

**UNIT I Introduction to Performance Management and Theoretical Framework of Performance Management**

Definition of Performance Evaluation, Evolution of Performance Management, Aims of Performance Management, Purpose of Performance Management, Employee Engagement and Performance Management, Principles of Performance Management, Overview of Performance Management as a System, Linkage of Performance Management to Other HR Dimensions of Performance Management

Theoretical Framework of Performance Management: Goal Theory and its Application in Performance Management, Control Theory and its Application in Performance Management, Social Cognitive Theory and its Application in Performance Management, Organisational Justice Theory and its Application in Performance Management

**Unit I**

Performance management (PM) is a process of ensuring that set of activities and outputs meets an organization's goals in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, an employee, or the processes in place to manage particular tasks. Performance management standards are generally organized and disseminated by senior leadership at an organization and by task owners, it can include specifying tasks and outcomes of a job, providing timely feedback and coaching, comparing employee's actual performance and behaviors with desired performance and behaviors, instituting rewards, etc.

**Performance**

The first step is to know “performance”. The literary meaning of performance is “an act of staging or presenting a play, concert or other form of entertainment.” Also, performance goes synonymous with “accomplishment” and “Fulfillment”.

As we take the word performance for Business administration, we can define performance as “the accomplishment of a given task with the set standards, precision, quality and completeness”.

Popular industrial psychologist Campbell defines Performance as “behaviour of an individual towards the given task”.

**Job and Performance**

When we see the meaning of job, it goes as “special task”, “specific work”.

Even though Job and Performance are used in many ways, as two different actions or sometimes both together, like “job is performed”, “job performance has to be evaluated”, it can be considered that when an employee understands and accomplish a given job, he performs, a sort of good job.

He improves, involves, fulfills and gets satisfaction when he performs the job, than just doing the job.

When we talk about the job of a singer, that is singing, we say “the singer performs”. The emphasis being the job artistically done, accomplished with heart and soul involved in the job, may be because he is passionate towards the singing.

Notes

Hence, the employee in an organisation can also perform the same way, like a singer performs, with involvement and quality improving by every day.

### **Performance Management**

What is Performance management?

Srinivas Kandula defines performance management as “process of designing and executing motivational strategies, interventions and drivers with an objective to transform the raw potential of human resource into performance”.

We can say that “Performance Management is a systematic process by an Organisation to improve and evaluate the performance of its employees as individuals as well as groups.”

In broader view, an organisational goal can only be achieved with the people in the organisation aligning their goals to them. The individual’s goal often relates to the improvement of skills and knowledge he possess. If the individuals knowledge and skills can be improved through motivation or training or any other methods, the organisational performance increases and easier to attain the goal. The tough task is to make the employee understand the needs of his own self. A successful performance management is

Where the employee’s interests are understood by the employer and renders his helping hand to develop employee’s career as well as his performance and

The employee understanding the requirements of the organisation, cooperating and accepting the helping hand of employer to increase his performance levels and thus also his self.

Performance Management is conducted and understood on two classifications

1. Performance of the employees in the organisation, which we are studying in detail in this course<sup>9</sup>

Notes

2. Performance of the organisation, which is often the net result of the total performance of all the employees put together.

## **Principles of Performance Management**

Performance management can bring quality and effectiveness only when certain basic and fundamental principles are followed. These include:

### **Transparency**

The system should be transparent, free from partiality, bias and discrimination among the employees. If not, the base of the system itself will not be strong to build anything above that. For example, work allocation, promotions, transfers, incentives, and bonus – if based on Performance management, then the system should be transparent and gives no room for employees to complaint.

### **Employee Empowerment**

Participative and empowered employees take the responsibility well. They develop the belongingness towards the organisation. Recognizing and rewarding the employees brings them together to work and achieve.

### **Organisational Values and Culture**

A fair treatment and ensuring due satisfaction to the employees, empathy and trust, respect and treating people equally – are all the foundations for the development of the Culture and values of the organisation, which reflects in overall output.

### **Amicable Workplace**

A work environment which attracts the employee rather than expecting the week end to be away from the workplace is the principle. The workplace should be congenial, warm and amicable to the employees. This helps in improving the quality of work life and balancing the work life.<sup>10</sup>

Notes

## **Characteristics of Performance Management**

Performance management is a complex concept that encompasses different dimensions of the organisation and the people. Hence, the performance management has some pre requisites that should be included while designing a system.

