **feedback**, determine **training and development needs** and distribute **rewards**.”

“Performance management is the **process** of identifying, measuring, managing, and developing the **performance of the human resources** in an organization.”

“Effective performance management systems have a **well-articulated process** for accomplishing **evaluation activities**, with **defined roles and timelines** for both managers and employees.”

“Performance management is a **systematic process** for improving **organizational performance by developing the performance of individuals** and teams. It is a means of getting better results by understanding and managing performance within an **agreed framework of planned goals, standards and competency requirements**.”

The definitions stated above explain PM as a systematic process consisting of activities like determining performance standards, defined roles, task-responsibilities and competencies along with the set time frame which is communicated among the human resource of employees in order to evaluate their performance against these set standards and reward people accordingly. Feedback received on evaluation of employee performance serves as a source of identifying training and development needs of employees and therefore PM based on individual performance contributes significantly in evaluating the overall organizational performance. Conclusively, PM is a system of evaluating and improving organizational performance through individual performance of its employees.

Performance Management VS performance Appraisal:

The main activity of performance management system (PMS) is performance appraisal/evaluation which is usually considered as equivalent to PMS, which is incorrect approach. PMS and performance appraisal are two different terms and not should be used interchangeably. Performance management is a systematic analysis and measurement of worker performance to communicate the performance gaps to individual in order to improve performance over time. Whereas, Performance appraisals are reviews of employee performance over time, so appraisal is just one phase of performance management system.

Background of PMS:

The first formal monitoring systems evolved out of the work of Frederick Taylor and his followers before the First World War. Rating for officers in the US armed services was introduced in the 1920s and this spread to the UK, as did some of the factory-based American systems. Merit rating came to the

fore in the United States and the UK in the 1950s and 1960s, when it was sometimes re-christened performance appraisal. Management by objectives then came and largely went in the 1960s and 1970s, and simultaneously, experiments were made with assessment techniques such as behaviorally anchored rating scales. A revised form of results-orientated performance appraisal emerged in the 1970s and still exists today. The term performance management was first used in the 1970s but it did not become a recognized process until the latter half of the 1980s.

Underlying theories:

The concept of PMS has originated from the already existing theories of management which are explained in this section:

Goal theory:

Goal theory developed by Latham and Locke (1979) highlights four mechanisms that connect goals to performance outcomes: 1) they direct attention to priorities; 2) they stimulate effort; 3) they challenge people to bring their knowledge and skills to bear to increase their chances of success; and 4) the more challenging the goal, the more people will draw on their full repertoire of skills. This theory facilitates PMS by highlighting the importance of “goals” against which performance can be measured and managed.

Control theory:

Control theory focuses attention on feedback as a means of shaping behavior. As people receive feedback on their behavior they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome it. Within in PMS Feedback plays a significant role in directing employee behaviors towards performance goals.

Social cognitive theory:

Social cognitive theory was developed by Bandura (1986). It is based on his central concept of self-efficacy. This suggests that what people believe that they can or cannot do powerfully impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management objective.

Significance of PMS:

As PMS is a complete entity affecting the overall organization by managing, monitoring, rewarding and improving the performance of employees, it influences the overall organization. This influence of PMS on overall organization has made this domain important enough to be studied as a complete area of management. Significance of PMS can be recognized through the following outcomes of an effective system discussed briefly:

- Clarifying job responsibilities and expectations
- Enhancing individual and group productivity
- Developing employee capabilities to their fullest extent through effective feedback and coaching
- Driving behavior to align with the organization’s core values, goals and strategy
- Providing a basis for making operational human capital decisions (e.g., pay)
- Improving communication between employees and managers
- Motivation to perform is increased
- Self-esteem is increased

For the detailed description of the content, consult the material referred in the given Bibliography.

Bibliography:

Aguinis, H. (2009). *Performance management*: Pearson Prentice Hall Upper Saddle River, NJ.

Armstrong, M. (2009). *Armstrong's handbook of performance management: An evidence-based guide to delivering high performance*: Kogan Page Publishers

Pulakos, E. D. (2004). *Performance management: A roadmap for developing, implementing and evaluating performance management systems*: SHRM Foundation.

LESSON 3**IMPACT OF PERFORMANCE MANAGEMENT SYSTEM (PMS)**

PMS provides the mechanism to improve the performance of individuals, groups, teams and ultimately of organizations. This is a new way to improve organization's output by aligning PMS with strategic goals which directs the individual's efforts towards goal attainments. Human are not machines, they possess emotions feeling and display behaviors therefore in order to guide them a special attention and monitoring is required. This course gives a hand on control on employees' actions by directing, motivating and retaining them. This lesson focuses on the importance of PMS w.r.t employees, managers and the organization.

Impact on Employees:

Employees are the participants of PMS because expectations about performance are communicated to employees through PMS in the form of performance goals/standards. In order to meet the performance standards employees put effort to perform which facilitates in identifying their performance gaps. Therefore, PMS becomes a source of information to the employees to enhance their competence and potential. A thorough and well developed PMS ensures a transparency in the performance evaluation leading towards justified rewards. The maintained equity in rewards distribution develops a sense of satisfaction, motivation and hard work among the employees. The major role PMS plays w.r.t employees is **to communicate** the organizational and performance goals to the employees in order to **improve** their performance and ultimately competence.

It will address the following questions of employees:

- What is expected of me? How will I be clear about what is expected of me in terms of both results and behavior?
- How am I doing? What ongoing coaching and feedback will I receive to tell me how I am doing and how I can improve?
- What does it mean for me? How will my individual contribution, potential and aspirations be recognized and rewarded?

If PMS is not established adequately and contains any discrepancies may lead to issues like misperception of employees regarding expected performance, low morale among employees leading decreased motivation, employee dissatisfaction ultimately resulting into decline in performance.

Impact on Managers/Supervisors:

Performance management ensures that the support and guidance employee need to develop and improve is readily available. Therefore, information extracted through PMS guide the managers/supervisors about the competence level of the employees and ultimately facilitates in identifying the competency and performance deficiencies of individuals.

Through PMS Managers are able to accurately commutate the performance expectations among the employees, differentiate the poor & high performers and coach the employees in order to improve their performance. In a nutshell it is said that PMS facilitates coaching, guiding, appraising, motivating and rewarding subordinates/employees to help unleash potential and improve organizational performance. Where it works well it is built on **excellent leadership** and high-quality **coaching relationships** between managers and teams.

Impact on Organization:

PMS's main objective is to attain organizational goals through the improved performance of employees individually as well as collectively. Regarding overall organization PMS fulfills the following purposes:

-Strategic purpose:

It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals.

- Administrative purpose:

It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases.

- Organizational maintenance purpose:

It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions (for example, whether employees perform at higher levels after participating in a training program).

- Documentation purpose:

It yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This information can be especially useful in the case of litigation.

For the detailed description of the content, consult the material referred in the given Bibliography.

Bibliography:

- Aguinis, H. (2009). An expanded view of performance management. *J. Smither and M. London. Performance Management: Putting Research into Action*, 1-43.
- Armstrong, M. (2009). *Armstrong's handbook of performance management: An evidence-based guide to delivering high performance*: Kogan Page Publishers.

LESSON 4**REWARD SYSTEMS**

Performance management system can play an important role in establishing a reward system in which all reward elements are linked together and treated as an integrated and coherent whole. These reward elements comprise of financial and non-financial rewards.

Rewards are developed in order to keep employees motivated for improved performance. Therefore, these cannot be established in an isolation, rather should be context based. For the development of effective reward system following are the contextual factors which should be considered:

Internal factors:

Reward system is highly affected by the characteristics of the organization with regard to its purpose, products/services, processes, industry and, culture most significantly.

The internal environment consists of the organization's culture and its business, technology and people.

- Organizational Culture:

The most important aspect of culture that needs to be taken into account is the core values of the organization. Values are expressed in beliefs as to what is best for the organization and what sort of behavior is desirable. These values affect the PMS by determining the criteria to be used in reviewing performance and rewarding people for their contribution.

- Business of the organization:

The business of the organization like manufacturing VS service, profit VS non-profit and public VS private highly affects the mechanism of PMS. All these distinct features tell the variation in criteria used to manage, administer, evaluate and reward the employee performance. For example piece-rate pay plans are used in manufacturing sector, skill-based are preferable in service industry, public organizations are more tend to offer fixed salaries etc.

- Technology:

Introduction of new technology results into considerable system & procedural level changes requiring different skills, new methods of working and consequently variety of rewards. This change inculcates a variation in the overall PMS to meet the requirements of all such changes.

- Organizational People:

Organizational people in terms of their knowledge, skills, attitude (KSAs) requires customized guidance, motivation, monitoring, rewards, appreciation etc. therefore, a comprehensive reward system is desired to meet all the varying needs of the organizational people.

External factors:

The components of external environment including competitive pressure, globalization, and changes in demographics and employment legislations impact the reward system of an organization.

- Globalization:

Globalization has introduced the geographical movement of human resource and to acquire the human capital regardless of any geographical boundaries. Therefore, while dealing with this diverse workforce, developed rewards system should include the varying needs of diverse workforce as well as the regional conditions like inflation rates, hardships of the locality, security situation etc.

- Demographic patterns:

Demographics like age patterns, gender based clusters, overall education and skills, physical fitness etc. influence the reward practices including pensions, medical allowances, flexible timing, family assistance etc.

- Employment legislations:

Government and other regulatory bodies have the authority to implement the policies regarding, minimum wage rates and financial assistance to employees through different allowances,

Types of rewards:

All these factors contribute in developing organizational rewards which are mainly of two types; Monetary rewards and non-monetary rewards.

Monetary rewards:

Monetary rewards include:

- Basic pay
- Contingency pay
- Commission
- Incentives
- Pension
- Gratuity

Non-monetary rewards:

This type of rewards comprises of:

- Recognition
- Employment security
- Challenging work
- Growth opportunities
- Personal relationship at work
- Autonomy

For the detailed description of the content, consult the material referred in the given Bibliography.

Bibliography:

Armstrong, M. (2009). *Armstrong's handbook of performance management: An evidence-based guide to delivering high performance*: Kogan Page Publishers

IDEAL PMS

Effectiveness of PMS can be attained if it is implemented thoroughly and appropriately, ensuring a true support and evaluation of employees. Beside transparency there are other mandatory factors that should be present in PMS to make it an ideal one. Detailed explanation of these factors is provided in this chapter.

Characteristics of an Ideal PMS:

For an ideal PMS, following attributes are essential:

- Congruent with strategy
- Thorough
- Practical
- Meaningful
- Specific
- Able to identify effective and ineffective performance
- Reliable
- Valid
- Fair and acceptable
- Inclusive
- Open
- Correctable
- Standardized
- Ethical

Congruent with strategy:

Organizational performance management systems are strategic in the sense that they are aligned to the business strategy of the organization and support the achievement of its strategic goals. They will focus on developing work systems and the working environment as well as developing individuals. To develop the systems and make them function effectively it is necessary to ensure that the strategy is understood. PMS gives employees a clear line of sight into how their jobs are linked to the overall objectives of the organization and provide a visual representation of a company's critical objectives and the relationships between them that drive organizational performance. PMS serve as a source of communication among the employees about what is valued by the organization and the employers. The activities that are rewarded persuade the employees to perform a particular task and activities. Therefore, in order to keep the organizational activities aligned with the organization's strategic goals, PMS should be developed in order to provide support to the organizational strategies to attain the goals. PMS congruent with the organization's strategy directs employees towards the goal attainment by showing desirable performance.

Thorough:

Thorough PMS should incorporate all the employees to be appraised for an entire period of performance while considering every major job responsibility leading towards providing valuable feedback for improvement. Therefore, in order to ensure thoroughness of a PMS the four dimensions should be considered:

- Including employees: none of the employee should be exempted from the evaluation process in PMS; subordinates, supervisors, managers, non-technical staff, everyone needs to be a part of PMS
- Including job responsibilities: a performance should be evaluated against the all major job responsibilities and not be judged on few traits or job characteristics. Therefore, a proper job description is desired before implementing a PMS.

- Review period: performance should be evaluated for an adequate period of time i-e to avoid making inferences on performance after few weeks or for a year or more. In such situation major aspects of performance are overlooked and PMS may lose its significance in terms of bringing improvement.
- Feedback: PMS should include a proper and timely feedback to guide employees about future performance

Practical:

PMS should be easy to understand, easy to implement and cost-effective so that it can actually put into practice to get advantage of. Systems which are complicated, time consuming and expensive are unable to provide desired benefit to organization and becomes a burden for it.

Meaningful:

The meaningfulness of a PMS is ensured by:

- Developing performance standards that are relevant to the job and play a significant role in goal accomplishments of an organization
- Employee performance should be evaluated for the performance outcomes which are under the control of employees i-e entirely based on employee effort, skill, behavior etc. Employee should not be blamed and punished for the faults existing in infrastructure, resources, machineries etc. for which employee has no control.

Specific:

PMS should provide complete and detailed guidance to employees about the performance expectations, goals to achieve, evaluation criteria and offered rewards. All such details clarify the employee ambiguities about performance expectations and the possible consequences of performance.

Identify effective and ineffective performance:

PMS should be able enough to distinguish between the high, average and low performers in order to reward the employees accordingly. PMS is said to be ineffective if it fails to differentiate the high and low performers and employees will lose their interest in the PMS and will not consider performance evaluation critically.

Reliable:

Reliability is a measure to ensure consistency in the evaluation. Reliable PMS has the ability to provide consistent evaluation of an employee regardless the supervisor. Therefore, evaluation is less biased by the appraiser and provides reliable performance rating of the employee

Valid:

Validity of PMS ensures that:

- Evaluation phase includes all relevant performance dimensions and does not ignore any critical performance area.
- PMS should not be contaminated by evaluation of non-human aspects like mechanical inefficiency, inadequate resources, unsupportive infrastructure and any situation occurred by the external environment.

Fair and Acceptable:

PMS is acceptable to all the employees if it is perceived as fair by them. Fairness of any evaluation is based on two criteria; distributive justice and procedural justice. Distributive justice is perception about evaluation rating with respect to work performed and reward relative to the performance evaluation in comparison to other employees within or/and outside the organization. If the distribution of reward is perceived to be based on evaluation rating for each employee then PMS is considered as fair with respect to distributive justice. Procedural justice is based on the procedures applied to evaluate the performance and allocate rewards accordingly. If the evaluation and reward allocation procedure is perceived equitable by the employees, PMS is considered to be fair in terms of distribution and procedures adopted for which employees will show their acceptance.

Inclusive:

Including the employee suggestions while developing and implementing PMS results into less employee resistance, improved performance and fewer legal issues. It should be ensured that PMS incorporates the employee concerns who are the direct affectees of PMS and this enhances the employee trust on PMS enhancing the effectiveness of PMS.

Open:

For an ideal PMS it should kept open in the organization. Openness refers to keeping the performance standards open to everyone so that employees remain clear about the performance expectations. While designing performance standards employees' feedback and participation should be ensured as commitment level of employee's increases for the mutually set goals. Moreover, performance feedback should also kept open for employees so that employees can identify their performance gaps and take corrective measures timely. Effectiveness of feedback can be enhanced if it is factual and honest.

Correctable:

Performance is evaluated by the humans (supervisors/managers) therefore the element of subjectivity is embodied in PMS. In order to control the subjectivity in evaluation process some mechanism should be established to take corrective actions to deal with subjectivity. Such mechanisms include appeal processes through which unjust evaluations and judgments can be challenged. A PMS cannot be labeled as an ideal one unless or until it does not support such a corrective platform.

Standardized:

It needs to be ensured that performance is evaluated consistently across people and time and is standardized for everyone. For this rates need to be trained before appraising employee performance.

Ethical:

The whole system should comply with the ethical standards like avoiding self-interest and biased evaluations by judging performance on the basis of complete and authentic information. In addition to this taking care of employee's privacy is also mandatory for the organization. For the purpose of performance evaluation detailed employee information is collected, therefore keeping that database secure and restricted access to the information should be implemented to maintain the privacy.

All these characteristics enhance the effectiveness of a PMS and transform it to as an ideal PMS.

Constraints of PMS:

Besides these characteristics of ideal PMS there are few limitations which weaken its effectiveness.

Organization based constraints:

When organizational goals are not aligned with the individual goals and employees are not well informed about the performance expectations. Mostly organizations give weightage to outcomes and results and means to achieve goals, behaviors, and situational responses are ignored while evaluating performance.

Manager based constraints:

Manager's role solely as an evaluator and appraiser is not an effective approach. In such situations manager only criticize the employee performance and no attention is given for employee assistance and improving future performance. In such situation PMS only fulfills the administrative purpose while developmental purpose of PMS is entirely ignored.

Employee based constraints:

If employees hesitate in giving feedback on PMS and put effort to only meet the deadlines, then future development and organizational growth is hindered. The implemented PMS has no future benefits rather it only provides a formal mechanism to report the performance.

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LESSON 6**INTEGRATION OF PMS WITH HRM**

Performance management is considered as a major component of human resource management (HRM). It is a domain of HRM which is highly interdependent on other HRM functions. PMS is not operating independently rather it influences the other HRM functions including recruitment & selection, training & development, compensation and HR planning. This chapter focuses on the linkage of PMS with other HRM functions.

Training and development:

Information gathered through performance appraisals identifies the knowledge, skills and attitudes (KSA) required for the employees. Therefore, the feedback received through an effective PMS serve as a source of training need analysis (TNA). Based on the TNA extracted through PMS, effective training and development of employees can be planned and executed. The newly trained employees are effectively equipped with the competencies relevant to the organizational activities and jobs. This shows a strong link between PMS and T&D through which the two HRM functions are integrated.

Compensation Management:

This HRM function is strongly associated with PMS. Compensation management is initiated after the completion of PMS i-e PMS provides input to the compensation management. PMS provides the information on the employee performance; how the tasks are done, whether the goals are attained or not etc. Whereas, compensation management focuses on rewarding the employees on their respective performance. A strong link between PMS and compensation management ensures the transparent allocation of rewards; performance leading to rewards. If the criteria to reward are made visible to employees, it will motivate and persuade the employees to perform better to achieve the rewards (financial and/or non-financial).

Human Resource Planning:

Human Resource Planning (HRP) is a process of aligning the human resource of an organization with the organization's strategic plans. The basic function of HRP is to identify the demand and supply of human resource and to forecast the future needs of an organization with respect to human resource. In order to forecast such information, an in-depth analysis of the existing human resource is mandatory. PMS provides that in-depth analysis of existing human resource in terms of the KSAs, capabilities and talents. On the basis of extracted information through PMS, organization can forecast the demand of human resource which can be either fulfilled through employees' training and development or by recruiting new staff with required skills. Training & Development is preferred when the future need is to be met internally to the organization, to acquire competence from the external market, recruitment and selection of new employees is conducted. In both methods PMS play a vital role by identifying the KSA, talent and competencies required for the organizational people.

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LESSON 7**PM PROCESS: PREREQUISITES AND PERFORMANCE PLANNING**

Performance management is a process consisting of sequential steps performed on continuous basis. The activities involved in this process are strongly interlinked and performed in a defined sequence, malfunctioning in any of the steps will result into failure of the whole system. This chapter initiates the description of PMS through its sequential components.

Prerequisites:

PMS cannot be initiated successfully until or unless the prerequisites are accomplished. Before implementing the PMS organization needs to clarify few of the aspects so that employees will be guided in a right direction. The major prerequisites to be ensured includes the ‘knowledge of organization’s mission’ and ‘knowledge of the job’ to be assessed. Knowledge of organization’s main vision, mission and objectives are necessary to align the job activities so that organizational goals can be met efficiently and effectively. If this link is weak then organization can never achieve its performance goal, regardless of the efforts, motivation and competencies of the employees. Initiated PMS will remain ineffective if organizational mission and goals are ambiguous and not clearly communicated among the employees.

The other prerequisite is about the nature of the job to be evaluated. In order to appraise a particular job, it is mandatory to be well informed about the job in terms of the activities, responsibilities, competencies involved in performing the job. In order to get the job relevant information, job analysis should be conducted by involving the employees performing that job, related supervisor/manager and other related organizational people. The required information is gathered through interviews, questionnaire and/or observing the tasks. Major components of job; “job description”, “job specification” and “job evaluation” are extracted through the process of job analysis which plays a significant role in evaluating the performance.

Once the organization clearly defines its vision, mission, and objectives and describes the job in detail, it is the appropriate time to initiate the PMS effectively. As at this stage employees are well aware of the organizational objectives and the management’s expectation regarding the performance. The clarity of these two aspects provides a vivid beginning to PMS.

Performance Planning:

The next phase in PMS is ‘Performance Planning’ during which managers, supervisors and subordinates collaborate to discuss and agree upon the performance criteria including results/performance outcomes, behaviors and development plans.

Outcomes:

This describes the expected outcomes of employees’ performance; what needs to be achieved by the employee. Outcome based criteria involves a consensus on set objectives and defining accountabilities on part of subordinates and supervisors/managers. Information on expected results is extracted from the job description. To ensure the effectiveness of result-based evaluation, it is mandatory to define measurable outcomes. Moreover, discussion over results evaluation assists in defining performance standards against which performance can be evaluated. Therefore, this criterion includes the measurable outcomes to be evaluated against set performance standards and the acceptable accountability by employees.

Behaviors:

Evaluating performance on the basis of attained results does not provide an actual evaluation in some cases. Mostly the external factors are forceful enough to impact the results. In situations where external pressures are high, in order to assess the employees’ performance their workplace behaviors are observed. Moreover, nature of job also indicates the importance of employee behavior in job performance. For instance sales related jobs are highly dependent on the employee’s behavior while dealing with customers.

In such situations result based evaluation is not an adequate method. In order to evaluate the performance based on displayed behavior, employee's competencies including knowledge, skills & abilities (KSAs) are considered. Rather than concentrating on attained results, employees are evaluated on the basis of their KSAs and competencies observed through their behaviors at workplace. It is essential to make clear that whether employees' behavior will be considered or not while evaluating their performance.

Development Plans:

Besides assessing employee performance, performance evaluation should also meet the development needs of the organization to bring improvement and facilitate organizational growth. For this purpose this dimension also needs to be clearly defined and communicated among the employees that how the evaluation of performance will benefit the employee development and organizational growth. Organization is an entity composed of individuals working in it, therefore, individual development leads to organizational development if aligned with the organizational goals. In this domain initially performance gaps are identified which are then addressed to bring improvements. Development plans are defined by accommodating both result as well as behavior based evaluations. Result based criteria indicate the performance gaps while behavior based evaluations defines the employees' capacity to learn and develop themselves.

Job Analysis:

Organizations consist of positions that have to be staffed. **Job analysis** is the procedure through which you determine the duties of these positions and the characteristics of the people to hire for them. Job analysis produces information used for writing **job descriptions** (a list of what the job entails) and **job specifications** (what kind of people to hire for the job). The supervisor or HR specialist normally collects one or more of the following types of information via the job analysis:

- **Work activities.** First, he or she collects information about the job's actual work activities, such as cleaning, selling, teaching, or painting. This list may also include how, why, and when the worker performs each activity.
- **Human behaviors.** The specialist may also collect information about human behaviors like sensing, communicating, deciding, and writing. Included here would be information regarding job demands such as lifting weights or walking long distances.
- **Machines, tools, equipment, and work aids.** This category includes information regarding tools used, materials processed, knowledge dealt with or applied (such as finance or law), and services rendered (such as counseling or repairing).
- **Performance standards.** The employer may also want information about the job's performance standards (in terms of quantity or quality levels for each job duty, for instance). Management will use these standards to appraise employees.
- **Job context.** Included here is information about such matters as physical working conditions, work schedule, and the organizational and social context for instance, the number of people with whom the employee would normally interact. Information regarding incentives might also be included here.
- **Human requirements.** This includes information regarding the job's human requirements, such as job-related knowledge or skills (education, training, work experience) and required personal attributes (aptitudes, physical characteristics, personality, interests).

Steps in Job Analysis:

There are six steps in doing a job analysis. Let's look at each of them.

Step 1: Decide how you'll use the information, since this will determine the data you collect and how you collect them. Some data collection techniques—like interviewing the employee and asking what the job entails—are good for writing job descriptions and selecting employees for the job. Other techniques, like the position analysis questionnaire described later, do not provide qualitative information for job descriptions. Instead, they provide numerical ratings for each job; these can be used to compare jobs for compensation purposes.

Step 2: Review relevant background information such as organization charts, process charts, and job descriptions. **Organization charts** show the organization wide division of work, how the job in question relates to other jobs, and where the job fits in the overall organization. The chart should show the title of each position and, by means of interconnecting lines, who reports to whom and with whom the job incumbent communicates.

A **process chart** provides a more detailed picture of the work flow. In its simplest form a process chart shows the flow of inputs to and outputs from the job you're analyzing. Finally, the existing job description, if there is one, usually provides a starting point for building the revised job description.

Step 3: Select representative positions. Why? Because there may be too many similar jobs to analyze. For example, it is usually unnecessary to analyze the jobs of 200 assembly workers when a sample of 10 jobs will do.

Step 4: Actually analyze the job by collecting data on job activities, required employee behaviors, working conditions, and human traits and abilities needed to perform the job.

Step 5: Verify the job analysis information with the worker performing the job and with his or her immediate supervisor. This will help confirm that the information is factually correct and complete. This review can also help gain the employee's acceptance of the job analysis data and conclusions, by giving that person a chance to review and modify your description of the job activities.

Step 6: Develop a job description and job specification. These are two tangible products of the job analysis. The **job description** (to repeat) is a written statement that describes the activities and responsibilities of the job, as well as its important features, such as working conditions and safety hazards. The **job specification** summarizes the personal qualities, traits, skills, and background required for getting the job done. It may be in a separate document or in the same document as the job description.

METHODS OF COLLECTING JOB ANALYSIS INFORMATION:

The most important ones in this section. In practice, you could use any one of them, or you could combine the techniques that best fit your purpose. Thus, an interview might be appropriate for creating job description, whereas the position analysis questionnaire may be more appropriate for quantifying the worth of a job for compensation purposes. Conducting the job analysis usually involves a joint effort by an HR specialist, the worker, and the worker's supervisor.

The HR specialist (perhaps an HR manager, job analyst, or consultant) might observe and analyze the job and then develop a job description and specification. The supervisor and worker may fill out questionnaires listing the subordinate's activities. The supervisor and worker may then review and verify the job analyst's conclusions regarding the job's activities and duties. In practice, firms usually collect job analysis data from multiple "subject matter experts" (mostly job incumbents) using questionnaires and interviews. They then average data from several employees from different departments to determine how much time a typical employee spends on each of several specific tasks.

The problem is that employees who have the same job title but work in different departments may experience very different pressures. Therefore, simply adding up and averaging the amount of time that, say, HR assistants need to devote to "interviewing candidates" could end in misleading results. The point is that you must understand

the job's departmental context: The way someone with a particular job title spends his or her time is not necessarily the same from department to department. Interviews, questionnaires, observations, and diary/logs are the most popular methods for gathering job analysis data. They all provide realistic information about what job incumbents actually do.

Managers use them for developing job descriptions and job specifications.

Using Multiple Sources of Information:

There are obviously many ways to obtain job analysis information. You can get it from individual workers, groups, or supervisors; or from the observations of job analysts, for instance. You can use interviews, observations, or questionnaires. Some firms use just one basic approach, like having the job analyst do interviews with current job incumbents. Yet a recent study suggests that using just one source may not be wise. The problem is the potential inaccuracies in people's judgments. For example, in a group interview, some group members may feel forced to go along with the consensus of the group; or an employee may be careless about how he or she completes a questionnaire. What this means is that collecting job analysis data from just interviews, or just observations, may lead to inaccurate conclusions. It's better to try to avoid such inaccuracies by using several sources. For example, where possible, collect job analysis data from several types of respondents—groups, individuals, observers, supervisors, and analysts; make sure the questions and surveys are clear and understandable to the respondents. And if possible, observe and question respondents early enough in the job analysis process to catch any problems while there's still time to correct them.

Job Description (JD):

A job description is a written statement of what the worker actually does, how he or she does it, and what the job's working conditions are. You use this information to write a job specification; this lists the knowledge, abilities, and skills required to perform the job satisfactorily. There is no standard format for writing a job description. However, most descriptions contain sections that cover:

- Job identification
- Job summary
- Responsibilities and duties
- Authority of incumbent
- Standards of performance
- Working conditions

Job Specification (JS):

The job specification takes the job description and answers the question, "What human traits and experience are required to do this job well?" It shows what kind of person to recruit and for what qualities that person should be. Job specification may be a section of the job description or a separate document entirely.

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LESSON 8**PM PROCESS: PERFORMANCE EXECUTION AND ASSESSMENT**

Once all the prerequisites and performance criteria are established, now it is the time to actually implement the PMS. Therefore, phases of prerequisite and performance planning are preceded by performance execution (PMS is actually implemented), performance assessment (evaluating the effectiveness of PMS), performance review and performance renewal & re-contracting. This chapter discusses the phases of performance execution and assessment of PMS.

Performance Execution:

It is the stage of PMS when performance to be evaluated is actually performed by the employees. The performance is initiated according to the set standards and mutually decided goals. To perform a particular task as per the instructions is the main responsibility of employees; therefore, performance execution is mostly based on employees (subordinates, ratees). However, managers (supervisors, raters) have also a significant role in performance execution in terms of support and guidance rather than actual performance of the job. Considering the different roles of managers (supervisors) and employees (subordinates), performance execution is here explained with respect to managers and employees separately.

Employees' role:***Commitment:***

In order to perform a particular task, commitment to goal achievement is an essential element. The commitment level of employees is high where goals are mutually set by incorporating the employees' feedback. Higher level of commitment leads to better performance.

Performance feedback:

For smooth execution of performance, performance feedback should be shared to managers/supervisors on ongoing basis rather than delaying it till review cycle begins or any error occurs. Ongoing feedback provided to evaluators assists in taking proactive measures to avoid performance related issues and in providing timely coaching and guidance to employees.

Communication with supervisor:

Openly communicating about the performance level and gaps with the supervisors is helpful in developing trust. It also results in bringing efficiency into the system as it is time consuming if performance issues are only to be identified by the evaluators.

Collecting and sharing performance data:

It resides with the employees to openly and accurately share the progress towards goal accomplishment in terms of behavior and outcomes.

Performance reviews:

Before initiating a formal performance review, employees can start their self-appraisals. They themselves can appraise their performance by getting feedback from their peers and customers.

Managers' role:***Observation and Documentation:***

On part of managers (supervisors) it is mandatory to attentively observe and document the performance based on which evaluation can be made. It is helpful in taking accurate, unbiased performance evaluations which can be further referred if documented properly.

Updates:

It is manager's responsibility to keep employees updated regarding the changes in set goals, performance standards and modified preferences, so that employee's performance remains aligned with the organizational goals.

Feedback:

Being evaluator manager has the responsibility to provide feedback on performance to employees on continuous basis so that employees can improve their performance even before a formal performance review is initiated. This initiative promotes development purposes than administrative purposes of PMS.

Resources:

In order to perform a particular task, in addition to employee's competency, a number of resources are also required. Resources in terms of equipment, machinery, computers, building etc. are also required to accomplish a task successfully. In order to achieve the desired performance an employee should be provided by the required resources and a manager is responsible for this provision of resources. Furthermore, providing growth opportunities to employees so that they will be well trained to perform a task also comes under manager's responsibility.

Reinforcement:

Managers are not just supposed to appraise the performance rather providing feedback on performance is also part of their responsibility. This feedback should be in terms of rewards and encouragement. The positive and constructive feedback reinforces employees to perform well in future as well.

Performance Assessment:

This is the phase in which executed performance is evaluated by both employees (ratees) and managers (raters). Information related to performance can be gathered from multiple sources including, supervisors, peers, customers and subordinates, but mostly information provided by supervisor is considered important and is generally accepted. Multiple sources of information ensure the accuracy of the PMS by reducing the chances of biasness which may be high with a single source of performance related information. Moreover, employees themselves can self-appraise their performance which is beneficial for development purposes. Opportunity to self-assess ones performance enhances their trust level, satisfaction, perception regarding fairness of PMS and therefore they openly accept the PMS. Mostly self-appraisals are highly rated as compared to the other appraisals in which supervisors, peers, subordinates and customers fill the appraisal form for one's performance. Performance assessment phase involves the active participation of both supervisor (rater) and subordinate (ratee), specifically employees' participation in this phase develops the employee ownership with the performance rating and it positively affects the performance outcomes

PM PROCESS; PERFORMANCE REVIEW, RENEWAL AND RE- CONTRACTING

After the execution of performance, activities are assessed separately by relevant stakeholders (supervisors, oneself, peers, subordinates & customers). Now a combine discussion is required to elaborate the assessment ratings allocated solely by raters (managers) and ratees (employees). Assessment decisions taken with consensus are helpful in making any adjustments to the system to remove discrepancies and bring improvement. This chapter discusses the last two stages of PMS; performance review, renewal and re-contracting.

Performance Review:

This is the second last phase of PMS in which assessment rating of performance are mutually discussed by the rater (supervisor) and ratee (subordinate) by comparing what happened with what should have happened. Discussions made between evaluator and ratee regarding performance can either be formal or informal.

Informal review:

Informal feedback can take place whenever a manager (rater) comments on a piece of work or an action of an employee (ratee) in order to provide feedback, initiate coaching or other learning activities and show consensus on revised goals or any corrective action required. Such meetings may not be formally documented unless action to deal with poor performance is officially initiated. However, evaluators may take notes for reference in a formal review.

Formal review:

Formally conducted reviews are usually known as “appraisal meetings” in which performance is analyzed more systematically. This discussion includes an overview and analysis of performance since the last review and comparing results with agreed performance standards, occasionally supported by incidents depicting particular performance (in terms of both results and behaviors). The outcomes of meeting are formally documented on appraisal forms or employee files which will assist in taking decisions regarding performance pay, promotion, demotion, employee development opportunities, employee training and action to deal with poor performance. Therefore, a transparent, unbiased, equitable performance review is a backbone for major functions of PMS resulting into improved performance.

Productive Performance Review:

In order to ensure the transparency and effectiveness of performance reviews following recommendations are suggested:

1. Identify what the employee has done well and poorly referring to the displayed employee behavior
2. Identify the factors behind a particular performance from employee’s feedback and give heed to their explanations
3. Give feedback in a positive manner to remove performance discrepancies and suggest improvement
4. Identify the kind of skills required to enhance the performance of employees
5. Encourage employees to improve performance even by incorporating their suggestions
6. Conduct follow-up meetings on regular basis to timely identify the performance gaps and attained outcomes for employees’ guidance

Performance Renewal and Re-contracting:

Last phase of PMS is performance renewal and re-contracting which is somehow similar to the phase of performance planning. In this phase organizational goals, performance standards and desired behaviors are modified in accordance to the outcomes achieved in the previous phases. Considering the outcomes achieved, the PM process is initiated again with the above defined phases while accommodating the outcomes of previous phases. In this manner PMS functions in a continuous manner; finalized in performance renewal and re-contracting which initiates another cycle of PMS by redefining prerequisites and performance planning.

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LESSON 10**STRATEGIC PLANNING**

It is a process of defining organizational goals & strategies to attain those goals, allocating resources to implement plans, clarifying the future prospect and continuously scanning the environment to identify opportunities and threats.

Strategic planning is done to meet the following objectives:

1. Strategic planning defines and clarifies the main purpose of organization's existence; organization's identity.
2. Strategic planning guides an organization for future prospects and make future actions clear and well defined.
3. Organizational environment is analyzed through strategic planning in identifying the opportunities and threats an environment contains. This understanding assists organization in adapting the environmental changes and act proactively.
4. In order to implement any strategy and put plans into actions, number of resources are required. The appropriate allocation of resources also comes under strategic planning which is essential for organizational progress and growth.
5. Goals and future directions are an outcome of strategic planning which actually guides the actions of employees. Therefore, this directed action plan supports in building a particular organizational culture which indicates the actions that are valued by the organization. Moreover, a unique organizational goal stimulates a sense of cooperation and unity among employees over attaining organizational wide common goal.
6. Future opportunities and prospective threats are identified through strategic planning; therefore it serves as an eye opener for organizations and its elite.
7. Daily, routine based tasks are also monitored and evaluated through strategic planning when goal attainment is evaluated against set performance standards. This monitoring includes the employee performance both in terms of results as well as desired behaviors.

As strategic planning is associated with day to day monitoring of organizational performance, therefore it provides critical information to be used in performance management system.

An organization's mission and strategic goals are a result of strategic planning, which allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to attain these goals. Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support the organization's overall mission and objectives. The cascading continues downward until each employee has a set of goals compatible with those of his or her unit and the organization.

The mission statement, goals, and strategies at the organizational level served as the foundation for developing the strategies for individual departments and units. To develop these, senior managers met with each department manager to discuss the organization's goals and strategies and to explain the importance of having similar items in place in each department. Subsequently, each of the departmental managers met with his or her employees to develop a department mission statement and goals.

One important premise in this exercise was that each department's mission statement and objectives had to be aligned with the corporate mission statement, goals, and strategies. After organizational and departmental goals and strategies were aligned, managers and employees reviewed individual job descriptions. Each job description was tailored so that individual job responsibilities were clear and contributed to meeting the department's and the organization's objectives. Involving employees in this process helped them to gain a clear understanding of how their performance affected the department and, in turn, the organization. (Aguinis, 2009, p. 12, 13, 14).

Performance management strategy is based on the resource-based view that it is the strategic development of the organization's rare, hard to imitate and hard to substitute human resources that produces its unique character and creates competitive advantage. The strategic goal will be to 'create firms which are more intelligent and flexible than their competitors' (Boxall, 1996) by developing more talented staff and by extending their skills base, and this is exactly what performance management aims to do. Kathy Armstrong and Adrian Ward (2005) summed up the strategic role of performance management very well when they wrote:

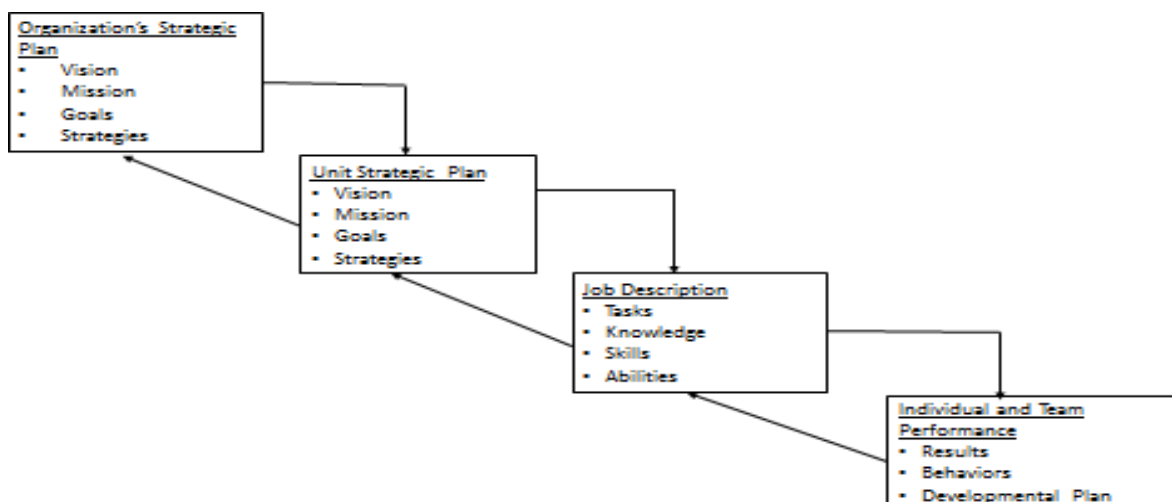
There is also opportunity for performance management to help drive through organizational change. Instead of being a tactical initiative, perhaps

Organizational performance management systems are strategic in the sense that they are aligned to the business strategy of the organization and support the achievement of its strategic goals. They will focus on developing work systems and the working environment as well as developing individuals. To develop the systems and make them function effectively it is necessary to ensure that the strategy is understood, including, as Kaplan and Norton (2000) put it, 'the crucial but perplexing processes by which intangible assets will be converted into tangible outcomes'. Strategy maps show the cause-and-effect links by which specific improvements create desired outcomes. They are means of describing the elements of the organization's systems and their interrelationships. They therefore provide a route map for systems improvement leading to performance improvement. In addition, they give employees a clear line of sight into how their jobs are linked to the overall objectives of the organization and provide a visual representation of a company's critical objectives and the relationships between them that drive organizational performance. Bourne, Franco and Wilkes (2003) call them 'success maps', which they describe as diagrams that show the logic of how the objectives of the organization interact to deliver overall performance.