### **Organisational Strategies and Goals**

The Organisational vision, mission and objectives need to be clearly and precisely laid down and communicated to all the employees to make them realise what the organisation expects from them. The need of imparting the expected performance in a broader view is essential to create a platform for employees to set their personal goals along with the organisational goals.

## Evolution of Performance Management

The term performance management gained its importance from the times when the competitive pressures in the market place started rising and the organizations felt the need of introducing a comprehensive performance management process into their system for improving the overall productivity and performance effectiveness.

The performance management process evolved in several phases.

**First Phase:** The origin of performance management can be traced in the early 1960's when the performance appraisal systems were in practice. During this period, Annual Confidential Reports (ACR's) which was also known as Employee service Records were maintained for controlling the behaviors of the employees and these reports provided substantial information on the performance of the employees.

Any negative comment or a remark in the ESR or ACR used to adversely affect the prospects of career growth of an employee. The assessments were usually done for ten traits on a five or a ten point rating scale basis. These traits were job knowledge, sincerity, dynamism, punctuality, leadership, loyalty, etc. The remarks of these reports were never communicated to the employees and strict confidentiality was maintained in the entire process. The employees used to remain in absolute darkness due to the absence of a transparent mechanism of feedback and communication. This system had suffered from many drawbacks.

**Second Phase:** This phase continued from late 1960's till early 1970's, and the key hallmark of this phase was that whatever adverse remarks were incorporated in the performance reports were communicated to the employees so that they could take corrective actions for overcoming such deficiencies. In this process of appraising the performance, the reviewing officer used to enjoy a discretionary power of overruling the ratings given by the reporting officer. The employees usually used to get a formal written communication on their identified areas of improvements if the rating for any specific trait used to be below 33%.

**Third Phase:** In this phase the term ACR was replaced by performance appraisal. One of the key changes that were introduced in this stage was that the employees were permitted to describe their accomplishments in the confidential performance reports. The employees were allowed to describe their accomplishments in the self appraisal forms in the end of a year. Besides inclusion of the traits in the rating scale, several new components were considered by many organizations which

could measure the productivity and performance of an employee in quantifiable terms such as targets achieved, etc. Certain organizations also introduced a new section on training needs in the appraisal form. However, the confidentiality element was still being maintained and the entire process continued to be control oriented instead of being development oriented.

**Fourth Phase:** This phase started in mid 1970's and its origin was in India as great business tycoons like Larsen & Toubro, followed by State Bank of India and many others introduced appreciable reforms in this field.

In this phase, the appraisal process was more development driven, target based (performance based), participative and open instead of being treated as a confidential process. The system focused on performance planning, review and development of an employee by following a methodical approach.

In the entire process, the appraisee (employee) and the reporting officer mutually decided upon the key result areas in the beginning of a year and reviewed it after every six months. In the review period various issues such as factors affecting the performance, training needs of an employee, newer targets and also the ratings were discussed with the appraisee in a collaborative environment.

This phase was a welcoming change in the area of performance management and many organizations introduced a new HR department for taking care of the developmental issues of the organization.

**Fifth Phase:** This phase was characterized by maturity in approach of handling people's issues. It was more performance driven and emphasis was on development, planning and improvement. Utmost importance was given to culture building, team appraisals and quality circles were established for assessing the improvement in the overall employee productivity.

The performance management system is still evolving and in the near future one may expect a far more objective and a transparent system.

### **Overview of Performance Management System**

**effective performance management system includes the following components:**

1. **Performance Planning:** Performance planning is the first crucial component of any performance management process which forms the basis of performance appraisals. Performance planning is jointly done by the appraisee and also the reviewee in the

beginning of a performance session. During this period, the employees decide upon the targets and the key performance areas which can be performed over a year within the performance budget., which is finalized after a mutual agreement between the reporting officer and the employee.