Performance management – Strategic plan link:

Organizational goals are steppingstone for all other organizational plans and actions. Organizational goals guide the whole organization by disintegrating into department wide and group level goals. Departmental level goals assist in describing job activities and responsibilities of a particular job. Further, individual, team and organizational performance are evaluated against that defined job description. This activity of performance evaluation is conducted through performance management. In this manner organizational goals and strategic plans are linked with PMS.

The given diagram represents this linkage between strategic plan and PMS; strategic plans directing PMS.



Organization's Strategic Plan:

Organization level strategies are guided through the organization wide goals which are huge in scope. Organizational goals are followed by organization's vision and mission. Organization's Vision is a statement which describes the organization's future prospects; what organization wants to achieve in long-term. It describes the future aspirations in broad and relatively vague manner which is further explained through its mission statements. More precisely, mission statement defines organization's primary customers, products and services it produce, and describes the geographical location in which it operates. Missions are further segregated into specific goals to ensure step by step completion and achievement of organization's mission and vision. Action plans drafted to achieve the goals are termed as strategies, which are mostly long-term focused and future oriented. Therefore, organization's strategic plan is initiated by its vision, mission which segregated into organizational goals which define the organizational strategies to achieve those goals.

Unit's Strategic Plan:

Similar to an organization, each unit has its own specific vision, mission and goals which are aligned with the organization's goal. To achieve the specific, unit level goals strategies are developed at unit level describing the unit level strategic plan.

Job description:

Now the performance-strategy link starts initiating when job is designed in accordance to the unit's strategy. In order to achieve the set goals this alignment between job description and strategy is essential as it guides the employees' action towards goal attainment. Specific job description defines the knowledge, skills and abilities (KSAs) an employee must hold to perform in a particular job position. Therefore, employee performance is guided by the organizational strategies.

Individual and Team performance:

In order to evaluate the employee performance, job performance is evaluated individually as well as in teams. This evaluation is based on the achievement of organizational goals as prescribed by strategic plans. Job defined in accordance to the strategies is evaluated in this phase which clearly represents the influence of strategic plan on performance management.

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LESSON 11**STRATEGIC PLANNING; ENVIRONMENTAL ANALYSIS**

Strategic planning is a process of defining organization's long-term goals and tactics to achieve those goals. In order to plan future prospects of an organization, employer needs to be aware of organization's competitive position against strength of competitors, organization's current position and destination to achieve. This awareness helps in developing organization's strategic goals, designing plan of action, implementing the plans and allocating resources (human & physical resources) required during the implementation phase.

Steps to develop strategic plan:

Successful development of a strategic plan includes the following steps:

1. Conduct an environmental analysis
2. Develop organizational vision
3. Craft organizational mission
4. Set organizational goals
5. Draft strategies to fulfill its mission and vision and achieve its goals

Environmental Analysis:

Strategic planning process is initiated by the environmental analysis. Environmental analysis is a method to scan the environment of an organization to identify all the external and internal elements which can affect the organization's performance. This analysis of environment (external- internal) assists in decision making in order to respond to environmental changes.

**External Environment:**

External environment is composed of elements which lay outside the organizational boundaries over which organization has least or no control. An external environment serves as a source of *opportunities* and *threats* for an organization. Opportunities are the components of external environment which help organizations succeed. For example, subsidies provided by government financially support the organization to grow. External environment not only provide opportunities but also creates threats for the organization. Threats are the environmental factors which create difficulties for organizations and hinder its success. Imposed taxes, arrival of competitors, increasing inflation rates all can hinder the organization's sale and ultimately results into business losses.

Following are the factors that form an external environment of an organization affecting its performance:

1. Economy:
 - Is there an economic recession on the horizon?
 - Is current economic recession likely to end in future? How do economic trends affect our business?
2. Political/legal:
 - How will political changes domestically or in the international markets are planning to enter or leave the country?
3. Social:
 - What is the impact of a possible aging of the workforce? What is the possible effect of youthful workforce?
4. Technological:
 - What technological changes are anticipated in our industry and how will these changes affect the way we do business?
5. Competitors:
 - How do the strategies and products of our competitors affect our own strategies and products?
 - Can we anticipate our competitor's next move?
6. Customers:
 - What customers want now, and in future? Can we anticipate such needs?
7. Suppliers:
 - What relationship exists with suppliers now and is it likely to change, and in what way, in the near future?

Internal Environment:

Factors of an organization which are in direct control of an organization form an internal environment. Analysis of an internal environment identifies the organization's *strengths* and *weaknesses*. Strengths are the organizational characteristics which ensure organizational success while weaknesses are the characteristics which hinder organizational progress or cause organizational failure. In order to sustain position in the market organizations need to multiply the strengths and remove the weaknesses. Following are the components of an organization that form an internal environment affecting organizational performance:

1. Organizational structure:
 - Is the current structure conducive to fast and effective communication?
2. Organizational culture:
 - Includes written norms and values espoused by the members of the organization
3. Organizational politics:
 - Various units are either competing or collaborating for resources
 - Are units likely to be open and collaborative in cross-unit projects?
4. Processes:
 - Is the organizational process working properly?
5. Size:
 - Is organization too small or too large? Are we growing too fast?
 - Will we be able to manage growth/downsizing effectively?

Gap Analysis:

Environmental analysis provides information about organizational strengths & weaknesses and available opportunities & threats in the surroundings. This information assists in conducting *gap analysis*; responding external environment through internal abilities.

Following are the few situations identified through gap analysis in which external and internal environments are compared:

1. *Opportunities + Strengths = Leverage:*

It is a situation when there is an opportunity in the external environment and organization has a related strength to get advantage of the opportunity. It is an ideal situation in which organization can initiate its business.

2. *Opportunity + Weakness = Constraint:*

In this situation external environment offers an opportunity for an organization but internally organization is not capable enough to avail the opportunity. It is an internally created constraint for an organization to proceed.

3. *Threat + Strength = Vulnerability:*

In this situation external environment contains threat for an organization but due to its strengths, organization has maintained to operate successfully. It is vulnerable in a manner that threat can affect the organizational progress if it fails to retain its strengths.

4. *Threat + Weakness = Problem:*

It is the worst situation for an organization when it is surrounded by external threats and is also internally weak to overcome these threats. In such situation organizational existence becomes vulnerable; if this situation sustains for some time, it may lead to organizational decline or death.

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STRATEGIC PLANNING; REVISING MISSION, VISION, GOALS**Importance of PMS: Reluctance towards PMS:**

Beside immense advantages, organizations and employees show reluctance towards implementation of PMS due to the following reasons:

- Lack of perceived value among employees and organizations
- PMS is a time consuming procedure
- PMS requires continuous communication between employer/manager (rater) and employee (ratee)
- Outcomes attained through PMS are intangible in nature and receive gradually therefore cannot be easily noticed by the stakeholders
- Multiple organizational units and departments compete for scarce resources, and PMS
- Formalize the method of resource allocation which is mostly avoided by the unit managers
- Organizations where administration does not give importance to documentation

Why PMS is important?

PMS allows top management to carry out their vision.

- It aligns organizational goals in one direction.
- It allows all employees to understand where the organization stands and where it needs to go PMS is a 'How Do' Process.
- It identifies and segregates the individual and collective performance and needs of employees.
- Employees being individuals may have contradictory demands which can be easily distinguished and addressed through PMS.
- It describes the vision of top management through the performance aspects they value in PMS.
- PMS assists employees in clearly understanding their organizational roles and expectations attached.

Strategic Planning; Mission:

After conducting the environmental analysis organization's strengths, weaknesses and available opportunities and threats become obvious based on which organization can clearly define its path. Mission statement is a tool to describe organization's aspirations describing "who they are", "what they do" and "the reason of their existence".

An ideal mission statement should illustrate the following aspects:

- Reason of organizational existence
- Scope of organizational activities
- Customers and markets, organization serves
- Offered products and services
- Type of technology using in the business
- Concern for growth or/and profitability
- Organization's values and beliefs

Mission is redefined after developing the strategic plans at organization and specifically at unit levels.

Strategic Planning; Vision:

Vision explains the future aspirations of an organization which is defined after or along defining the organization's mission. To demonstrate the future prospects vision statement is written which should be:

- Brief so that it can be remembered
- Verifiable by setting reality based future goals
- Bound by a timeline to attain the future goals
- Focused on few but specific areas to target

- Current by redefining the obsolete and achieved goals
- Understandable for every one
- Inspiring for the employees to achieve the future endeavors

Strategic Planning; Goals:

After defining broad mission and vision, specific goals are further defined facilitating the accomplishment of mission and vision. In addition to accomplishing missions and visions, goals also serve as a source of motivation for employees. Performance target becomes tangible through defined goals which motivate the employees to put effort for the attainment of the provided goals. Moreover, goals contribute in evaluating the performance through attainment and nonattainment of set goals. Goals should be revised according to the new strategic plans in order to direct the activities towards new future aspirations. Goals are further followed by the related strategies to attain those goals which are broad at organizational level while specific at unit level.

HR department plays a major role in developing and disseminating the new goals and strategies. For an effective strategic planning HR is supposed to perform following activities:

- Communicate knowledge of strategic plan among organizational people (employees & managers)
- Identify the KSAs (knowledge, skills, abilities) required in implementing the strategies
- Propose a compensation system to reward employees on the attainment of new goals which direct the employees' efforts towards goal accomplishment

In order to align the organizational activities with the goals, job descriptions are modified accordingly, explaining the tasks, activities and responsibilities of a particular job. Based on modified job descriptions, employee performance is evaluated. In this manner strategic planning influences the PMS.

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LESSON 13**PERFORMANCE STANDARDS**

Performance standard is a tool to ensure that performance will be up to the standard in a desirable, specified and observable manner. It evaluates performance in a quantifiable manner. In order to evaluate performance accurately defining performance standards is a prerequisite; describing the conditions that must exist before the performance can be rated satisfactory. These standards are used to communicate the performance expectations among supervisors (raters) and employees (ratees). Participation of employees in defining performance standards builds trust among them which helps in maintaining positive employee relations. In order to draft ideal performance standards, following characteristics should be ensured:

- Standards should be Measureable
- Standards should be Observable
- Standards should be Realistic
- Standards should be Attainable

It is a tool that specifically represents performance therefore; it describes performance in terms of:

- Required Quantity attained
- Desired Quality obtained
- Timeliness of procedures adopted
- Effective use of resources
- Effects of efforts put by performer
- Cooperation level showed by individuals
- Method of performing assigned tasks
- Adjustment showed with the prevailing organizational culture

**Developing Performance Standards:**

In order to define performance standards following process is followed:

1. Identify the top 3-5 primary job responsibilities of an employee
2. Identify the performance indicators that will signify satisfactory performance of these 3-5 job responsibilities
3. Identify the measureable and objective performance standards that reflect the minimum level of acceptable performance
4. Identify the evaluation method, that is how you plan to monitor the employee's performance of his/ her primary job responsibilities

Pitfalls in developing performance standards:

While setting performance standards following are the don'ts which should be avoided:

- Ignoring individual efforts while assessing team performance
- Micromanagement of employees; i-e close supervision of employees and giving no room of empowerment
- Restricted dissemination of information about the performance of an employee

LESSON 14**DETERMINANTS OF PERFORMANCE**

Performance is about what employees do; specifically their displayed behavior at workplaces. Behavior can be evaluated in terms of employees' actual conduct and the results/outcomes attained through the particular behavior, therefore PMS includes both behavior and results while evaluating performance.

Evaluative are such behaviors that can be judged as negative, neutral, or positive for individual and organizational effectiveness.

Multidimensional signifies different kinds of behaviors that have the capacity to advance or hinder organizational goals.

Performance Determinants:

The factors which cause a performance of an individual include declarative knowledge, procedural knowledge and motivation and are termed as performance determinants.

Declarative knowledge:

It is based on factual information, information regarding given task's requirements, labels, principles and goals. This depicts the basic understanding of an employee regarding the job description.

Procedural knowledge:

It is the knowledge about the procedures to perform a particular task; i-e knowledge on what to do and how to do. This knowledge type depicts employee's cognitive, physical, perceptual, motor, and interpersonal skills.

Motivation:

It is a concept laying either within or external to a person, that energizes, directs and maintains particular behavior at workplace

Declarative Knowledge	Procedural Knowledge	Motivation
Facts	Cognitive skill	Choice to perform
Principles	Psychomotor skill	Level of effort
Goals	Physical skill	Persistence of effort
	Interpersonal skill	

All these factors are essential for a performance to occur and therefore, have multiplicative relationship. Absence of any one factor leads to no performance. Following equation represents the performance as a function of declarative knowledge, procedural knowledge and motivation.

Performance = declarative knowledge x procedural knowledge x motivation

This equation proves that value of performance will be zero if value of any of the determinants is zero. Issue of procedural knowledge prevails when there is lack of knowledge which can be easily addressed once it is identified. Employees who have knowledge about the job description are still unable to perform unless they possess the related skills. Problem with procedural knowledge exists when employees do not have the skill to perform the task. Similarly, motivation can cause performance problem when employee experiences disappointment, frustration, resentment, anger and dissatisfaction. Therefore, if any one of these factor is missing it will lead to performance decline.

Factors influencing determinants of performance:

All the determinants of performance are directly related to employees, their feelings, behaviors and capabilities. Therefore, factors affecting employees' feelings, behaviors and capabilities also facilitate in increasing performance levels. Organization's human resource activities, working environment and resources (tangible & intangible) are the factors which affect employees. Human resource practices contribute in filling gaps in declarative and procedural knowledge through training and development. Friendly, conducive working environment, compensation, benefits and development opportunities serve as sources of employees' motivation.

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LESSON 15**PERFORMANCE DIMENSIONS AND MEASUREMENT**

Performance is a multidimensional concept which has multiple dimensions based on different types of behaviors. Two major types of performance are task performance and contextual performance based on various types of behaviors.

Task Performance:

Task performance focuses on cognitive abilities of an individual and gives more emphasis to outcomes rather than emotions. The major concern while evaluating performance is on task accomplishments, therefore, referred as unbiased approach, as it considers objective dimensions of performance.

Contextual Performance:

Contextual performance is a volunteering activity to carry out those tasks which are not formally part of the job for example, suggesting organizational improvements, making constructive suggestions, assisting and helping coworkers and customers. Unconditionally respecting authority, complying with organizational values and policies, endorsing, supporting, and defending organizational objectives with freewill all are considered as contextual performance.

Difference between Task and Contextual performance:

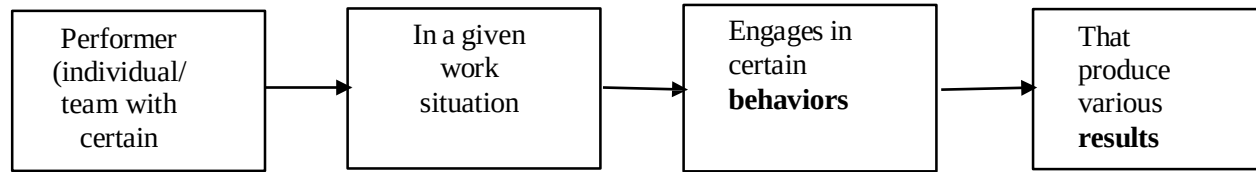
Task Performance	Contextual Performance
Varies across jobs	Fairly similar across jobs
Likely to be role prescribed	Not likely to be role prescribed
Antecedents: abilities & skills	Antecedents: personality

While evaluating performance it is suggested to include both task and contextual performance as both performance types lead to organizational success. Doing a job accurately is not enough for successful task accomplishment, contextual performance through which cooperation, assistance, commitment levels are displayed is also an essential element of a successful performance. The importance of contextual performance in PMS is enhanced because employees feel more satisfied when their contextual performance is also considered during evaluation. Outcomes of performance evaluation in terms of rewards and punishments reinforce individuals to demonstrate cooperation, commitment, sincerity with the organizations and colleagues. Contextual performance has more significance in appraising team performance. Emerging situations like global competition, changing customer trends etc has increased the importance of contextual performance in the business world.

Approaches to Measure Performance:

Performance is attained through behavior displayed by an employee leading to certain results in particular organizational context. The variation in performance of same employee can be observed in different situations, changed supervision and with different equipment. Therefore, measuring performance is a complex phenomenon and cannot be accessed through a single technique. Following are the three common approaches to measure performance:

1. Trait approach
2. Behavior approach
3. Results approach

**Trait Approach:**

This approach focuses the individual performance through cognitive abilities and personality while ignores the specific situation, behaviors, and results. This approach is justified based on the positive relationship found between abilities and personality traits and desirable work-related behaviors for example an airhostess should possess charming personality and polite attitude as these traits affect her performance. But this approach is criticized on the basis of following characteristics:

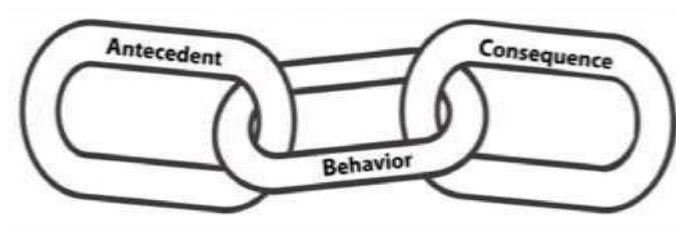
Traits are not under the control of individuals; they are often god gifted and are relatively stable over lifespan
It cannot not ensured that particular traits lead to desired behaviors and results

Behavior Approach:

This approach emphasizes what employees do on the job while evaluating performance. Main concern of this approach is the behavior and it does not consider employee's traits or the outcomes resulting from their respective behaviors. It is a process-oriented approach that emphasizes how an employee performs the job regardless of the results attained.

Link between behaviors and results:

Although behaviors and results are interrelated as behaviors leads to results but even then the link between two is not obvious. Desired result may not be achieved even though right behaviors are present (e.g., salesperson is unable to close a deal because of recession). Results may be achieved in spite of the absence of correct behaviors (e.g., pilot may not check all the items in the pre-flight checklist, even then landed successfully). Therefore, the decision to select one to evaluate performance varies from situation to situation; mostly behaviors are preferred while evaluating performance when the behavior-result link is weak



POOR PERFORMANCE

Employee's performance is considered poor if it fails to meet the set performance standards of the organization. There could be multiple reasons behind such poor performance, including internal as well as external reasons. Internal reasons are the ones related to the performer while external reasons include the factors lie outside the employee influence like social factors, organizational- level aspects etc.

Following list depicts few of the internal and external factors of poor performance:

Internal factors:

- Lack of Employee competence
- Low motivation
- Lacking confidence to accomplish task

External factors:

Organizational-level aspects:

- Limited resources to facilitate job responsibilities
- Limited feedback about task/job
- Weak Reward – Task link
- Unsupportive work culture
- Inadequate work systems

Social factors:

- Corruption
- Lawlessness
- Disabling Environment

Performance Problem and Poor Work Habits: Performance Problem:

Performance problems refer to expectations regarding work tasks and actual tasks done. Any discrepancy between the two, proposed and actual task performance indicates the existence of performance problem.

Poor Work Habits:

Individual habits which hinder the successful completion of work tasks are referred as poor work habits.

These habits include behaviors like:

- Showing up late for work
- Leaving work unfinished
- Chatting instead of helping customers
- Poor personal hygiene

Types of Work Performance Problems

- Quantity of work (untimely completion, limited production)
- Poor prioritizing, timing, scheduling
- Lost time
- Lateness, absenteeism, leaving without permission
- Excessive visiting, phone use, break time, use of the Internet
- Misuse of sick leave
- Slow response to work requests, untimely completion of assignments
- Preventable accident
- Inaccuracies, errors
- Failure to meet expectations for product quality, cost or service

-
- Customer/client dissatisfaction
 - Spoilage and/or waste of materials
 - Inappropriate or poor work methods

Work Behaviors Which Result in Performance Problems

Inappropriate behaviors (often referred to as "poor attitude")

- Negativism, lack of cooperation, hostility
- Failure or refusal to follow instructions
- Unwillingness to take responsibility ("passing the buck")
- Insubordination
- Power games

Resistance to change

- Unwillingness, refusal or inability to update skills
- Resistance to policy, procedure, work method changes
- Lack of flexibility in response to problems

Inappropriate interpersonal relations

- Inappropriate communication style: over-aggressive, passive
- Impatient, inconsiderate, argumentative
- Destructive humor, sarcasm, horseplay, fighting
- Inappropriate conflict with others, customers, coworkers, supervisors

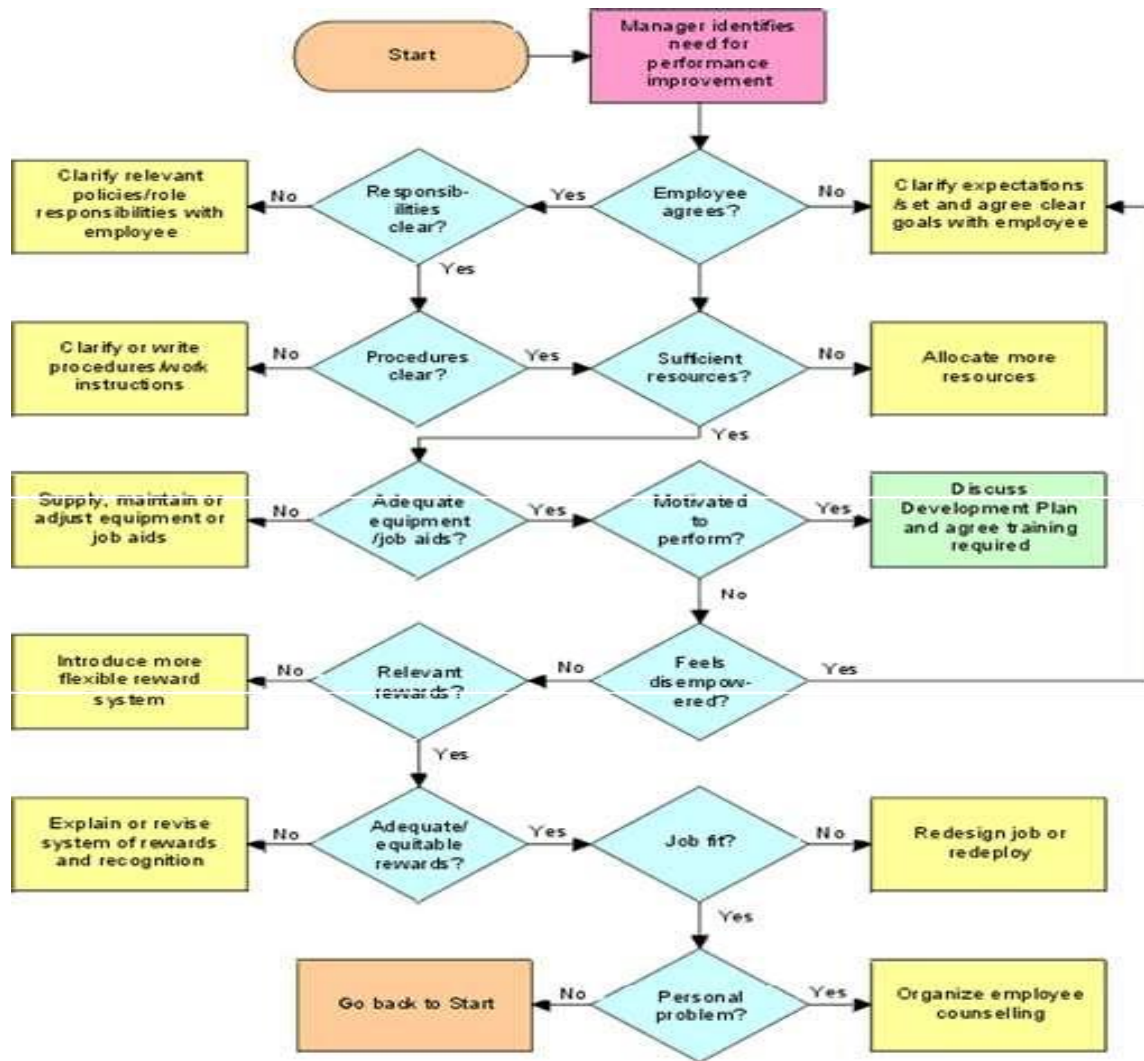
Inappropriate physical behavior

- Smoking, eating, drinking in inappropriate places
- Sleeping on the job
- Alcohol or drug use
- Problems with personal hygiene
- Threatening, hostile, or intimidating behaviors

Evaluating Poor Performance:

In order to deal with the poor performance it is mandatory to identify the reasons behind poor performance. Therefore, diagnosing the poor performance is the most critical and initiating phase requiring immense care on part of the evaluator (manager). Following phases describe the step by step process involved in dealing with poor employee performance:

- Become aware that employee is underperforming
- Identify the problem and assess its seriousness
- Identify the causes of the problem
- Decide and implement a proposed solution
- Feedback on the implemented solution is gathered
- If nothing works, invoke a disciplinary procedure like PIP (performance improvement plan)



Manager/supervisor remains in close contact with the performer/employee therefore, he/she is in a good position to identify the performance gaps and the reasons behind such discrepancies. Therefore, manager is considered as a major participant in dealing with performance issues. Following statements indicate the influence of manager on employee performance:

- A manager has a control over employee work performance
- A manager has the capability to influence his employee's good and bad performance everyday
- It is possible that not every employee will improve

Manager's Role in evaluating poor performance:

In order to diagnose a performance issue, following are the suggestions recommended to manager to enhance his/her effective role in management of poor performance:

- A manager should never assume that he/she knows every thing
- A manager should diagnose the problem in collaboration with the employee and then agree on a strategy to rectify it

-
- Avoiding or hurriedly diagnosing poor work performance problems adds a significant cost burden to businesses
 - Equipping managers and supervisors with the tools and skills required to accurately identify the real cause of an employee's substandard performance

Managing Poor Performance:

People with low ability may have been poorly matched with jobs in the first place. They may have been promoted to a position that's too demanding for them. Or maybe they no longer have the support that previously helped them to perform well.

A. Enhancing Ability:

There are five main ways to overcome performance problems associated with a lack of ability. Consider using them in this sequence, which starts with the least intrusive:

1. Resupply
2. Retrain
3. Refit
4. Reassign
5. Release

1. Resupply:

Focus on the resources provided to do the job. Do employees have what they need to perform well and meet expectations?

- Ask them about additional resources they think they need
- Listen for points of frustration
- Note where employees report that support is inadequate
- Verify the claims with your own investigation. People will often blame external sources for their poor performance before admitting their own fault

This is a very effective first step in addressing performance. It signals to members of your team that you're interested in their perspective and are willing to make the required changes.

2. Retrain:

Provide additional training to team members. Explore with them whether they have the actual skills required to do what's expected. Given the pace of change of technology, it's easy for people's skills to become outdated.

This option recognizes the need to retain employees and keep their skills current. There are various types of retraining that can be provided:

- Training seminars with in-house or external providers
- Computer-based training (CBT)
- Simulation exercises
- Subsidized college or university courses

Resupplying and retraining will often cure poor performance. People and organizations may get into ruts, and fail to recognize these issues until poor performance finally highlights them.

3. Refit:

When these first two measures aren't sufficient, consider refitting the job to the person. Are there parts of the job that can be reassigned?

Analyze the individual components of the work, and try out different combinations of tasks and abilities. This may involve rearranging the jobs of other people as well. The main goal is to retain the employee, meet operational needs, and provide meaningful and rewarding work to everyone involved.

4. Reassign:

When revising or refitting the job doesn't turn the situation around, look at reassigning the poor performer. Typical job reassignments may decrease the demands of the role by reducing the need for the following:

- Responsibility
- Technical knowledge
- Interpersonal skills

To ensure that this strategy is successful, never use demotion as a punishment tactic within an organization. Remember, the employee's performance is not intentionally poor – he or she simply lacked the skills for the position.

5. Release:

As a final option for lack of ability, it may be needed to let the employee go. Sometimes there are no opportunities for reassignment, and refitting isn't appropriate for the organization. In these cases, the best solution for everyone involved is for the employee to find other work. It is needed to consider contractual terms and restrictions; however, in the long run, this may be the best decision for the whole team.

B. Improving Motivation

Sometimes poor performance has its roots in low motivation. When this is the case, it is required to work closely with the employee to create a motivating environment in which to work. There are three key interventions that may improve people's motivation:

1. Setting of performance goals
2. Provision of performance assistance
3. Provision of performance feedback

1. Performance Goals

Goal setting is a well-recognized aspect of performance improvement. Employees must understand what's expected of them and agree on what they need to do to improve.

2. Performance Assistance

Once appropriate goals are set, following measures should be taken to ensure successful performance:

- Regularly assessing the employee's ability, and take action if it's deficient
- Providing the necessary training
- Securing the resources needed
- Encouraging cooperation and assistance from coworkers

3. Performance Feedback

People need feedback on their efforts. They have to know where they stand in terms of current performance and long- term expectations. When providing feedback, keep in mind the importance of the following:

- **Timeliness** – Provide feedback as soon as possible. This links the behavior with the evaluation.
- **Openness and Honesty** – Make sure that the feedback is accurate. Avoid mixed messages or talking about the person rather than the performance. Provide both positive and negative feedback so that employees can begin to truly understand their strengths and weaknesses.
- **Personalized Rewards** – A large part of feedback involves rewards and recognition. Make sure that organization has a system that acknowledges the successes of employees.

LESSON 17**MEASURING PERFORMANCE**

Once performance standards are developed, defined and communicated among the employees, it is the time to measure the actual performance. Therefore, in order to evaluate the employee performance, it is essential to ensure that performance expectations are properly defined and clearly communicated among performer. This chapter focuses the evaluation of performance against set standards. This phase of performance evaluation is initiated by:

- Determining accountabilities
- Determining Objectives

Determining Accountabilities:

In this phase of performance evaluation responsibilities of performers are defined for which they should be accountable for. Following measures should be taken in order to define the accountabilities of the performers:

- Collect information about the job: listing and describing the job in terms of the tasks it is composed of. It also involves the identification of skills and knowledge required to perform particular job.
- Tasks included in the job description are further grouped in clusters based on degree of relatedness
- Employees with relevant KSA (knowledge, skills and attitudes) are considered responsible for producing results in each job cluster. This sense of responsibility develops accountability among employees
- Percentage of the employee's time spent in performing each task is noted in order to identify the effort put in a particular task by the employee
- Impact of inadequate accountability on department's/organization's mission is considered in order to enhance the effectiveness of employee's accountability in successful attainment of organizational goals

Determining Objectives:

Specific and well defined objectives are set to identify a number of highly important results that, when achieved, dramatically impact overall success of organization. Set objectives also act as standards against which performance is evaluated. In order to set effective and practical goals, objectives should be based on the employees' feedback on performance standards. The organizational goals which are considered ideal and effective are termed as SMART goals. SMART depicts the characteristics of an ideal organizational goal in terms of Specific, Measurable, Attainable, Relevant and Time-bound goals



Specific:

A specific goal has a much greater chance of being accomplished than a general goal. To set a specific goal one needs to clear:

Who: Who is involved?

What: What needs to accomplish? Where: Identify a location.

When: Establish a time frame.

Which: Identify requirements and constraints.

Why: Specific reasons, purpose or benefits of accomplishing the goal.

Measurable:

Establish concrete criteria for measuring progress toward the attainment of each set goal.

Progress is evaluated, in terms of staying on track, reaching target dates, and experiencing the exhilaration of achievement.

To determine if goal is measurable, following questions need to be answered: How much to achieve? How many to attain?

How to know when goal is accomplished?

Attainable:

When goals that are most important are identified, one needs to figure out ways to make them come true. It is desired to develop the attitudes, abilities, skills, and financial capacity to reach the set goals. Previously overlooked opportunities are considered and analyzed to facilitate the achievement of set goals.

Goals can be attained if plans are developed wisely to achieve in a given time frame. Goals that may have seemed far away and out of reach eventually move closer and become attainable. When goals are listed, ones try to develop the traits and personality that allow attainment of listed goals.

To be realistic, a goal must represent an objective toward which employees are both willing and able to work. A goal can be both high and realistic but be sure that every goal represents substantial progress. A high goal is frequently easier to reach than a low one because a low goal exerts low motivational force.

Timely:

A goal should be grounded within a time frame. With no time frame tied to it there's no sense of urgency.

Goal is probably realistic if employee truly believes that it can be accomplished. Additional ways to know if goal is realistic is to determine if employee has accomplished anything similar in the past or identify what conditions would have to exist to accomplish this goal.

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LESSON 18**MEASURING PERFORMANCE; CONTINUED...**

Defined accountabilities and goals facilitate in the evaluation of employee performance, however actual performance is further appraised in terms of *Quantity* and *Quality*.

Quality:

Quality is about how well the objective has been achieved and tasks have been accomplished. It includes criteria like accurateness, usefulness, responsiveness, etc. For example reduced overtime from 150 hours/month to 50 hours/month depicts the enhanced quality in terms of efficiency in the task. Decreased number of possible errors and material wastage also represents the quality in work performed.

Quantity:

Quantity depicts the task performance in meeting objective and quantifiable standards like attaining particular revenue, profits, number of produced units etc.

Useful Benchmarks:

Tasks are evaluated on the basis of quality and quantity when compared with some benchmarks or standards. Therefore, improved evaluation is related to the effective benchmarks. Following characteristics represent the benchmarks considered effective in evaluating performance:

1. Related to the position:
 - Based on job's key elements and tasks
 - Not based on individual traits or person-to-person comparisons
2. Concrete, specific and measurable:
 - Observable and verifiable
 - No dispute over whether or how goals were evaluated as poor, average or good
3. Practical to measure:
 - Provide necessary information about the performance in the most efficient way
4. Meaningful:
 - Identify what is important and relevant to the purpose of the job, to the achievement of organization's mission and objectives, and to the user or recipient of the product or service
5. Realistic and achievable:
 - Possible to accomplish, but require a stretch
 - No apparent barriers are present to achieve goals
 - Reachable by employees in the specified time frame
6. Reviewed regularly:
 - Information should be regularly available to determine whether the employee has reached the standard and, if not, remedial action should be taken

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LESSON 19**MEASURING BEHAVIORS**

Behavior is an individual's particular act in response to some situation. This particular response describes one's way of preferred act influenced by his/her beliefs and value systems. Within an organizational setup employees are evaluated on the basis of their response showed towards different situations at hand. Therefore, employee behaviors are also considered while appraising their performance. Behavior is considered as an indicator of individual's competencies; Knowledge, Skills & Attitudes (KSAs) through which employee competence level is assessed. Competencies are the measureable clusters of knowledge, skills, and abilities (KSAs) which are critical in determining how results will be achieved. Employees behave in a particular manner based on the knowledge, skills they possess and attitude they demonstrate towards different situations. Therefore, employee competencies are evaluated through his/her work-behaviors.

Employee competencies are mainly segregated into two categories:

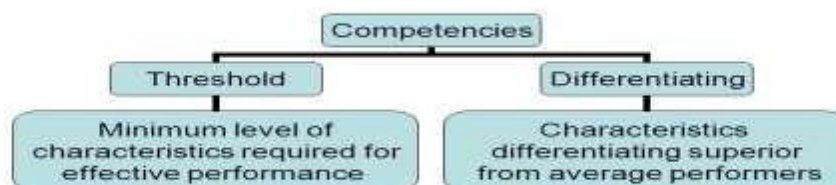
- Differentiating competencies
- Threshold competencies

Threshold Competencies:

Threshold competency depicts the competence that everyone needs to display to do the job to a minimum standard. It does not distinguish high and low performers. For instance a management teacher should possess the knowledge of the subject and the communication skill to effectively communicate the subject knowledge. This will be the threshold competence of the teacher without which he/she cannot perform effectively.

Differentiating Competencies:

Differentiating competencies distinguish between average and superior performers. This competence is considered as a set of behavioral characteristics displayed by the high performers. For example a charismatic personality is a differentiating competence of a teacher which motivates students to get influenced by the teacher. However, teacher can teach the students well even if he/she does not possess a charismatic personality.

Classification of Competencies - 2

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LESSON 20**MEASURING COMPETENCIES**

Employee competencies are considered as indicators of displayed behaviors. Therefore in order to assess employee behaviors, there is a need to develop a mechanism to measure the competence level of employees. There are mainly two systems to evaluate employees' competence levels. These systems include:

1. Comparative Systems
2. Absolute Systems

This chapter focuses the comparative systems of competence evaluation.

Comparative Systems:

According to this system employee's competence level is evaluated by comparing it with the other employees.

Behavior of employees are evaluated and compared with one another through the following methods:

1. Simple Rank Order
2. Alternation Rank Order
3. Paired Comparisons
4. Forced Distribution

Simple Rank Order:

In this method employees are simply ranked from best to worst performer.

Alternation Rank Order:

According to this evaluation technique initially all the employees are listed and then supervisor selects the best performer, then the worst performer, then the second best, then the second worst, and so forth until all the employees have been evaluated/ranked.

Jobs		Rank
No.	Title	Most Valued
1	Welder ✓	Tool maker
2	Machine operator	Welder
3	Packer ✓	
4	Grinder ✓	
5	Unit assembler	
6	Janitor	
7	Tool maker ✓	
8	Spray painter ✓	Spray painter
9	Engine operator	Grinder
10	Inspector	Packer
		Least Valued

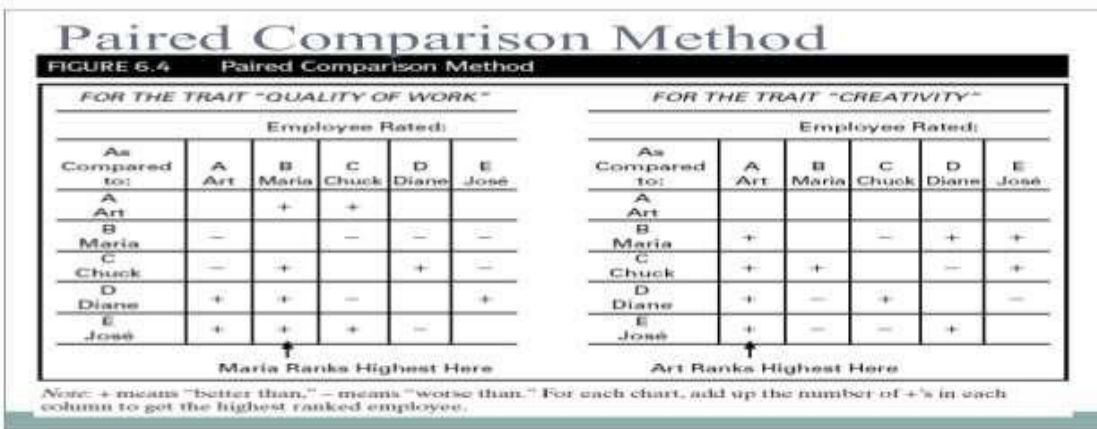
Paired Comparison:

This evaluation method consists of explicit comparisons between all pairs of employees to be evaluated. According to this method performance of each employee is evaluated in comparison to the performance of all the other employees. Following is the formula to count the pairs of employees to be evaluated:

$$n(n-1)/2$$

Here n depicts the total number of employees.

Once all the comparison pairs are developed, the best pair among all is selected and employee is ranked on the basis of the number of pairs in which he/she considered better than other employees.



Forced Distribution:

In forced distribution method employees are apportioned according to an approximately normal distribution. According to this technique a quota is predefined for best, average and poor performers. For instance considering that 20% of the employees must be categorized as best, 20% as worst and 60% should be labeled as average employees.

Advantages of Comparative Systems:

Following characteristics of comparative system have increased the popularity of this evaluation system:

- These comparison based evaluations are easy to explain specifically simple rank order is the easiest way to rank the employees in comparison to others.
- The evaluation results attained through these techniques are simple and employee rank can be seen clearly among the list of performers.
- Evaluation techniques of comparative system provide unbiased results; evaluation biases like leniency, strictness and average rating can be controlled through simple rank order, alternation rank order and paired comparisons.

Disadvantages of Comparative Systems:

Beside advantages, these evaluation methods have some limitations as well which are listed below:

- These evaluation techniques evaluate the employee usually on single criterion while ignoring the other major traits like individual skills, competencies, knowledge etc. Whole of the evaluation is based on comparison on overall performance and not on particular individual performance factors.
- As these evaluations are relative and not absolute therefore, they are more likely to be legally challenged.
- Evaluation ranks only identify the difference in performance of employees but do not measure the difference in performance. Therefore, performance feedback provided through ranks is insufficient to improve performance by the low performers.