2. **Performance Appraisal and Reviewing:** The appraisals are normally performed twice in a year in an organization in the form of mid reviews and annual reviews which is held in the end of the financial year. In this process, the appraisee first offers the self filled up ratings in the self appraisal form and also describes his/her achievements over a period of time in quantifiable terms. After the self appraisal, the final ratings are provided by the appraiser for the quantifiable and measurable achievements of the employee being appraised. The entire process of review seeks an active participation of both the employee and the appraiser for analyzing the causes of loopholes in the performance and how it can be overcome. This has been discussed in the performance feedback section.
3. **Feedback on the Performance followed by personal counseling and performance facilitation:** Feedback and counseling is given a lot of importance in the performance management process. This is the stage in which the employee acquires awareness from the appraiser about the areas of improvements and also information on whether the employee is contributing the expected levels of performance or not. The employee receives an open and a very transparent feedback and along with this the training and development needs of the employee is also identified. The appraiser adopts all the possible steps to ensure that the employee meets the expected outcomes for an organization through effective personal counseling and guidance, mentoring and representing the employee in training programmes which develop the competencies and improve the overall productivity.
4. **Rewarding good performance:** This is a very vital component as it will determine the work motivation of an employee. During this stage, an employee is publicly recognized for good performance and is rewarded. This stage is very sensitive for an employee as this may have a direct influence on the self esteem and achievement orientation. Any contributions duly recognized by an organization helps an employee in coping up with the failures successfully and satisfies the need for affection.
5. **Performance Improvement Plans:** In this stage, fresh set of goals are established for an employee and new deadline is provided for accomplishing those objectives. The employee is clearly communicated about the areas in which the employee is expected to improve and a stipulated deadline is also assigned within which the employee must show this improvement. This plan is jointly developed by the appraisee and the appraiser and is mutually approved.

6. **Potential Appraisal:** Potential appraisal forms a basis for both lateral and vertical movement of employees. By implementing competency mapping and various assessment techniques, potential appraisal is performed. Potential appraisal provides crucial inputs for succession planning and job rotation.

#### Objectives of Performance Management

According to Lockett (1992), performance management aims at developing individuals with the required commitment and competencies for working towards the shared meaningful objectives within an organizational framework.

Performance management frameworks are designed with the objective of improving both individual and organizational performance by identifying performance requirements, providing regular feedback and assisting the employees in their career development.

**Performance management aims at building a high performance culture for both the individuals and the teams so that they jointly take the responsibility of improving the business processes on a continuous basis and at the same time raise the competence bar by upgrading their own skills within a leadership framework.** Its focus is on enabling goal clarity for making people do the right things in the right time. It may be said that the main objective of a performance management system is to achieve the capacity of the employees to the full potential in favor of both the employee and the organization, by defining the expectations in terms of roles, responsibilities and accountabilities, required competencies and the expected behaviors.

The main goal of performance management is to ensure that the organization as a system and its subsystems work together in an integrated fashion for accomplishing optimum results or outcomes.

The major **objectives of performance management** are discussed below:

- To enable the employees towards achievement of superior standards of work performance.
- To help the employees in identifying the knowledge and skills required for performing the job efficiently as this would drive their focus towards performing the right task in the right way.
- Boosting the performance of the employees by encouraging employee empowerment, motivation and implementation of an effective reward mechanism.
- Promoting a two way system of communication between the supervisors and the employees for clarifying expectations about the roles and accountabilities, communicating the functional and organizational goals, providing a regular and a transparent feedback for improving employee performance and continuous coaching.

- Identifying the barriers to effective performance and resolving those barriers through constant monitoring, coaching and development interventions.
- Creating a basis for several administrative decisions strategic planning, succession planning, promotions and performance based payment.
- Promoting personal growth and advancement in the career of the employees by helping them in acquiring the desired knowledge and skills.

**Some of the key concerns of a performance management system in an organization are:**

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

The performance management approach has become an indispensable tool in the hands of the corporates as it ensures that the people uphold the corporate values and tread in the path of accomplishment of the ultimate corporate vision and mission. It is a forward looking process as it involves both the supervisor and also the employee in a process of joint planning and goal setting in the beginning of the year.

**Goal Setting Theory of Motivation**

In 1960's, Edwin Locke put forward the Goal-setting theory of motivation. This theory states that goal setting is essentially linked to task performance. It states that specific and challenging goals along with appropriate feedback contribute to higher and better task performance.



In simple words, goals indicate and give direction to an employee about what needs to be done and how much efforts are required to be put in.