Forced distribution method evaluated employees in a normal distribution which cannot be applicable in every organization and/or department. Through this method even the best performers may be forced to be considered as low or average performers. This forceful distribution destroys the interpersonal harmony and support in the working environment and therefore, a major part of contextual performance is ignored while making evaluations through this technique

Bibliography:

Aguinis, H. (2009). *Performance management*: Pearson Prentice Hall Upper Saddle River, NJ.

MEASURING COMPETENCIES; CONTINUED...

This chapter focuses the absolute systems of competence evaluation.

Absolute Systems:

According to this system employees are evaluated on the basis of their actual performance regardless of any comparison with other performers. Behaviors of employees are evaluated through the following methods in the absolute system of evaluation:

- Essays
- Behavior Checklist
- Critical Incidents
- Graphic Rating Scales
- Behaviorally Anchored Rating Scales (BARS)

Essays:

In this appraisal approach, supervisor writes an essay like statements describing specific strengths and weaknesses in job performance of the employee being appraised. These appraisal essays address the identified problem areas and provide suggestions to improve performance. As performance feedback is provided in the form of essay therefore any relevant issue or attribute of performance can be explained openly and clearly in this evaluation technique. There is no fixed format to report performance evaluation, therefore reports are considered more subjective and are difficult to compare and contrast the individual performances in order to draw any broad conclusions

Please write comments about the employee's performance in the space below.

Attribute	Comments
What does this employee do well?	
What aspects of his/her job performance should be improved upon?	
Describe performance challenges.	
Aspects of job to continue doing	
Aspects of job the employee should improve	

Behavior Checklist:

The checklist method is a performance evaluation method in which performer's behaviors are analyzed and evaluated. Employee performance is considered an outcome of his/her displayed behavior; therefore performance is evaluated on the basis of employee's behavior. Evaluator/supervisor initially lists the essential work behaviors in a particular job against which rater's mention whether or not each behavior has been performed by the ratee along with the degree to which employee has displayed the desired behavior. The checklist of behaviors is derived from the job analysis therefore reflects the complexity of job.

Punch Press Operator:				
1. Checks press for loose dies or other parts.				
Almost never				Almost always
5	4	3	2	1
2. Cleans all machine parts with proper solvents.				
Almost never				Almost always
5	4	3	2	1
3. Leaves machines when not using them.				
Almost never				Almost always
5	4	3	2	1
4. Wears all safety equipment and clothing.				
Almost never				Almost always
5	4	3	2	1
5. Feeds machine so as to prevent jamming or other malfunctioning.				
Almost never				Almost always
5	4	3	2	1

Critical Incidents:

According to critical incident method specific events/ incidents in which employee performed exceptionally or did something that needs improvement are reported and considered while appraising employee's performance. This technique incorporates the description of the event, and does not rely on ratings or rankings. This method provides a fruitful performance feedback to the employees in order to rectify the issues and improve the performance. In spite of all its benefits it is considered as a time consuming activity where it is difficult to quantify the critical incidents. Moreover compilation of each critical incident is a hectic task

Category	Description
Incident #1	Greeted the customer shortly after entering the store and was very friendly
Effective (Yes/No)	Yes
Why (effective or ineffective)	Allowed a connection to be made with the customer shortly after entering the store and let the customer know he was important
Category	Description
Incident #2	Took a "self-service" approach and left the customer alone as she shopped
Effective (Yes/No)	No
Why (effective or ineffective)	No opportunity to assess customer's needs and little to no opportunity to suggest additional items or share information with the customer
Category	Description
Incident #3	Completed paperwork successfully, but did not summarize the sale
Effective (Yes/No)	Yes and no
Why (effective or ineffective)	The end result was a successful transaction, but not summarizing the sale created an opportunity for a mistake to not be uncovered
Category	Description
Incident #4	Gave customer thorough and accurate information and responded well to customer's questions
Effective (Yes/No)	Yes
Why (effective or ineffective)	Came across as an expert with regards to the issue being discussed. Gave the customer confidence that he was making the correct purchase

Graphic Rating Scale:

This method is considered to be the most popular method of performance appraisal. In this evaluation method job related traits are listed against which rater is supposed to appraise the employee performance. It is essential that rater has complete description of each dimension and scale. For example in order to assess Project manager his/her awareness about knowledge of project management planning, updating status, working within budget, and delivering project on time and within budget is evaluated through the following scale:

1	2	3	4	5
Unaware or not interested	Needs additional training	Aware of responsibilities	Excellent knowledge and performance of skills	Superior performance of skill; ability to train others

Behaviorally Anchored Rating Scales (BARS):

This is a type of graphic rating scale in which initially all the important dimensions of a job are identified. Afterwards rater generates critical incidents illustrating low, average, and high skills of performance for each dimension. Supervisors/managers consider each dimension with its accompanying definitions and a randomized list of relative critical incidents. Based on these ratings along with respective critical incidents evaluator assigns a scale value to each incident. In this manner this evaluation method combines a graphic rating scale with a critical incidents system. BARs focuses on the desired behaviors of a specific job therefore a common tool cannot be applied for multiple jobs

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Aguinis, H. (2009). *Performance management*: Pearson Prentice Hall Upper Saddle River, NJ. Dias, L. P. Appraisal Methods *Beginning Management of Human Resources* (Vol. 10): Creative Commons.

APPRAISAL FORMS

Performance information is a prerequisite of any appraisal based on which employee performance is evaluated. Appraisal forms are a major tool to collect such performance information. Therefore, appraisal forms are one of the major elements of PMS. This chapter explains the appraisal forms, its types, characteristics and possible benefits.

Appraisal Forms:

Appraisal form is an instrument used to collect information on employee performance based on which performance is evaluated. It is further used to document employee performance and maintain the record. These appraisal forms can be filled manually as well as electronically. None of the appraisal forms can be considered universally correct and acceptable hence, composition of form is considered appropriate based on purposes of the appraisal. For instance some types of forms adopt Behavior approach emphasizing competencies only and ignore results. While forms used for developmental purposes and not for administrative usage emphasize developmental issues, and ignore both results and behaviors.

Components of Appraisal Forms:

Whether the appraisal form is manual or electronic, it should contain the following information to ensure an effective performance evaluation:

1. Basic Employee Information:

Basic employee information like job title, division, departments and other group information, employee number, pay scale/grade or salary classification come under this section. Furthermore, it also includes dates of evaluation period, number of months and years the rater has supervised or worked with the employee, an employee's starting date with the company and starting date in the current job, reason for appraisal, current salary and position in range, and date of next scheduled evaluation.

2. Accountabilities, objectives and standards:

This section includes name and description of each accountability, objectives agreed upon by manager and employee and extent to which objectives have been achieved. All this information is required in the result based approach of performance evaluation. Performance goals are weighed in terms of importance, these assigned weights facilitate in calculating an overall performance score.

It may also include a subsection describing conditions under which performance was achieved which assists in explaining why performance (either high or low) has been achieved.

3. Competencies and indicators:

This section includes definition of various competencies to be assessed, along with their behavioral indicators. PMS following behavioral approach of assessment should include this section.

4. Major achievements and contributions:

Rater is asked to list major accomplishments of the individual being rated in the review period facilitating both result and behavioral approach of performance assessment.

5. Developmental achievements:

This section includes information about the extent to which developmental goals set for the review period have been achieved e.g. summary of activities (like workshops attended/ courses taken) and results (like new skills learned). Evidence of learning new skills can be documented (like obtaining professional certification). Some organizations do not include it in appraisal forms because it is often difficult for employees to focus

constructively on development if they have received a low performance review.

6. Developmental needs, plans and goals:

Future-oriented organizations consider information about specific goals and timetables in terms of employee development. Therefore, this section can be a part of appraisal forms.

7. Stakeholder input:

This section is filled out by other stakeholders (like customers, peers, subordinates etc.). It rates employee on competencies like “teamwork” by peers and on “reliability” by customers.

8. Employee’s comments:

An effective appraisal form should also include a section to record reactions/comments provided by the employee being rated. Allowing formal employee input facilitates in improving perceived fairness of system and address possible legal issues.

9. Signatures:

In the final section of form employee being rated, rater and rater’s supervisor provide signatures to verify that they have read the form and acknowledged the evaluation ratings. HR department may also provide approval of the content of form.

Effectiveness of Appraisal Forms:

In order to ensure the effectiveness following criteria should met by the appraisal forms. There are certain desirable features that make the forms particularly effective among which few are as follows:

1. Simplicity:

Form needs to be easy to understand & administer quick to complete, clear and concise for both the raters as well as ratees.

2. Relevancy:

Form needs to include information directly related to tasks and responsibilities of the job. It should not only be regarded as an administrative burden but also considered as a tool for performance improvement.

3. Descriptiveness:

Form needs to require raters to provide evidence of performance regardless of performance level. It should be sufficiently descriptive so that an outside party (Supervisor’s supervisor/ HR dept) has a clear understanding of performance information conveyed.

4. Adaptability:

Form needs to allow managers in different functions/ departments to adapt it to their particular needs and situations resultantly encouraging widespread use of the forms.

5. Comprehensiveness:

Form needs to include all major areas of performance for a particular position for the entire review period.

6. Definitional clarity:

Form needs to ensure that desirable competencies/results are defined for all raters so that everyone evaluates the same attributes. This feature enhances consistency of ratings across raters and levels of the organization.

7. Communication:

Form needs to ensure that meaning of each component must be successfully communicated to all people participating in the evaluation process. This feature enhances acceptance of the system and motivation to participate as both, a ratee and rater.

8. Time orientation:

Form needs to help in clarifying expectations about performance and addresses both past and future performance aspects.

Electronically filled Appraisal Forms:

With the increased number of employees and large amount of performance information, it becomes hectic to fill the forms manually. Therefore electronic forms are preferred over the manual appraisal forms. The other benefits of electronic forms are as follows:

- Information is stored and can easily be shared between rater (manager or supervisor) filling out the form and HR department
- Can help in subsequent analyses (e.g., in making comparisons of relative average performance levels of various units across the organization)
- Easier to modify, revise and update as changes take place in the organization or job in question

Bibliography:

Aguinis, H. (2009). *Performance management*: Pearson Prentice Hall Upper Saddle River, NJ.

Sample of an Appraisal From:

State of West Virginia
EMPLOYEE PERFORMANCE APPRAISAL

Use this form for initial planning session; coaching; or when responsibilities, standards, or expectations must change.

Employee's Name (last, first, middle)		Social Security Number (last 4 digits only - to be completed by the employee) X X X - X X - _ _ _ _	
Position Title		Time in Present Position (in months)	
Department Division Section		Type of Rating Initial Coaching Special ☐ ☐ ☐	
Rating Period	Supervisor's Name	Supervisor's Title	

RESPONSIBILITIES: Essential duties and responsibilities as identified in the functional job description.

PERFORMANCE STANDARDS and EXPECTATIONS: Objectives to be accomplished during this rating period.

ACKNOWLEDGEMENT: A discussion of duties, responsibilities, performance standards, and expectations for the current period took place on the date below. We acknowledge our understanding of these duties, responsibilities, standards, and expectations, and how they will be used to measure work-related performance during this period.

Supervisor's Signature	Employee's Signature
Date	Date

DOP Form EPA-1 August 1, 2006

LESSON 23**EVALUATION OF APPRAISAL FORMS**

Once the appraisal form is completed, overall performance is computed by summing up the scores of all the sections of the form. The overall computed performance scores identify whether the appraisal (either individual employee or team of employees) is improving the performance or not. This assists in taking administrative decisions regarding allocation of rewards.

Strategies for determining overall performance

There are two strategies used to obtain an overall performance score of an appraisal form. These two strategies are:

1. Judgmental Procedure
2. Mechanical Procedure

Judgmental Procedure:

As per this method every aspect of performance is considered by the appraiser and then arrives at a defensible summary. It is a holistic procedure relying on the ability of an appraiser to arrive at a fair and accurate overall performance score.

Mechanical Procedure:

In this technique initially scores assigned to each section of the appraisal form are considered and then each section's score is added to obtain an overall score. While adding scores weights are assigned on the basis of relative importance of performance dimension to each section which are further used to add scores from each section. Competencies are weighted in the appraisal form according to their relative value to the organization, therefore, key results have different weights.

Appraisal Form computed through mechanical procedure (page # 128-129 of Performance management by Aguinis):

Performance Appraisal Form Used by Grocery Retailer						
Performance Evaluation Form						
For use by Store Director; Co-Director; Meat, Seafood, Produce, Deli/Bakery, Floral and Grocery Managers						
Name		Anthony Carmello		Review Period		2007
Position		Sales Associate		Store		#25
Evaluator		James LeBrown		Date		12/15/07
Competencies: Please rate the Associate on the following competencies. Determine the point total and multiply by the weight factor to achieve the point total for the competencies.						
Follow-Through/Dependability				1st	2nd	Wgt
4	3	2	1	4	3	Pts
Work is completed correctly and on time without supervision. Anticipates needs. Extremely organized.	Work is usually completed correctly and on a timely basis with some supervision. Very organized.	Work is completed as assigned and results can usually be relied upon with normal supervision. Organized.	Work can seldom be relied upon. Often fails to complete tasks correctly. Unorganized.	0.7	2.8	2.1
Comments:						

Decision Making/Creative Problem Solving				1st	2nd	Wgt	Pts	Pts
Points				3	2	0.3	.9	.6
4	3	2	1					
Anticipates, recognizes, and confronts problems with extraordinary skill. Perseveres until solution is reached. Extremely innovative and takes risks.	Defines and addresses problems well. Typically reaches useful solutions and decisions are sound. Innovative, with above-average risk taking.	Acknowledges and attempts to solve most problems when presented. Usually comes to conclusions on solving basic issues. Little innovation and sometimes takes risks.	Has difficulty recognizing problems and making decisions. Always needs guidance. No innovation and never takes risks.					
Comments:								
Total Score for Competencies Section							3.7	2.7

Key Results: Rate each area to the performance demonstrated in the achievement of budgeted numbers.

KR #1: Achieved Budgeted Sales (U.S. dollars)				Wgt
	Budgeted	Actual	% of achievement (1, 2, 3, 4)	0.6
1st half objective	\$78,000	\$77,000	2	
2nd half objective	\$80,000	\$83,000	3	
4 = 108%+ 3 = 107-103% 2 = 102-98% 1 = Below 97%				Pts
Comments:				1.2 1.8

KR #2: Margin Balance (gain/loss in U.S. dollars)				Wgt
	Budgeted	Actual	% of achievement (1, 2, 3, 4)	0.4
1st half objective	\$30,000	\$29,000	1	
2nd half objective	\$31,000	\$34,000	4	
4 = 108%+ 3 = 107-103% 2 = 102-98% 1 = Below 97%				Pts
Comments:				.4 1.6

TOTAL SCORE FOR KEY RESULTS:					1.6	3.4
	Comp. Score 1st half	Comp. Score 2nd half	KR Score 1st half	KR Score 2nd half		Subtotal
Circle Rating:	3.7	2.7	1.6	3.4		11.4/4 = 2.85
Excellent	Above	Average	Unsatisfactory			
3.6 – 4.0	2.6 – 3.5	1.6 – 2.5	1 – 1.5			

Associate _____ Date _____

Store Director _____ Date _____

It is based on the organization's policy to apply judgmental or mechanical procedure while evaluating the appraisal forms. However, on being more specific mechanical procedure is considered advantageous over the judgmental procedure. Some of the advantages of the mechanical procedures are as follows:

- Allow supervisors to come to an objective and clear overall performance score for each employee.
- Allow supervisors to come to verifiable score for each employee.
- Supervisor and employee can be sure that the overall performance rating is reflective of the employee's performance in each category.

Appraisal Period

Questions like how long should appraisal period be, what period of time should be included in the appraisal form etc. determine the duration of appraisal period and number of meetings required to conduct the appraisal. Usually organizations conduct appraisals annually, however annual appraisals are not considered effective to identify performance issues and allocation of reward timely. Therefore, to enhance its effectiveness appraisals are also conducted semi-annually and quarterly.

Annual Review:

Reviews performed annually are preferred due to the ease i-e performed once in a year. However, it might not provide sufficient opportunity for supervisor and subordinate to address performance issues timely.

Semi-Annual review:

Appraisals that are carried out twice a year are known as semi-annual appraisals. Such appraisals allow employees to receive feedback and adjust goals/objectives if necessary for preparation of the more detailed annual review.

Quarterly reviews:

Appraisals when conducted four times a year are termed as quarterly reviews. It provides more opportunity to discuss performance issues and allocation of rewards/punishments timely.



When should reviews be held?

(Page 132-133, *Armstrong's handbook of performance management*)

The usual practice is to have an annual formal review that provides a basis for a new performance agreement and performance rating, if that is required. Some organizations hold all reviews at the same time, especially if they need a performance rating for pay purposes. The timing of the review can be linked to the corporate business or operational planning programme to ensure that teams and individuals can contribute to the formulation of departmental, and ultimately corporate, objectives and to provide for these team/individual objectives to flow from those finally determined at corporate, functional and departmental levels. The model of the performance management system at the Royal College of Nursing (Figure 14.8 in Chapter 14) shows how this can be done.

There may be some scope allowed for separate business units or functions to align performance reviews to their own business planning cycle or to carry them out at the time most convenient to them. There is much to be said for allowing the maximum degree of flexibility in order to meet the needs of line management rather than to conform to the bureaucratic requirements of the HR department.

Some organizations have required performance reviews to be conducted on the individual's birthday (or thereabouts) or on the anniversary of their joining the organization. This spreads the load for managers but it makes it impossible to fit the review into the annual planning cycle, which is highly desirable if the integration of individual/team objectives and corporate objectives is to be achieved.

If the formal performance review is spread over the year, but the company still conducts pay reviews at the same time annually, a separate assessment for such reviews would have to be carried out.

Corporate guidelines to managers on performance management often suggest that they should hold interim formal progress reviews during the year, say once a quarter or half-way through the review year. Such reviews could be incorporated into the normal work or project review process (e-g the supervisory meetings held by social service departments) or they would be held at focal points as decided when preparing the performance plan.

Managers should be allowed to choose their own times for conducting such interim or informal reviews, although the importance of carrying them out and not waiting until the end of the year could be emphasized in guidance notes and training. To underline the voluntary and informal nature of such progress reviews it is best not to ask managers to complete standard review forms. They should be left to document them as they feel fit.

Some organizations require a formal performance review for new starters at the end of, say, six months or a probationary period, if that has been stipulated.

Formal Appraisal Meetings

There are mostly six formal appraisal meeting conducted between appraiser (manager/supervisor) and appraise (employee/subordinate). These meetings are listed in the following:

1. System Inauguration Meeting
2. Self-appraisal
3. Classical performance review
4. Merit/Salary review
5. Development plan
6. Objective setting

System Inauguration Meeting:

It includes a discussion of how the system works and the identification of the requirements/ responsibilities of supervisor and employee. Discussion during the meeting includes a role of self- appraisal and dates when employee and supervisor will meet formally to discuss performance issues. It plays a major role in introducing PMS to newly appointed employees.

Self-appraisal Meeting:

In this meeting employee assesses his/her performance him/herself, therefore, providing opportunity to employees to describe their own performance. Supervisor does not pass judgment about how employee regards his/her own performance. It is helpful if employee is given the same form to be filled out later so he/she can provide self-ratings using the same dimensions as the supervisor.

Classical Performance Review Meeting:

During this meeting employee performance is discussed from both employee and supervisor perspectives. Meeting is past oriented and does not focus on how performance should be in future.

Merit/Salary Review Meeting:

In this meeting compensation changes (if any) are discussed. It will usually result as a consequence of the period's performance. It is better to differentiate between performance and reward meetings so that employee can focus initially on performance and then on rewards, otherwise employee will not be attentive during the performance discussion.

Supervisors should explain employees the performance-rewards link. Rewards have no significance if not directly linked to performance.

Development Plan Review:

During this meeting employee's developmental needs and steps to be taken to improve performance during the following period are discussed between rater and ratee. It includes information about types of resources employees require for the development of any new skills required.

Objective Setting Meeting:

This meeting discusses matters like goal setting (both behavioral and results oriented) regarding the next review period. It also includes clear feedback about employee performance on the past review period. Therefore it assists in identifying allocation of rewards, developmental needs & goals and resources available to help in acquiring new skills.