The important features of goal-setting theory are as follows:

- ✓ The willingness to work towards attainment of goal is main source of job motivation. Clear, particular and difficult goals are greater motivating factors than easy, general and vague goals.
- ✓ Specific and clear goals lead to greater output and better performance. Unambiguous, measurable and clear goals accompanied by a deadline for completion avoids misunderstanding.
- ✓ Goals should be realistic and challenging. This gives an individual a feeling of pride and triumph when he attains them, and sets him up for attainment of next goal. The more challenging the goal, the greater is the reward generally and the more is the passion for achieving it.
- ✓ Better and appropriate feedback of results directs the employee behaviour and contributes to higher performance than absence of feedback. Feedback is a means of gaining reputation, making clarifications and regulating goal difficulties. It helps employees to work with more involvement and leads to greater job satisfaction.
- ✓ Employees' participation in goal is not always desirable.
- ✓ Participation of setting goal, however, makes goal more acceptable and leads to more involvement.
- ✓ Goal setting theory has certain eventualities such as:
  - a. Self-efficiency- Self-efficiency is the individual's self-confidence and faith that he has potential of performing the task. Higher the level of self-efficiency, greater will be the efforts put in by the individual when they face challenging tasks. While, lower the level of self-efficiency, less will be the efforts put in by the individual or he might even quit while meeting challenges.
  - b. Goal commitment- Goal setting theory assumes that the individual is committed to the goal and will not leave the goal. The goal commitment is dependent on the following factors:
    - i. Goals are made open, known and broadcasted.

- ii. Goals should be set-self by individual rather than designated.
- iii. Individual's set goals should be consistent with the organizational goals and vision.

### **Advantages of Goal Setting Theory**

- Goal setting theory is a technique used to raise incentives for employees to complete work quickly and effectively.
- Goal setting leads to better performance by increasing motivation and efforts, but also through increasing and improving the feedback quality.

### **Limitations of Goal Setting Theory**

- At times, the organizational goals are in conflict with the managerial goals. Goal conflict has a detrimental effect on the performance if it motivates incompatible action drift.
- Very difficult and complex goals stimulate riskier behaviour.
- If the employee lacks skills and competencies to perform actions essential for goal, then the goal-setting can fail and lead to undermining of performance.
- There is no evidence to prove that goal-setting improves job satisfaction.

### **Control Theory**

Control theory helps in sustaining the performance management system by defining forms of control between the organization and the systems within. According to control theory, actions of all systems should be in sync with the overall goals and objectives of an organization (Barrows & Neely, 2012).

- **Behaviour control**, employer monitor and evaluate the actions of the employees on a regular basis, as per the standards of the organization and then reward accordingly.
- **Output control**, the performance of an employee is controlled with rewards or sanctions after evaluating it on the basis of organizational standards.

- **Input control** system seeks to control the selection and training process of an employee. However, it is important to ensure the availability of required competencies in the employees as desired by the organization for growth and development (Krausert, 2009).

Control theory helps in performance management by evaluating the output of the system for its consistency with pre-defined sets of parameters. In case of any kind of deviation, it will be adjusted by the controller in the system. This model is popularly known as the Cybernetic model (Barrows & Neely, 2012).

### **Applications of control theory**

- In order to increase the performance of employees, managers must assign specific and challenging goals to employees that will upgrade their performance. However, organisations should avoid the ambiguous goals which do not have specific standards and direct feedback (Campion & Lord, 1982). On the other hand, regular supervision by the supervisors on the subordinates in the workplace can be analyzed with the control system.
- managers can use Control theory in management program “to facilitate the continuous flow of feedback between managers and employees in an organization to track and evaluate achievements as a team”.
- So organisations can apply Control theory in the areas where there is the evaluation of performances, team meetings and check-ins. organisations should ensure that employees have the freedom to handle the complexities and challenges they are facing.

### **Organisational Justice Theory**

Organizational justice theory is, broadly defined as, “the individual’s and the group’s perception of the fairness of treatment received from an organization and their behavioural reaction to such perceptions Traditionally, there are three broad categories of organizational justice theory:

- i. procedural,
- ii. distributive, and
- iii. interactional justice.

### **Procedural justice**

- procedural justice is defined as the procedures by which the outcomes such as pay and rewards are allocated to the employees.

- When an employee feels that the procedure by which he has received the outcome is accurate and unbiased then the procedures are considered to be fair.
- When employees perceive outcomes (e.g., pay and promotion) to be fairly distributed, they will be satisfied with their pay and positions.
- Perceived fairness of formal rules and procedures governing decisions, on the other hand, will improve employees' attitudes toward their organizations and supervisors.

#### **Distributive justice deals**

- Distributive justice deals with the fairness of outcomes such as rewards, promotions and compensation.
- Employees tend to compare their outcomes with that of others on the same post or work profile and that is that they measure the justice.

#### **Interactional justice**

- Interactional justice is a measure of how the employees relate to each other at the workplace.
- This is not just looking at the superior-subordinate relationship but also the interactive behaviour among co-workers at the workplace.
- Establishing standards of conduct are critical to ensuring a high level of respect is shown to employees and to ensure the organization is regarded as a fair and safe workplace.

#### **Social Cognitive Theory**

- Albert Bandura(1960s) Social cognitive theory posits that portions of an individual's knowledge acquisition can be directly related to "observing" others within the context of social interactions, experiences and outside media influences. Depending on whether people are rewarded or punished for their behavior and the outcome of the behavior, that behavior may be modeled.
- Theory considers the person's past experiences, whether behavioral action will occur.
- **Reciprocal Determinism:** This refers to the dynamic and reciprocal interaction of person (individual with a set of learned experiences), environment (external social context), and behavior (responses to stimuli to achieve goals).
- **Behavioral Capability:** This refers to a person's actual ability to perform a behavior through essential knowledge and skills. In order to successfully perform a behavior, a

person must know what to do and how to do it. People learn from the consequences of their behavior, which also affects the environment in which they live.

- **observational Learning:** This asserts that people can witness and observe a behavior conducted by others, and then reproduce those actions. This is often exhibited through "modeling" of behaviors. If individuals see successful demonstration of a behavior, they can also complete the behavior successfully.
- **Reinforcements** - This refers to the internal or external responses to a person's behavior that affect the likelihood of continuing or discontinuing the behavior. Reinforcements can be self-initiated or in the environment, and reinforcements can be positive or negative. This is the construct of SCT that most closely ties to the reciprocal relationship between behavior and environment.
- **Expectations:** This refers to the anticipated consequences of a person's behavior. People anticipate the consequences of their actions before engaging in the behavior, and these anticipated consequences can influence successful completion of the behavior. Expectations derive largely from previous experience. While expectancies also derive from previous experience, expectancies focus on the value that is placed on the outcome and are subjective to the individual.
- **Self-efficacy:** This refers to the level of a person's confidence in his or her ability to successfully perform a behavior. Self-efficacy is influenced by a person's specific capabilities and other individual factors.

### **UNIT II Process of Performance Management:**

Performance Management Process, Performance Management Planning Process, Mid-cycle Review Process, End-cycle Review Process, Performance Management Cycle at a Glance  
Performance Management Planning and Development: Introduction, Performance Management Planning, the Planning Process, Performance Agreement, Drawing up the Plan, Evaluating the Performance Planning Process.

Mechanics of Performance Management Planning and Documentation: The Need for Structure and Documentation, Manager's Responsibility in Performance Planning Mechanics and Documentation, Employee's Responsibility in Performance Planning Mechanics and Documentation, Mechanics of Performance Management Planning and Creation of PM Document

## **UNIT II**

### **Performance Management Process -**

Performance Management process is a systematic process of managing and monitoring the employee's performance against their key performance parameters or goals. It is regarded as a process for driving the individual and organizational performance management.

Preliminary, the process involved six steps which followed one after the. In short, it is termed as continuous process in organization.

#### **Stage 1: Pre- Requisites**

Then organization loose its objectivity . Therefore, it is necessitate defining the purpose Cleary for existing and new employees/ staff, departments in order to make integrate all teams to meet company's target. There are three primary stages where the company defines their long term and short term goals. The first stage is at the organization level, where the management describes the

holistic view and defines overall objective of formulation of the company, what are their long term vision, what are the values on which they stands for, and what is the mission the company is chasing. The second stage perquisites at department level, where the management assign targets to each department to achieve overall organization objective. At this stage, the management strategize the processes and allocate targets to each department.

The last stage is individual level, where the department further give targets to employees.

The above three stages are the foundation of performance management system of any organization. Basis on these three levels, the management design, strategize and develop the performance management system. It describes job descriptions, job specification, and job design at each level and delegate targets to perform in order to achieve organization objective.