Bibliography:

Aguinis, H. (2009). *Performance management*: Pearson Prentice Hall Upper Saddle River, NJ.

Armstrong, M. (2009). *Armstrong's handbook of performance management: An evidence-based guide to delivering high performance*: Kogan Page Publishers

LESSON 24**PERFORMANCE INFORMATION SOURCES**

Information based on which performance is evaluated is commonly gathered from the supervisor, as supervisor is the one directly connected to the employee (performer of the task). However, a single source of performance data is more likely to be biased and it is not possible for a single supervisor to observe and note the performance of all subordinates at different time intervals. To overcome this limitation of data source multiple sources are suggested which may provide relatively accurate and transparent feedback.

Sources of Information

Following sources are considered to get complete and accurate feedback:

1. Supervisors
2. Customers
3. Peers/colleagues
4. Subordinates
5. Self
6. Other sources

Supervisors:

A supervisor is considered as the most important, and sometimes only, source of performance information. Supervisors are mostly preferred as a main data source because they are in the best position to evaluate performance in relation to strategic organizational goals and are able to differentiate among performance dimensions. Therefore, they are mostly responsible for decisions about rewards associated with performance evaluation.

Besides this close association with performance, supervisor evaluations are targeted as biased ratings i-e entirely based on single individual's perception. Moreover, for a supervisor performance evaluation becomes a monotonous and routine work.

Customers:

Customer being the end user is an appropriate source to provide feedback about the final product/services. This source evaluates the performance in terms of received outcome. Tendency of personal biasness is limited in this case as customers do not personally know any of the employees.

Peers/Colleagues:

Employees at the same level are well aware of the responsibilities and job duties of specific position and hence can better evaluate the employee's performance. Chances of personal biases exist in this feedback as rater and ratee both are counterparts and may compete each other for performance rewards. Evaluations by peers are resisted if employee (appraise) believes friendship bias is present and therefore he/she does not consider this feedback to improve his/her performance.

Peers are less discriminating among performance dimensions than supervisors as they are also viewing the job with the same lens as of ratee. Considering all the aspects of peer evaluations, it is suggested to not to use peer evaluation as a sole source of performance information.

Subordinates:

Subordinates can be a good source of information regarding conduct, leadership, management, capacity and ability of the managers. They can evaluate leadership competencies like delegation, organizational skills, communication skills etc. as they directly experience such leadership traits. Moreover, subordinates can rate manager's ability in terms of removing barriers that employees face, shielding employees from politics and raising employee's competence. Performance information provided by subordinates is more authentic if to be used for development and not for administrative purposes. Confidentiality is mandatory to maintain in such appraisals, else it may lead to professional rivalry among the manager and the subordinates.

Appraisals by subordinates may affect the accuracy of the information provided. Subordinates may hesitate to provide upward feedback. This probable issue can be resolved if managers take time to involve employees in the process by soliciting their input resultantly employees will be more likely to give honest feedback.

Self:

Self-appraisal is an important component of any performance management system. When employees themselves participate in evaluations, their acceptance of the rating decision increases and defensiveness about appraisal interview decreases. Employee is in a good condition to keep track of activities during the review period. But self-appraisals should not be used as a sole source of information in making administrative decisions because self-ratings are more lenient and biased than ratings by supervisor. However, self-ratings are less lenient if used for developmental purposes.

Following measures can assist in enhancing the effectiveness of self-appraisals:

- Use comparative measurement systems
- Allow employees to practice self-rating skills: By providing multiple self-appraisal opportunities, skill of self-evaluation of employees get improved through practice.
- Assure confidentiality: Provide reassurance that performance information provided will not be shared with anyone other than direct supervisor or relevant parties.
- Emphasize the future: Developmental plan section of the form should receive substantial attention so that employee should indicate his/her plans for future development and accomplishments.

Other Sources:

Apart from the sources mentioned above performance information can be gathered through other sources like:

- Close Circuit Cameras
- Biometrics technology
- Login-logout logs
- Internet browsing logs
- Etc.

Bibliography:

Aguinis, H. (2009). *Performance management*: Pearson Prentice Hall Upper Saddle River, NJ.

LESSON 25**RATING ISSUES**

Performance ratings are evaluated by individuals (supervisor, customer, peer, self) therefore, ratings are likely to be biased by the raters. The issue of biasness cannot be removed completely from the appraisals and hence the ratings can be intentionally or unintentionally, accurately or inaccurately distorted. The effect of this distortion can be only minimized but not removed completely from the performance evaluation. These rating distortions lead to unwanted outcomes like incorrect decisions, perception of being treated unfairly among employees, increased chances of litigation against the organization and such other negative consequences.

The likelihood of rating distortions is increased when raters are provided by the opportunities to demonstrate & practice biasness while appraising employees' performance and violations and corrupt behaviors are rewarded. A Model of Rater Motivation depicts the motivational barriers preventing raters from evaluating accurately and justly. This model indicates the reason behind intentional rating distortions.

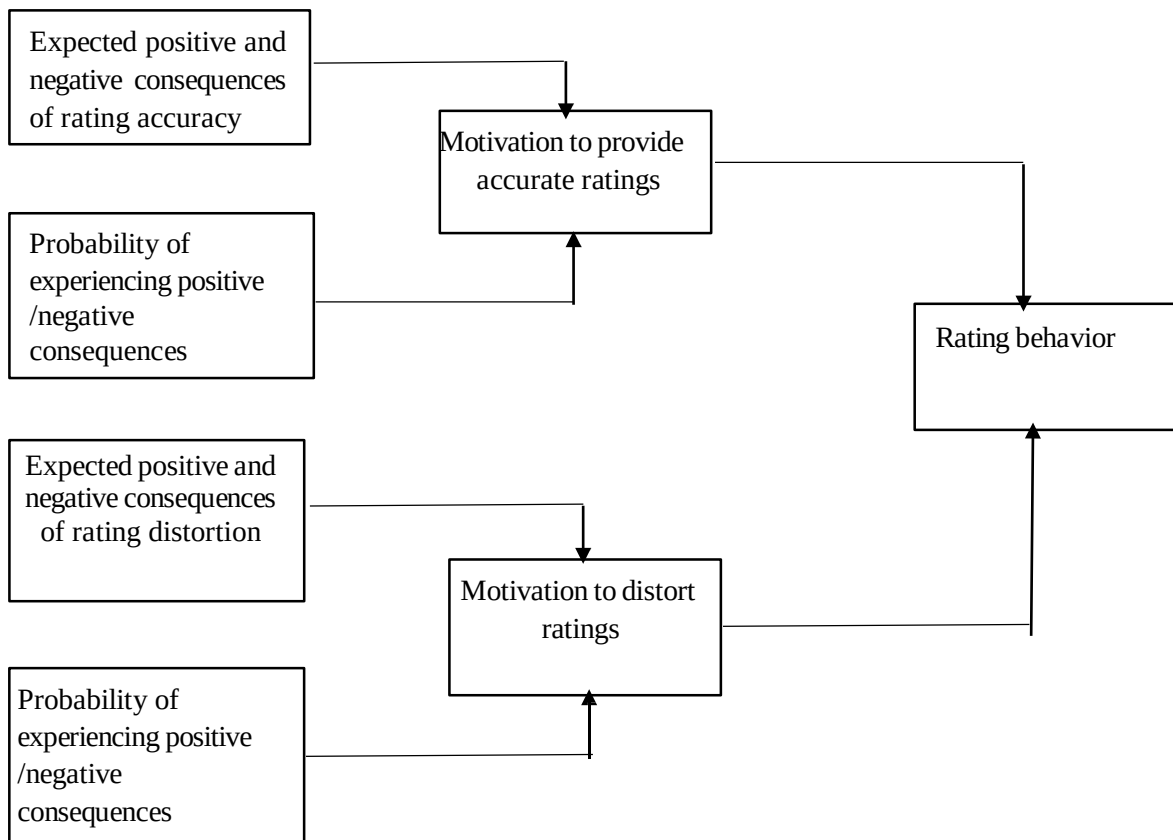


Figure: A Model of Rater Motivation

Types of distorted ratings**Intentional errors:**

Intentional ratings can either lead to inflated ratings or deflated ratings.

Inflated Ratings:

Biasness leading to over evaluations while evaluating employee performance results into inflated ratings. Such intentional rating distortions are encouraged in order to:

1. Maximize merit rewards of employees:

Highest possible ratings results into highest possible rewards.

2. Encourage employees:

Employees' motivation increases by recognizing their performance as high level.

3. Avoid creating a written record:

Supervisor is not in favor of keeping written record of any low performance which may lead to negative consequences for the employees.

4. Avoid confrontation with employees:

Supervisor is uncomfortable to give negative feedback as it may lead to confrontation.

5. Promote undesired employees out of unit:

Supervisor perceives that high rating to undesirable employee will assist in transferring/promoting the employee to other department/unit. Therefore, it is an effective way to get rid of undesirable employees.

6. Make the manager look good to his/her supervisor:

The manager looks as an effective unit leader if everyone receives a high rating.

Raters committing inflated ratings are usually considered to be soft and want to create soft environment.

Deflated Ratings:

Biasness leading to under evaluations while evaluating employee performance results into deflated ratings. Such intentional rating distortions are encouraged in order to:

1. Shock an employee in order to give a warning that undesirable work and behavior has been noticed.
2. Teach rebellious employees lesson by evaluating his/her performance low which may lead to severe loss for the employee.
3. Send a message to the employee to consider leaving the organization voluntarily.
4. Build a strong documented, written record of poor performance when a supervisor wants to get rid of an employee and decides the best way to do this is to create a paper trail of substandard performance.

Raters committing deflated ratings are usually considered to be aggressive and reactive.

Unintentional errors

These are the errors which may occur unintended due to lack of skills, knowledge and awareness of the supervisors. Following are the commonly occurring unintentional errors:

Similar to me error:

This error occurs when supervisors tend to favor the employees who are similar to them.

Contrast error:

This error occurs when supervisors evaluate the employee's performance in comparison to other employees instead of comparing it to set performance standards or on absolute measures.

Halo error:

This error occurs when supervisors evaluate employees on same scale for multiple dimensions of job perceiving that employee good in one dimension also performs well in all other job dimensions as well.

Primacy error:

This error occurs if evaluation is only based on the information gathered in the initial review phases.

Recency error:

This error occurs if evaluations are only based on the recent performance and overlooked the holistic performance.

Negativity error:

This error occurs if more weightage is given to negative aspects of performance and ignore the positive aspects.

First impression error:

This error occurs if evaluations are only based on the initial judgments (either favorable or unfavorable) about the employees' performance.

Spillover error:

This error occurs if current evaluations are influenced by the evaluation of previous review periods.

Stereotype error:

This error occurs if supervisors evaluate the employee on the basis of his/her clan and group rather than on performance dimensions.

Attribution error:

This error occurs when supervisor evaluates employees' poor performance as a consequence of employee's personality, ability and behavior and ignore the situational factors.

Rater Training Programs

In order to prevent performance evaluations from distortions (intentional and unintentional) evaluators need to be trained properly. Training for raters provides raters with tools that allow them to implement the PMS effectively and efficiently. Such training program includes content related to information on performance and enhancing the motivation and skills of the evaluators. Different components of rater training programs are as follows:

1. Reasons for implementing PMS
 - Overview of entire system, its purpose, and benefits for all employees.
2. How to identify and rank job activities?
 - How to conduct job analysis and understand most important accountabilities and competencies?
3. How to observe record and measure performance?
 - Develop and polish skills to fill out appraisal form appropriately.
 - Observational skills (focus on important behaviors and ignore irrelevant ones).
4. Information on the appraisal form and system mechanics includes:
 - Detailed content of appraisal form; what each section is intended to measure.
 - Number of recommended meetings.
 - Expectations regarding each participant.
5. How to minimize rating errors?
 - Steps to minimize unintentional errors caused by the cognitive demands associated with the observation and evaluation of performance.

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LESSON 26**COMMUNICATION PLAN FOR PMS**

Before the implementation of PMS it needs to be ensured that majority of the organizational people are well aware of it and showed their acceptance to this new system. In order to take them on the board, attributes, prospective benefits and probable changes need to be well communicated among the participants and stakeholders (managers, employees). This chapter focuses on the communication plan which is developed to support and facilitate the implementation of PMS.

Communication Plan

A formal and thorough communication plan ensures that information regarding performance management is widely disseminated in the organization based on which employees have shown their acceptance and satisfaction to the system.

Communication plan for PMS should address the following dimensions to ensure the successful implementation of PMS:

- *What is performance management?*
This dimension provides general information on performance management and explains how PMS is implemented in the organizations. Provided information should also describe the main goals of the system.
- *How does performance management fit into our strategy?*
Relationship between performance management and strategic planning needs to be communicated among the employees. This will clarify the role of PMS in accomplishing strategic goals.
- *What's in it for me?*
This dimension explains the benefits of implementing PMS for all those who are involved in and influenced by the system.
- *How does it work?*
Detailed description of performance management process and time line required for the implementation should also be communicated among the stakeholders.
- *What are my responsibilities?*
Roles and responsibilities of each person involved at each stage of the process must also be communicated so that everyone is well aware of it and any non-compliance (if any) can be questioned justly.
- *How is performance management linked to other initiatives?*
PMS should be linked with the other systems and initiatives of the organization like training, promotion, and succession planning. And this linkage should be clearly discussed with the employees so that they can align their activities accordingly.

Biases in Communication Plan

There are three types of personal biases which affect the effectiveness of any communication plan even of the successfully implemented communication plan. These biases are as follows:

- Selective Exposure
- Selective Perception
- Selective Retention

Selective Exposure:

Individual's tendency to favor information and idea, which reinforces his/her pre-existing views and preferences while ignoring the actual meaning/interpretation of information, is a selective exposure bias.

Selective Perception:

Individual's tendency to interpret the information in a way he/she wants to see however information is

not giving that particular meaning is termed as selective perception.

Selective Retention:

Individual's tendency to remember only those pieces of information with which we already agree results into selective retention.

Measures to minimize effect of biases

Above mentioned individual biases can be minimized in order to affirm the effectiveness of communication plan of PMS. Following steps are suggested to reduce the negative impact of these biases:

- *Involve employees:*
Involve employees while designing the system. Greater participation from employees means their greater support to the system.
- *Understand employee needs:*
Understand employee's needs w.r.t PMS and then identify and devise the ways their needs can be met through PMS. Afterwards, providing clear, personal and convincing answer to "what's in it for me" remove ambiguities among the employee regarding PMS.
- *Strike first (Being proactive):*
Create positive attitude towards the new PMS before negative attitude is created. For this purpose realistic communications should be made i-e not to set up expectations that cannot be delivered. Moreover, discussion on possible arguments against the system by providing evidence to counter the negative stance minimizes the negativity against PMS.
- *Provide facts and consequences:*
Clearly explaining facts about system, what they mean, and what the consequences are so that employees cannot draw their own conclusions as they may differ from actual ones.
- *Put it in writing:*
Bring the system plans in writing so that it can be examined and checked for accuracy. Documentation to describe the system communicates more powerful and credible information.
- *Use multiple channels of communication:*
Include meetings, emails, and paper communication to communicate the plan. Expose employees repeatedly to same message delivered through different channels while ensuring that all channels should convey consistent information.
- *Use credible communicators:*
Use credible sources like trusted/admired people or key/powerful organizational players to communicate the PMS.
- *Say it then, then say it again:*
Repeat information for retention because people absorb only a small amount of information at a time.

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APPEAL PROCESS IN PMS

Appeal process provides a platform for employees to record their disagreements against the rating decisions. Employees show their trust and commitment towards PMS provided by an open and fair appeal process. In order to develop an effective appeal process it needs to ensure that the processes should be fair, just and impartial. The process should assist in entertaining claims against contradictory PMS decisions. However, appeals should be in limited in number as it represents the flaws of implemented PMS.

Issues addressed in appeal process

Usually there are two types of rating issues put in the appeals by the employees; judgmental and administrative issues.

Judgmental Issues:

Judgmental issues question the validity of the ratings i-e the assigned ratings are not truly representing the employee's performance.

Administrative Issues:

These types of issue are raised when complainant believes that rules, policies and procedures are not followed properly while evaluating the performance.

Steps in appeal process

When a certain appeal is received from the employee against the performance ratings it is dealt as follows:

Level 1 or Level A:

Appeal filed for the first time is sent to the HR department.

Role of Human Resource Department:

HR department serves as a mediator between employee and supervisor because it is in a good position to judge whether the policies/procedures are implemented correctly or not. Moreover, department has good information about various jobs, levels of performance expected, and levels of performance of other employees within the unit/organization. HR department gathers the necessary facts and brings them to the attention of either the rater (supervisor) or ratee (subordinate). The rater is encouraged to reconsider the decision that caused the appeal while complainant is explained why there have been no biases or violations.

Level 2 or Level B:

If appeal is not answered successfully in level 1 then it is referred to the level 2. In level 2 outside and unbiased arbitrator makes a final and binding resolution.

Role of Arbitrator:

Arbitrator may consist of a panel of peers and managers. This panel reviews the case, asks questions, interviews witnesses, researches precedents, and reviews policy. The panel may also conduct voting to make the final decision. The voting by the panel can be considered in the either way; vote represents final decision or vote is forwarded to a high level manager who takes the panel's vote into consideration in making a final decision.

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RATER TRAINING PROGRAMS

In lesson 25 rating errors have been discussed in detail. To avoid such rating errors, raters need to be trained properly so that they are well aware of the PMS and expected pros and cons of the evaluation techniques. Training specifically designed for evaluators should involve the following dimensions:

1. Reasons for implementing PMS
2. Information regarding appraisal form and system mechanics
3. Procedure to identify and rank job activities
4. Ability to observe, record, and evaluate performance
5. Technique to minimize rating errors
6. Ability to conduct an appraisal interview
7. Ability to train, counsel, and coach employees

Dimension 1 and 2 are general and not just specific for raters therefore these dimensions should be the components of communication plan in which all organizational members participate. Dimensions 3, 4 and 5 are specifically offered to the raters and involve general issues of identifying, observing, recording and evaluating performance. These are the areas on which only raters need to be trained. Finally, dimensions 6 and 7 are also specific to the raters in which they get trained on how to interact with the employee receiving performance information and feedback.

Types of Rater Trainings

Based on these dimensions different training programs are designed for the raters among which few are as follows:

1. Rater Error Training
2. Frame of Reference Training
3. Behavioral Observation Training
4. Self-leadership Training
5. self-efficacy Training

Rater Error Training:

This training is aimed to make raters aware of the probable rating errors specifically the unintentional rating errors and to assist them in developing strategies to minimize these errors. This training program includes the description of commonly occurring unintentional rating errors, explanation of factors causing these errors and suggestions on possible measures to avoid the errors. This training can minimize the likelihood of commonly occurring unintentional errors but cannot completely eliminate the possibility of rating errors.

Frame of Reference Training:

Through this training, raters are educated about the performance dimensions to be evaluated. Raters are provided by the complete information of the job description and job dimensions. A clear understanding of the evaluation scales (good, satisfactory, poor etc) provides a common frame of reference to the raters to accurately evaluate the performance of employees at same position, doing the similar tasks. Therefore, this training develops a skill among raters to accurately evaluate the performance and make them able to justify their evaluations. This training is relatively time consuming as it involves a deep understanding of the jobs to be evaluated and skill development among employees to accurately evaluate the performance.

The results attained through this training ensure the accurate performance evaluations and resultantly facilitate in designing the employees development programs. The accurate evaluations indicate the actual performance discrepancies among the employees based on which performance improvement trainings and future development plans can be developed.

Behavioral Observation Training:

The focus of this training is to improve rater's skills to observe, store, recall, and use performance information. The training includes the lessons on using different observational aids like notes, diaries etc to record observed behaviors and critical incidents. These practices enable the raters to keep record of their observations which can be presented in order to justify the performance ratings.

Self-leadership Training:

Training offered to rater in order to improve rater's confidence in his/her ability to manage performance is termed as self-leadership training. It involves positive self-talk, mental imagery, and positive beliefs and thought patterns among the raters that may lead to accurate evaluations by them. Furthermore, this training also encourages self-direction, self-motivation, and confidence among the raters by emphasizing intrinsic sources of behavioral standards and doing things for their intrinsic value.