### **Stage 2: Performance Planning**

There are three important attributes of performance planning:

- i. Results
- ii. Behaviours, &
- iii. Development Plan

**Results:** the yardstick of performance management is used to measure employees and department performance. It provides the information about the performance gaps and achievements. Hence, it evaluates how well the individual employee has performance against his assign targets

**Behaviour:** measuring the employees behaviours are one of the most challenging and difficult task basis on performance standards. The human behaviour can only be measured through observation and close monitoring by his supervisors or human resources department.

It is difficult to qualify the behaviour against his performance standards. There are lot of subjectivity involved in this category. However, there are lot of phycomateric tools which supports to define and indicate individual behaviour and attitude, but research has proven that they are only

indicators and not provide absolute answer and authenticate results. Hence, we can define the expected behaviour in employee's performance standards during the performance planning and its measurement but cannot quantify it with data.

**Development plan:** development plan is the third stage of performance planning. At this stage, we develop the plans to improve employees knowledge, skill and attitude (K, S, A). It allows employee to take his professional standards to next level which the support of development tools and plans

### **Stage 3: Performance Execution**

Performance execution is considered as most important stage because the whole exercise of creating performance management systems and building up standards would rely on it. The primary responsibility and ownership of performance execution is with employee, which is followed by department and then organization. Hence, it is considered as a chain or process, in which the performance of individual employees would result department performance.

Therefore, the role and responsibility of supervisor or manager also increases which comprises with following focus areas: Provide resources , tools and equipment's to employees to make out better results Provide regular feedback to subordinate about their performances and improvement areas Motivate team members through different channels and tools Integrate individual development plans with department's goal Remain focus on development activities to enhance individual knowledge and skills.

### **Stage 4: Performance Assessment**

Performance assessment is the next stage followed by performance execution. In this phase, the employee and manager both are responsible to measure and assess the performance of employee against his targets. The process should comprise to the extent of individual targets, behaviours or attitude and special achievements during the performance appraisal cycle.

### **Stage 5: Performance Review**



The performance review stage is a platform where the subordinate and superior exchange performance feedbacks and review performances against given targets or goals to individual. To make the performance review successful, the involvement and exchange of dialogue are equally essential between employee and his manager. Apart from performance review, they also discuss about the development plans, trainings to improve skills and knowledge, next year goals and targets and expectations of employee and manager both. Hence, this stage is considered the base of next year performance appraisal cycle as well.

### **Stage 6: Performance Renewal and Reconstructing**

The performance management process is an ongoing continuous process. Once the performance has been reviewed and end, then the cycle starts for the next performance appraisal. It should be again align with next year organization mission, goals and objective and integrated with departments goals. In fact, it is a process which starts all over again which needs to be discuss, design, develop, executed and review again. This is necessitate because the external environment of company like market, customers, competitors, suppliers etc. also revolved and all subsequent changes has to prerequisites for performance planning and setting with strategic objectives of organization.

### **Mid-cycle performance review**

- Review the progress and performance demonstrated to date.
- Create plans required for the remainder of the year.

### **Important aspects**

- What goals and objectives have been accomplished so far?
- How has performance related to goals and objectives measured up against the success criteria agreed upon at the start of the year?
- What challenges emerged that had an impact on performance or goal accomplishment?

- What goals and projects still need to be accomplished?
- What resources and support will be required to accomplish the goals that remain for the rest of the year?
- What new knowledge, skills and capabilities will be required?
- How can I be of assistance to ensure success?

### **The possible outcomes of the mid-cycle performance**

Managers will encounter two potential outcomes from the mid-cycle performance meeting: either the employee is on track to achieve their goals or the employee isn't on track. Here is a little more context into each scenario:

#### **1. The employee is on track.**

Just because an employee is progressing well, doesn't mean the conversation shouldn't happen. The conversation has other opportunities to benefit the entire organization.

Find out how the employee is doing. This is a perfect time to discuss with the employee how they're handling their workload - both in terms of making sure the employee isn't stressed out and overwhelmed but, also to see if they have some proven strategies that can help others. If several employees have the same goal and one employee has a better, faster, cheaper way of accomplishing it, why wait to find out?