Designing Self-Leadership Training Program:

Following are the steps followed while designing a self-leadership training program:

1. Observe and record existing beliefs, assumptions, self-talk, and mental imagery patterns
2. Analyze the functionality and constructiveness of the beliefs, self-talk, and imagery patterns uncovered in step 1
3. Identify and develop more functional and constructive beliefs, assumptions, self- verbalizations and mental images to substitute for dysfunctional ones
4. Substitute the more functional thinking for the dysfunctional thoughts experienced in actual situations
5. Continue monitoring and maintaining beliefs, self-verbalizations and mental images over time

Self-Efficacy Training:

It is somehow similar to the self-leadership training; its major objective is to decrease rater's discomfort with the interpersonal demands of PMS. Furthermore, it encourages managers by inculcating the belief that he/she has the necessary skills to manage employees' performance.

Designing Self-Efficacy Training Program:

Following are the steps followed while designing this training program:

1. Raters watch a videotape of a various success experience including a manager conducting a successful performance review meeting with a subordinate
2. Raters engage in a follow-up discussion regarding specific behaviors observed in the videotape that contributed to the meeting's success.
3. Raters participate in a role-play exercise that requires providing feedback to an employee.

This role-play exercise is repeated until raters demonstrate an appropriate level of mastery.

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LESSON 29**PILOT TESTING OF PMS**

Once the PMS is completely developed and ready to implement, it is suggested to pilot test it prior to its final launch. It is suggested in order to analyze the proper functioning of the system and identify the loopholes and errors at the very initial stage.

Process of Pilot Testing of PMS

While pilot testing the PMS, every activity of PMS is conducted properly and formally including formal meetings between supervisors and employees, collection of performance data, designing employee development plans and communicating the performance feedback to employees. It is ensured that evaluations obtained during pilot testing are not included in the employee performance files. During the whole procedure all the participants (managers, supervisor and employees) of pilot testing maintain records of issues encountered and discrepancies identified.

Advantages of Pilot Testing

Pilot testing is preferred due to the prospective advantages attached with it which are as follows:

1. Allows for identification and early correction of flaws:
It can provide huge savings by timely identifying the flaws and errors. It also helps in identifying problems before they become irreversible and credibility of system will be ruined permanently.
2. Allows management to gain information from the perspective of the system's users on/to:
 - How well system works?
 - Any difficulties or unforeseen obstacles.
 - Collect recommendations on how to improve all aspects of the system.
 - Understand personal reactions to the system.
3. Pilot testing helps achieve early acceptance from a small group who can act as champions for the PMS rather than putting a burden on HR department to sell the idea.
4. End users are likely to have a higher system acceptance rate, knowing that stakeholders helped with its design, and was not created by HR department alone.

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LESSON 30**PERSONAL DEVELOPMENT PLANS (PDPS)**

Plans specially designed to for the personal development of employees for the purpose of once the PMS is completely developed and ready to implement, it is suggested to pilot test it prior to its final launch. It is suggested in order to analyze the proper functioning of the system and identify the loopholes and errors at the very initial stage.

- Specify courses of action to be taken to improve performance.
- Allow employees to answer the following questions:
 - How can I continually learn and grow in the next year?
 - How can I do better in future?
 - How can I avoid performance problems faced in the past?
- Achieving goals stated in the developmental plan allows employees to keep abreast of changes in their field/profession.
- It can be created for every job (ranging from entry level to executive).
- It should focus on knowledge and skills.
- There is always room for improvement.
- It can be designed, based on each of the performance dimensions evaluated.

Objectives of Developmental Plans

- To encourage continuous learning, performance improvement, and personal growth.
- To improve performance in current job:
 - Help employees meet performance standards.
 - Include suggested course of action to address each performance dimensions that is deficient.
- Sustain performance in current job:
 - Provide tools so employees can continue to meet and exceed expectations regarding the current job.
 - Include suggestions about how to continue to meet and exceed expectations for each performance dimension included in appraisal form.
- Prepare employees for advancement:
 - Include advice and course of action that should be taken so that employees are able to take advantage of future opportunities and career advancement.
 - Indicate which new competencies and behaviors should be learned to help with career advancement.
- Enrich the employee's work experience:
 - Provide employees with opportunities of growth and learning new skills.
 - These opportunities provide employees with intrinsic rewards and a more challenging work experience.
 - Such opportunities make jobs more attractive; serve as a powerful employee retention tool.
 - New skills can be useful in case of lateral transfers within the organization.

Developmental ActivitiesOn-the-job training:

- Employees are paired with a coworker or supervisor who designs a formal on-the- job training course.
- Design of these mini training programs includes time frame (hours a day or week) of training and specific learning objectives.

Courses:

- Large organizations (McDonalds, Motorola etc) offer in-house courses given at their own corporate units.
- Some organizations provide tuition reimbursement.
- Employees can choose from online courses.

Self-guided reading:

- Employees can read books and study other resources on their own
- It is important to set an objective regarding what will be read, within what time frame, and what measure will be used to assess whether learning has taken place.

Mentoring:

- Consists of a one-on-one relationship between a senior (mentor) and junior (protégé) employee.
- Allows mentor and protégé to choose each other rather than arbitrarily assigning.
- Mentors serve as role models and teach protégés to be successful in the organization (help them gain targeted skills).

Attending a conference:

- Sponsor employee's attendance at conferences/trade shows/workshops.
- Employee should provide a written report/ presentation upon returning.
- It make easier to assess what has been learned and the knowledge can be shared with others as well.

Getting a degree:

- Some organizations provide tuition reimbursement benefits for employees to obtain additional degrees/certifications.

Job rotation:

- Temporarily assign employees a different job
- Example: medical residents rotate across specialty areas for several months

Temporary assignments:

- Less systematic rotation system; opportunity to work on a challenging temporary assignment
- Employees gain specific skills in limited time frame

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360 DEGREE FEEDBACK SYSTEM

360 degree Feedback System

360 degree Feedback System preferred tool for helping supervisors to improve performance by gathering information from individuals all around employee/ratee. Here information is collected anonymously to minimize rating inflation. In this system employees also rate themselves. Gap analysis is conducted to examine areas for which there are discrepancies between self-perceptions and perceptions of others. For **example:** A Study of 2000 managers showed that the objectives included in PDPs were driven by performance dimensions that received low scores in 360-degree feedback systems. 360 degree Feedback System is most helpful when it is used for developmental and not for administrative purposes.

Online 360-Degree Feedback

One of the major benefits of this system is that it minimizes paperwork as well as the time to collect data for this feedback.

Major steps that are involved in this online 360-feedback system are:

- Step 1: Service provider (usually outside consulting firm) sends an email with instructions and time frames for assessment of each employee to be rated.
- Step 2: Employees can access a secure Website, enter personal ID and passwords, and create individual list of raters who will be asked to provide feedback about their performance.
- Step 3: Appointed raters are asked to visit the website and provide performance feedback within a certain time period.

Additional features of online system

Some of the additional features of online system will make us understand this system even better. This system provides online training for raters on how to complete feedback forms in helpful and constructive ways. Moreover it also allows the detection of certain rating errors. Another feature of 360-feedback online system is that it includes an online virtual feedback coach to help create developmental plans.

Contents of effective 360-Degree Feedback form

When we look at the major contents of the 360-Degree Feedback form following questions come in our mind:

1. Are decisions that are made about rewards and promotion fairly free of favoritism?
2. Are decisions made that take into account the input of people affected by such decisions?
3. Do people from different departments usually cooperate with each other and help each other?
4. Is there little or no fear of speaking up?
5. Do people believe that their peers and subordinates can provide valuable information about their performance?
6. Are employees trusted to get the job done?
7. Do people want to improve their performance?

Check Point System

Check point system basically includes information on the following competencies:

- Communication (listens to others, processes information, and communicates effectively).
- Leadership (instills trust, provides direction, delegates responsibility).
- Adaptability (adjusts to circumstances, thinks creatively)
- Relationships (builds interpersonal relationships, facilitates team success).
- Task Management (works efficiently, works competently)
- Production (takes action, achieves results).
- Development of others (cultivates individual talent, motivates successfully).
- Personal Development (displays commitment, seeks improvement).

360 DEGREE FEEDBACK SYSTEM Cont'd

360-Degree Feedback System

Perceptions are often termed as the operational realities and 360-Degree Feedback make you learn about these perceptions. In perception-based social and administrative system Performance Management System (PMS) will sensitize employees and raters in one direction. It also assists employees to move/work in a one particular direction. While encountering conflict-based management environment PMS works best. In slightly different situations where consensus-based social environment prevails in an organization, then the PMS will perform the best. And perhaps there is a need for an elaborated PMS.

Advantages of 360-Degree Feedback System

In an organizational setup 360-degree feedback system has several advantages:

1. Decreased possibility of biases.
2. Increased awareness of expectations.
3. Increased commitment to improve.
4. Improved self-perceptions of performance.
5. Improved performance.
6. Reduced “un-discussable”.
7. Enable employees to take control of their careers.

Associated Risks

Along with all the advantages their certain risks also associated with this technique. Negative feedback can hurt employee's feelings. If those giving feedback don't offer their comments in a constructive way, then this practice can create negative feelings among employees. One challenging situation occurs about the user acceptance, as it is an important determinant of system's success. System is likely to produce positive results only if individuals feel comfortable with the system and believe they will be rated honestly and treated fairly.

When very few raters provide information, it may be easy for the employee being rated to identify the raters. Limited number of raters may cause the existing ones overloaded with forms to fill out because they need to provide information on so many individuals (peers, superiors, subordinates).

Factors enhancing effectiveness

Following important factors that need to be considered while evaluating the effectiveness of 360-degree feedback system:

- Companies that have success with these programs tend to be open to learning and willing to experiment.
- Led by executives who are directed about the expected benefits as well as the challenges
- Laying oneself open to praise and criticism from all directions and inviting others to do the same
- Maintain anonymity
- Interpretation of Feedback
- Follow-up in response to feedback
- Use for developmental purposes only
- Avoidance of survey fatigue
- Emphasis on behavior
- Raters go beyond ratings by providing additional comments
- Raters should be trained

LESSON 33**COACHING STYLES AND PROCESSES**

Coaching is a collaborative, ongoing process in which manager interacts with employees and takes an active role and interest in their performance. Coaching basically involves issues like observing performance of the employees, directing them to the right paths, motivating and complementing quality work of employees/teams. Rewarding employees' positive and productive behavior is also very important as positive behavior the root cause of admirable performance. Assistance in correcting performance that does not meet expectations/standards has gained so much importance in this competitive world. Coaching is also concerned with long-term performance and ensures accomplishment of developmental plans of the company. One who considers himself a coach must establish a helpful and trusting relationship as it is a pervasive organizational activity.

Four Principles of Successful Coaching

1. A healthy coaching relationship is essential in nearly every organizational setup; coach- employee relationship must be based on mutual trust and collaborative environment. Collective trust of all the stakeholders in the process is necessary as all must join hands to contribute to a single cause i.e. organizational progress. For this purpose interests of both coach and employees must be aligned, coach needs to view the job and organization from employee's perspective. Employees must try to understand the manager's perspective and work together by joining hands with them. Manager should coach with tolerance, empathy and compassion.
2. Employee is a source and director of change, a coach should understand that employee is a source of change and self-growth. Purpose of coaching is to change the behavior of employee in future (if any change in behavior is required). Coach needs to act as a facilitator who tries to facilitate employees in setting their goals, agenda and direction.
3. Coaches need to understand the fact that each and every employee is whole and unique. They need to realize that each employee is distinctive with several effective job-related and job-unrelated identities, and has a unique personal history. Employees may not be evaluated solely on the basis of just few traits, coach must create a whole and complete picture of employee and evaluating them on every relevant competency. It is helpful if coach has knowledge and can help the employee connect his/her life and work experiences in a meaningful way.
4. Coach must act as facilitator for employee's growth, they must direct the whole process but they should not take control of it. Coach needs to develop and maintain the attitude of exploration not within themselves but also in the attitude of the employees. A good coach should teach employee to be aware of his own strengths, realization of the resources, and prepare them for the possible future challenges. Coach should also facilitate employees in their goal setting, and guide them to align their personal goals to the organizational goals.

Major Functions of Coaching

Major functions of coaching include guiding employees to improve their personal and team performance. They should provide guidance related to knowledge and skills development. One of the major responsibilities of coaches is to provide employees support and being there when they are needed. Coaches need to give employees enough confidence that they feel free to take their support any time. They must enable employees to enhance their performance continuously and increase their sense of responsibility for managing their own performance. After that they must provide positive feedback through coaching, as this makes employees confident about what they do, but feedback is also given on things that can be improved. They must also help employees gain greater competence, as employees need to be prepared for the upcoming challenges and complex tasks. So they must be constantly be motivated to develop themselves for both short term and long term goals/objectives.

Ideal behaviors of Coaches

Ideally coaches must possess following behaviors:

1. Establish developmental objectives: Works jointly with employees to create developmental plan and its objectives.
2. Communicate effectively: Maintain regular and clear communication with employees about performance, including results and behaviors.
3. Motivate employees: Reward positive performance.
4. Document performance: Evidence must be gathered and documented for good and poor performance.
5. Give feedback: Praise good performance and point out substandard performance. Help employees avoid poor performance in future.
6. Diagnose performance problems: Determine whether performance deficiencies are due to lack of knowledge, skills, motivation or due to situational factors, beyond employee's control. Provide employees resources and address contextual issues.
7. Develop employees: Provide financial support and resources for employee development. Help employees plan for future and give them challenging assignments to force them to learn new things.

The Good Coach Questionnaire

Ideal coach must answer himself following questions:

1. Do you listen to your employees?
2. Do you understand the individual needs of your employees?
3. Do you encourage employees to express their feelings openly?
4. Do you provide your employees with tangible and intangible support for development?
5. Do your employees know your expectations about their performance?
6. Do you encourage open and honest discussions and problem solving?
7. Do you help your employees create action plans that will solve problems and create changes when needed?
8. Do you help your employees explore potential areas of growth and development?

COACHING STYLES AND PROCESSES Cont'd**Coaching Styles**

According to literature there are four basic coaching styles, they are:

- Driver
- Persuader
- Amiable
- Analyzer

1. Driver

Major characteristics of this coaching style are:

- Assertive
- Speak quickly and often firmly
- Usually talk about tasks and facts
- Not very expressive
- Expose a narrow range of personal feelings to others

2. Persuader

Coach must educate employee about the benefits of particular task for the organization, for the employee him/herself and to a customer.

- Assertive
- Use extensive gestures
- Talk more about people and relationships
- Expose others to a broad range of personal feelings

3. Amiable

Major characteristics of this coaching style are:

- Not very assertive
- Speak deliberately and pause often
- Seldom interrupt others
- Make many conditional statements
- Tends to be subjective than objective

4. Analyzer

Major characteristics of this coaching style are:

- Not very assertive
- Talk about tasks/facts rather than personal feelings
- Analyze information in a logical and systematic way
- Follow rules and procedures when providing a recommendation

Which of the four styles is most effective?

When it comes to effectiveness no style is necessarily superior to others, a good coaching should be perceived as the one that provides a learning opportunity for the employees as well as provide an opportunity to set clear goals and delegate action. Coaching can involve all of the following at different times:

- Providing direction
- Showing empathy; creating positive feelings
- Paying attention to rules and procedures

It is recommended that a combination of styles is used; having an exclusive emphasis on just one style will not help employees develop and grow. Ineffective coaches stick to one style and don't adapt to other styles. It is recommended that the coaches must act as they are adaptive coaches because these sort of coaches are able to adjust their style according to employees' needs and hence they are most effective than those who stick to one style only.

Coaching Process

There are five basic steps in a coaching process

Set developmental goals

1. Identify developmental resources and strategies
2. Implement strategies
3. Observe and document developmental behavior
4. Give feedback

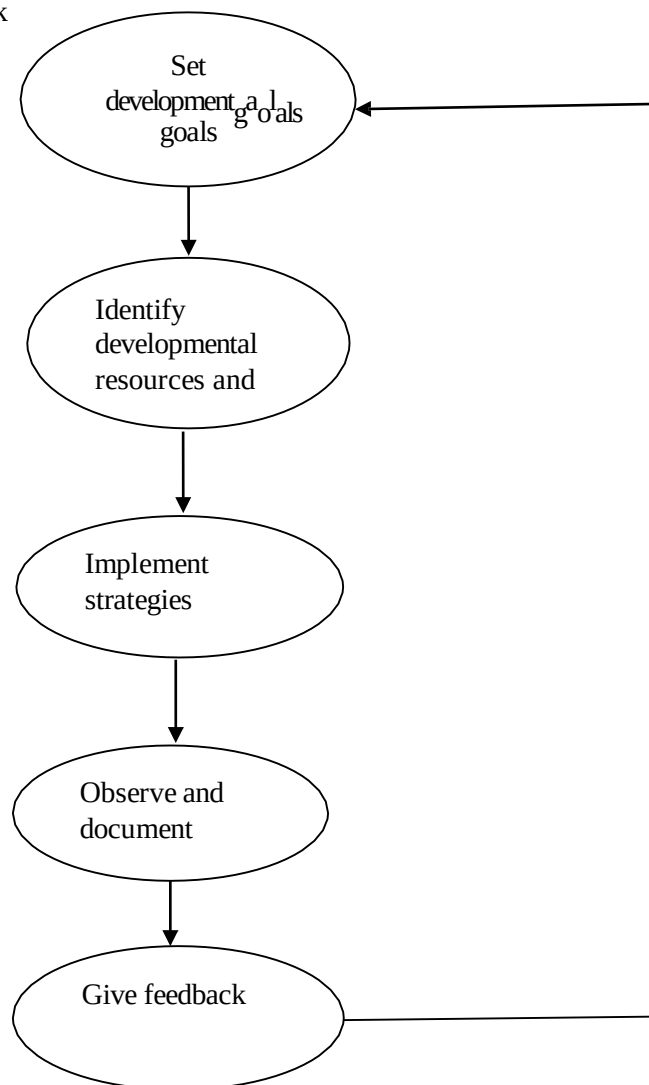


Figure: Coaching process

Observing and Documenting of Developmental Behavior

It is important to document observations, descriptions, and evaluations by colleagues in terms of memos, letters, emails, handwritten notes, comments etc.

Constraints:

- Time:
Managers may be too busy to gather and document information of employee's progress. Too much time may elapse between assignment of activity and the manager's checking on employee's progress.
- Situational:
Managers are often unable to observe employees as they engage in developmental activities. They may not have firsthand knowledge about employee's performance.
- Activity:
In highly unstructured developmental activity (like reading a book) manager may have to wait until activity is completed to assess its benefits.

Ways to address Constraints

There are many ways to address time, situational and activity related constraints, some of them are as under:

1. A good communication plan is necessary.
2. Managers should be trained to:
 - i. Minimize errors
 - ii. Share notions of what it means to complete developmental activities successfully
 - iii. Observe performance accurately
 - iv. Be confident and comfortable in managing employee's developmental activities
3. We need to understand the forces that motivate managers to invest time and effort in employee's development.

Benefits of documenting employee's developmental activities

1. Minimize cognitive load
2. Create trust
3. Plans for future
4. Provide legal protection

Recommendations for Useful and Constructive Documentation

1. Be specific
2. Use adjectives and adverbs sparingly
3. Balance positives with negatives
4. Focus on job related information
5. Be comprehensive
6. Standardize procedures
7. Describe observable behavior

LESSON 35**DYNAMICS AND PURPOSES OF FEEDBACK****Giving Feedback**

Providing feedback to an employee regarding his/her progress towards achieving goals is a key component of the coaching process. Feedback is information about past behavior given with the goal of improving future performance. Feedback Includes information about positive and negative aspects of performance, and how well employees are meeting the established standards.

Purposes of Feedback

Feedback helps to build confidence among employees, it give idea to the managers to take care about their human resource. Positive and constructive feedback of managers helps to develop competence among employees. It clearly communicates about the desired performance & behaviors. It enhances involvement of employees.

Dynamics of Feedback

Presence of feedback does not mean that its purposes will be fulfilled. E.g., 131 studies concluded 38% of feedback programs reviewed had a negative effect on performance. Feedback can have detrimental effects if it focuses on employee as a whole instead of specific behaviors at work. Feedback can cause self-doubt and questions about identity. Advantages of providing feedbacks generally outweigh the major disadvantages associated. Organizations now a days seems be to be stuck with chronic poor performance and their employees continue performing at substandard levels. Employees might develop incorrect perceptions of how their performance is regarded by others.

Factors to Improve the Effect of Feedback

The factors that can contribute to the improvement in the effects of feedback are as follows:

- Timeliness
- Frequency
- Specificity
- Verifiability
- Consistency
- Privacy
- Consequences
- Description first, evaluation second
- Performance continuum
- Pattern identification
- Advice and idea generation
- Confidence in employee

Negative feedback

Negative feedback may include the information that performance has fallen short of the acceptable standards. Here question arises that why managers are uncomfortable in giving negative feedback? Answer is they want to avoid negative reactions and consequences, may be they want to avoid their negative experiences in the past, another case can be that managers are reluctant to play the role of an all-knowing approach. While giving negative feedback managers are going to need very strong, convincing, irrefutable and conclusive evidence.

Feedback Gap

It is now the general practice that managers avoid giving negative feedback while evaluating their employees and employees avoid seeking it. Both employees and managers mutually instigate and reinforce lack of communication. And this results in the serious gap where employee gets the message that their performance is adequate but the situation is different and over the period of time performance problems get intense.

Importance of giving negative feedback can be understood that early coaching has identified warning signs and performance problem can be managed accordingly. Negative feedback actually clarifies unwanted behaviors and consequences and focuses on behaviors that can be changed. Manager is perceived to be trustworthy for making a genuine attempt to improve employee's performance. Negative feedback is valuable if uses straight talk and not subtle pressure; and is supported by hard data. Negative feedback is important but it needs to be handled very carefully just as when it is necessary to give the bad news but it is delivered in a tactful way that message also received with minimum damage to the person receiving it.

Feedback Should Provide Answers

An effective feedback must answer the following questions:

1. How is your job doing? Do you have what you need to do your job?
2. Are you adequately trained? Do you have skills and tools you need to do your job?
3. What can be done to improve you and your unit/organization/job/product/service?
4. How can you better serve your internal and external customers?

LESSON 36**PERFORMANCE REVIEW MEETINGS****Performance Review meetings**

Analyzing the performance of the employees is a critical phase in HR practices, there are number of ways to evaluate the performance. Mostly performance is evaluated against job description, and meeting of organizational goals. First thing to analyze is whether employee is working according to his/her job description or not. As it is a prime responsibility of an employee to fulfill his assigned duties, if yes then comes the check of whether he/she is performing them effectively and efficiently or not. Then comes the attainment of the organizational goals, employees are rated by HR managers on their contribution in attainment of these organizational goals.

Performance review meetings are conducted to discuss performance related matters of employees. Main objective of these formal meetings is to judge the performance of the employees as well as identify the problematic areas and provide coaching to the employees.

Types of performance review meetings

Performance review meetings are conducted in order to evaluate performance of the employees, there are number of types of these meetings depending upon the nature of the meeting.

1. It System inauguration meeting
2. Self-appraisal meeting
3. Classical performance review meeting
4. Merit/salary review meeting
5. Development plan meeting
6. Objective setting meeting

Steps prior to meeting

Before going for the formal performance review meetings there are certain prerequisites that need to be taken care of in order to have an effective and fruitful meeting. These are:

- Must give enough time to an employee to prepare for the meeting
- There should be sufficient time for the meeting
- Arrange to meet in a private location without interruptions
- There should be clear message that the meeting is important and PMS is important.

Sequence of events in performance review meeting

A fruitful performance review meeting must be conducted with the proper sequence, first of all the meeting must start by explaining the purpose of this meeting so that all the members may be clarified about the purpose before the start of meeting. Then self-appraisal is being conducted, ratings are shared and rationale is explained providing reasoning of the performance. After that developmental aspects are being discussed along with defining the appropriate reward for the good performance. This is not a onetime activity follow-up meetings are also conducted in insure that appropriate reward is being given and performance after the grant of reward. Another purpose of follow up meetings is to review the implementation of the results of the previous review meetings. After the design approval and appealing process, final recap is conducted.

Behavioral patterns that indicates defensiveness

Behavior of the individual can easily predict that whether person is trying to be defensive or aggressive. Fighting response of the person defines that on which direction his/her behavior is directed. Becoming aggressive is not good in many of the cases as well looking and turning away is also not advisable. According to human behavior experts best approach is to maintain a healthy balance between being aggressive and being defensive.

Suggestion to deal

- Develop rapport
- Being Empathetic
- Observe verbal & non-verbal cues

LESSON 37**PAY PLANS****Pay Plans**

Effective pay plans can set a strong base for effective recruiting as well as retention of the employee. As effective employee compensation plans articulate a unique value proposition that will inspire and guide not only the individuals but complete team in the right direction. It also provides a framework of principles from which to design the pay program. Two most important pay plans are:

1. Basic pay plan
2. Contingent pay plan

Basic pay plan

Basic pay plan is normally based on job positions/hierarchical position rather than performance of the employees. Higher the hierarchical position of the employee higher will be his pay package. In Pakistan basic pay plan prevails in nearly all purely public sector organizations. In this pay plan salary is indirectly linked with performance of the employee, some private sector organizations have offered some of the allowances within this pay plans to create a direct link between pay and performance. Despite of public and private sectors this pay plan is mostly applicable in collective cultures.

Contingency Pay plan (CP plan)

Unlike to the basic pay plan these pay plans use the principle of “More performance more rewards”. It includes variable pay in addition to basic salary that is purely based on the achievement of certain performance standards. Here employees’ performance is dependent on their declarative knowledge, skills, abilities and accomplishment of the organizational goal; all these factors are considered while rewarding employees. Contingency pay plan (CP plan) is mostly applicable in individualistic cultures.

There are certain benefits attached to this pay plan, it create a direct link between performance and rewards. Employees are purely evaluated on the basis of their performance, even if they are seniors and they are not performing well they will be rewarded less than the high performers. By adopting this practice overall performance of all the employees is enhanced, it clarifies what is expected from employees and they must boost their performance for handsome pay package. In this way organization attract and retain high achievers, this will improve motivation among employees.

Types of Contingency Pay plans (CP plan)

There are basically five types of Contingency Pay plans:

- Piece rate: based on items produced during production
- Sales commissions: based on sales made
- Group incentives: based on group achievement as a collective effort
- Profit-sharing: company’s profit is shared among the participant-employees
- Skill based: based on the skills acquired

Issues in Pay plans

Major issues related to pay plans are issues related to Performance Management System (PMS) development and implementation. Rewarding an undesired aspect even if you as a manager don’t like this aspect of performance and it is contributing to the organization you have to reward it. Another challenge that HR manager have to deal with is dissatisfaction of employees as many a time offered increment seems to be insufficient for employees. Managers must be held accountable for appraising their employees, they have to take responsibility and justify why they have rated some employees low and some high. Managers must understand that rewards are not the only drivers of performance; they cannot entirely ignore the intrinsic rewards with extrinsic rewards. Inappropriate rewards distribution among employees is another challenge that needs to be dealt with. As the business are now

gone global and organizations need to rethink their strategies and revisit their plans so the management have to accept the regional based differences and plan and act according to the ground realities of that particular region.

Considerations while design pay plans

While designing pay plans following aspects must be considered by HR managers:

- Hardships of location
- Organizational as well as regional culture
- Clearly defined rules & regulations
- Well described organizational expectation

LESSON 38**PAY STRUCTURES****Pay Structure**

Pay structure varies from organization to organization, but when we look at it comprises of:

1. Financial rewards
2. Non-financial rewards

Financial rewards

Financial rewards are the monetary incentives that an employee earns as a result of his/her good performance. Various types of financial rewards that are given to the employees of different organizations are given below.

Types:

- Basic salary: amount paid to an employee before any extras are added or taken off
- Incentives: paid for specific performance results rather than simply for time worked
- Fringe benefits: on-wage compensation provided to employees in addition to their normal wages or salaries being a member of organization

Non-financial rewards

Unlike financial rewards non-financial rewards are non-monetary rewards that are primarily focused on employees' variety of needs like recognition, achievement, responsibility, autonomy, influence, and personal growth etc. Some employees are motivated only by financial rewards but some employees need something more than monetary rewards. These are the personalities that are motivated only when they are recognized by the organization, when their immediate supervisor gives them autonomy by trusting on their abilities. Despite of financial rewards they prefer to have growth opportunities more and they attach their loyalty with those organizations which could offer them more developmental opportunities. So non-financial rewards are also very important and cannot be ignored. Major types of non-financial rewards are as follows:

Types:

- Recognition
- Challenging work
- Leisure time for social bonding
- Flexible time
- Development opportunities
- Promotion/increased autonomy

Considerations while design pay structures

As described in earlier financial as well as non-financial rewards both mandatory and helpful for the organizations in their own way. But who will define which pay structure is better for the organization? There is not necessary that the pay design that is effective in one organization would be fruitful for the other organization as well. Managers have to look at the dynamics of their own organization they have to look at the job nature of their workforce, make changes in the pay design where there is a slight change in the job requirements. Difficulty level of each and every job is different, need of knowledge skills and abilities are different, sensitivity of each job is different, so it is required that pay structure of each job would also be different. If managers will stick to a single pay structure for every job it would not be justified and employees would not be rewarded as they must be. So following points must be taken care of while designing appropriate pay structure:

- Job nature
- Job significance
- Difficulty level
- KSA required to perform a job

LAWS AFFECTING PERFORMANCE MANAGEMENT

Legal principles affecting PMS

Performance management system is not just confined to the boundaries of the organization; it is also answerable by law. While designing PMS Managers must very strictly follow that their organization may not fall victim of any legal action due to noncompliance of any legal principle. Some of the general principles are as under:

1. Employment at will
2. Negligence
3. Defamation
4. Misrepresentation
5. Adverse impact of unintentional discrimination
6. Illegal discrimination

Employment at will:

Company or the employee can terminate the employment relationship at any time, with or without cause, with or without notice. These clauses must be written and communicated to the employees in prior.

Negligence:

On part of either employee or employer negligence is not acceptable. Fail to fulfill the job responsibilities is an act of negligence from employee's perspective. If PMS is not applied in the manner it was expected, negligence is occurred on part of employer.

Defamation:

Damaged reputation when a legal suit is filed against a particular organization and/or individual

Misrepresentation:

Showing incorrect or incomplete information about performance, ratee or system enhances risks and conflicts. E-g information provided through references

Adverse impact of unintentional discrimination:

Unintentional discrimination leads to legal obligations and create an adverse impact. For instance differences in pay structures of females & males or rate of promotions among males and females are mostly biased unintentionally.

Illegal discrimination:

Act of violating employee's rights based on religion, race, color, creed, national origin, sex, marital status, disability, age, sexual orientation or family status

Characteristics of legally sound PMS

These are some of the characteristics of legally sound PMS, managers must insure that these characteristics are the part of their performance management system:

1. Clearly defined and communicated performance standards.
2. Set performance standards should be job related and realistic to attain.
3. Uniform and standardized procedures for every employee.
4. Timely feedback to employees on performance deficiencies.
5. Feedback from the employee should also be considered while setting PMS.
6. PMS system should include an appeal process.
7. Information regarding performance should be gathered from multiple sources to control the biased, inaccurate and incomplete information.
8. Raters & supervisors should be properly trained to rate the employee performance.
9. Thorough and consistent documentation of firsthand knowledge.
10. Include procedures to detect potential discrimination or biases within the system.

TEAM PERFORMANCE

Team

In modern competitive world majority of the organizational tasks are performed in teams. Team is basically formed when two or more individuals work together on a common goal, they share a strong sense of mutual commitment that leads to synergy. Synergy tells us that combined performance of a team is greater than the sum of the performances of the members. Team work has many advantages but it needs a great deal of tolerance and flexibility to attain good results of teamwork.

Importance of team

Due to teamwork organization can have:

- More resources for problem solving
- Improved creativity and innovation
- Improved quality of decision making
- Greater commitments to tasks
- Increased motivation of members
- Better control and work discipline
- More individual need satisfaction
- Handle increased work pressures
- Meeting organizational goals efficiently
- Promotes flat organizational structures
- Effective handling of complex tasks
- Respond to rapidly changing environments

Relation between team and PMS

Relation between teamwork and performance management system is crucial when teamwork is encouraged among the organization. Then it is needed that the rewards must not be based on individual basis but it should be given on team output plus individual contribution of members in that team. Individual contribution must also be rewarded within team along with reward for overall team performance.

Types of teams

- **Work or service teams:** for routine tasks
- **Project teams:** for a particular project/assignment
- **Network teams:** virtually connected teams
- **Employee involvement team:** meets on a regular basis to help achieve continuous improvement.
- **Cross-functional Team:** operates with members who come from different functional units of an organization.
- **Quality Circle Team:** employees who meet periodically to discuss ways of improving work quality.
- **Virtual Teams:** Work together and solve problems through computer based interactions.

Goals of team's PMS

- Strategic
- Administrative
- Informational
- Developmental
- Organizational maintenance
- Documentation
- Accountable to peers

EVALUATING TEAM PERFORMANCE

Team performance in PMS

Team performance in Performance Management System is assessed on three basic issues, first issue is measuring individual performance of the team members. Second issue is the contribution of individual in overall team tasks as it is very important to assess the contribution of each member. Assessment of contribution in team task is very important so as to identify the sleeping partners in the team and encourage them and motivate them to work harder for the achievement of team goals. Third issue is assessment of overall team performance.

Principles of designing PMS for team performance

While designing performance management system for team performance evaluation following principles must be adopted.

1. Make sure team is really a team
2. Make the investment to measure
3. Define measurement goal clearly
4. Use of multi-method approach of measurement
5. Focus on procedures as well as outcome
6. Measure long-term changes

Components of PMS

Involves the following steps in the given sequence:

1. Prerequisites
2. Performance planning
3. Performance execution
4. Performance assessment
5. Performance review
6. Performance renewal and re-contracting

1. Prerequisites

- Knowledge of the organization's mission and strategic goals
- Knowledge of the job in question

2. Performance Planning

Performance planning can be done in four different ways, it can be performed on the bases of results, behavior, competencies and development plans.

Performance w.r.t results:

- Key accountabilities
- Specific objectives
- Performance standards

Performance w.r.t behaviors:

- How a job is done

Performance w.r.t competencies:

- Measurable clusters of KSAs
- Critical in determining how results will be achieved.

Performance w.r.t development plan:

- Areas for improvement
- Goals to be achieved in each area of improvement

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3. Performance Execution

Employee Responsibilities:

- Commitment to goal achievement
- Ongoing requests for feedback and coaching
- Communication with supervisor
- Collecting and sharing performance data
- Preparing for performance reviews

Manager Responsibilities:

- Observation and documentation
- Updates
- Feedback
- Resources
- Reinforcement

Performance Assessment

- Manager assessment
- Self-assessment
- Other sources (e.g., peers, customers, etc.)

Performance Review

Performance review is majority of the times a periodic and ongoing activity. Here past performance is also measured and kept in mind so as to learn from the past. Present circumstances may also have a strong emphasis on current planning and policy making. On the bases of learning the lessons from the past and keeping in mind the current scenarios future course of action is determined and so as to prepare the organization for the future competition.

- **Past**
 - Behaviors and results
- **Present**
 - Compensation to be received
- **Future**
 - New goals and development plans

Performance Renewal and Re-contracting

- Same as/different from Performance Planning
 - Uses insights and information from previous phases
 - Cycle begins again

Measure WE performance

- **Effectiveness:** degree to which results have been achieved
- **Efficiency:** degree to which internal team processes support the achievement of results, team growth and team member satisfaction
- **Learning & growth:** degree to which team is able to learn new skills and improve performance over time
- **Team satisfaction:** degree to which team members are satisfied

LESSON 42**REWARDING TEAM PERFORMANCE****Rewarding Team performance**

One school of thought prefers the idea of rewarding their employees beyond their pay and benefits package, unlikely the other school of thought avoid the practice as they feel that showing appreciation undermines their authority. They want to avoid stirring up jealousy in other members of the team, perhaps because they feel they don't have the time to do it, or perhaps because they feel embarrassed praising people openly. Major concerns of HR managers in order to reward its team performance:

- Individual performance
- Contribution of individual in team
- Team performance

Review team performance

While reviewing team performance there are basically two options for supervisor, first one is supervisor might meet all members together. A complete team session is normally conducted in order to discuss overall team matters and decisions. Other option is to meet all the team members individually. Both these type of meetings are conducted in order to review individual as well as team performance in past, present conditions can also be discussed as well as the future goals and policies. Major objectives that a supervisor wants to achieve from these team meetings are:

- Evaluation of individual as well as team behaviors and results
- Compensation to be received
- New goals and development plans

Performance renewal and re-contracting

- Make adjustments to performance plan
- Include plan for individual performance as it affects team functioning

Team performance management

Some more aspects that HR professionals must keep in mind while measuring and evaluating team performance are:

- All employees should be eligible for all the perks and benefits
- Rewards should be
 - Visible
 - Contingent
 - Reversible
- Avoid factors which cause reward systems to fail
- Consider variable pay systems (in addition to individual bonuses)

LESSON 43**PERFORMANCE MANAGEMENT SOFTWARE****Performance management software**

In this century due to technological boost the organizations are now becoming digital and are in the state of continuous improvements. Latest technologies are being used in various day to day activities. Within the working of human resource department various human resource management systems are being used very frequently. In performance management systems there are various software's that are being tested and used for effective performance management. These days cloud-based performance management software are also being used as they dramatically streamline and simplify the performance review process. Performance management software provides fast, fair, and easy to use approach that drives improved engagement and performance for managers and their teams. Major characteristics of these performance management software's are:

- They are mostly web based
- They are usually tailor made to accommodate the specific needs of the organizations
- Assists in building electronic teams to monitor performance, gather feedback and take appropriate actions
- Should deal with emotional as well as financial needs of the employees

Types of PM software

Major types of performance management software are:

- Business library software
- Mara consulting
- SRT tools
- Trinity quality software
- Workforce growth

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LESSON 44**PERFORMANCE MANAGEMENT SYSTEM; A QUICK OVERVIEW****Aims of PMS**

One of the major aims of performance management system is to establish high performance culture among organization. Organizations are moving towards performance based evaluation systems and for that purpose communication patterns also need to be revised involving all the stakeholders. Performance management systems also communicates expectations of the all the stakeholders. Another major aim of PMS is to motivate, empower and reward employees so that their loyalties remain with their organization and they whole heartedly work for the productive outcomes of the organization. One of the major challenges that HR managers are facing these days is to align individual's goals with organizational goals and this can be better served by implementing an effective PMS system. Managing and resourcing performances is also among the aims of performance management system.

Characteristics of PMS

Major characteristics of performance management systems are as follows:

- PMS is a planned, continuous process
- Represents synergy of human relations through:
 - Agreement
 - Measurement
 - Feedback
 - Positive reinforcement
 - Dialogue
- Measures outputs in terms of delivered performance in comparison to set objectives
- Continuously compares inputs & outputs
- Focuses on future performance
- Emphasizes on development

Performance measures

Following measure must strictly be taken in order to achieve and maintain effectiveness of performance management systems.

- Achievement of objectives
- Competence
- Quality
- Contribution to team
- Customer care
- Working relationship
- Productivity
- Flexibility
- Skills
- Learning targets
- Alignment of personal objectives with organizational goals
- Business awareness
- Financial situation

LESSON 45**PERFORMANCE MANAGEMENT SYSTEM; A QUICK OVERVIEW Cont'd**

Performance management system is a very broad domain and in the current competitive business environments its worth is increasing. Now organizations are moving towards performance based compensation system. In these circumstances human resource managers must know the Dos and Don'ts of Performance management system.

Dos of Performance Management System (PMS)

Major Dos of Performance management system are as follows:

- Consult & involve all the stakeholders
- Healthy and two way communication
- PMS should remain simple
- Alignment of activities
- Employee should own system in which they are working
- Clarity of purpose and process
- Monitor & evaluate
- Alignment of PMS with regional culture
- Train employees according to PMS
- Plan and prepare carefully
- Alignment with other HR processes
- Pilot test of PMS
- Clarify link to rewards
- Understand PMS as business process
- Realistic about scale of change
- Define performance expectations
- Make the process mandatory

Don'ts of Performance Management System (PMS)

Major Don'ts of Performance management system are as follows:

- Just a form filling exercise
- Make system complicated
- Rush to new system
- Underestimate the time it takes to introduce
- Keep changing the system
- Assume that managers have necessary skills
- Blindly follow others
- Neglect consultation and communication with employees
- Assume everyone wants PMS
- Assume that PMS will start immediately

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