Recognize the employee's progress. Let the employee know that they are doing a good job and give them the confidence to continue their hard work toward the goal. This can also be an opportunity to set a stretch goal for the employee.

## **2. The employee isn't on track.**

In this scenario, it's better to have this conversation early and give employees an opportunity to get back on track. Don't wait to learn that the goal wasn't met.

After discussing progress and challenges with the employee, it may make sense to modify the goal. If an employee isn't on track to accomplish their goals, it might not be their fault. It's possible organizational goals have changed or market conditions don't make the goal realistic. Instead of letting an employee wonder about their goals, have a conversation about how the work they've done to date can benefit the company.

If this is a situation where the employee has lost their way in accomplishing their goal, it's time to coach the employee and get them back on track. Managers should work with the employee to develop a detailed action plan that the employee can complete.

### **Preparing for the mid-cycle performance meeting**

Prior to scheduling a mid-cycle performance meeting, managers need to do some homework and prepare. First, talk with human resources about the best way to document this type of meeting. HR will be able to advise managers on how to use their performance management system to record this meeting so employees can benefit from the outcomes.

Next, managers need to start getting some sense of where employees currently are with their goals. Depending upon the type of goals that have been set, some of this might be observable. In other cases, it might involve a conversation with the employee (which is next.)

In scheduling the meeting, let employees know that to help them accomplish their goals, a mid-cycle meeting will be scheduled. It's great to do this weeks or months in advance, so employees don't accidentally view this a "micromanagement" move. If a manager has never done this before, let employees know it's new and that management will be looking for employee feedback to see if the process is valuable.

### **Getting the most value out of performance check-ins**

On the day of the meeting, remind employees this isn't their performance review. It's a meeting to make sure employees are successful with their goals. The purpose is to confirm goals, set stretch goals, modify goals, and possibly reallocate resources.

Managers that add this piece to their performance process should work with HR to evaluate the effectiveness of the meetings. Determine if the meetings are helping employees reach their goals. It's possible that organizations will see an increase in the number of stretch goals set and accomplished as a result. Employee feedback regarding the process can help to confirm timing - so the meetings are happening when they can benefit the most.

Proper goal management makes employees successful, which ultimately makes the company successful. Conducting a mid-cycle performance conversation keeps everyone focused to accomplish their goals.

### **End cycle**

The end-of-cycle evaluation meeting Conducting an end-of-cycle evaluation means more than completion a form. It involves dialogue between the manager and the staff member in an

environment of trust and openness. At the end of the performance cycle, the manager evaluates the extent to which the staff member has achieved his/her goals. This is also the stage where feedback from additional manager(s), if any, is taken into account by the manager. Where it is not possible to have a face-to-face meeting, a dedicated telephone/VTC conversation is sufficient. The End-of-Cycle Evaluation The following are the key pre-requisites for a productive meeting: • An open, trusting relationship between the manager and the staff member • A collaborative inquiry into the year's performance starting with the staff member's assessment • A problem identification and solving approach versus a judgmental approach

### **Overview of Performance management system**

Performance management is the systematic process by which an agency involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of agency mission and goals.

Employee performance management includes:

- planning work and setting expectations,
- continually monitoring performance,
- developing the capacity to perform,
- periodically rating performance in a summary fashion, and
- rewarding good performance.

The revisions made in 1995 to the Governmentwide performance appraisal and awards regulations support sound management principles. Great care was taken to ensure that the requirements those regulations establish would complement and not conflict with the kinds of activities and actions practiced in effective organizations as a matter of course.

Additional background information on performance management can be found in the following articles:

- Chronology of Employee Performance Management in the Federal Government
- Setting the Stage for Performance Management Today

### **Planning**

In an effective organization, work is planned out in advance. Planning means setting performance expectations and goals for groups and individuals to channel their efforts toward achieving organizational objectives. Getting employees involved in the planning process will help them understand the goals of the organization, what needs to be done, why it needs to be done, and how well it should be done.

The regulatory requirements for planning employees' performance include establishing the elements and standards of their performance appraisal plans. Performance elements and standards should be measurable, understandable, verifiable, equitable, and achievable. Through critical elements, employees are held accountable as individuals for work assignments or responsibilities. Employee performance plans should be flexible so that they can be adjusted for changing program objectives and work requirements. When used effectively, these plans can be beneficial working documents that are discussed often, and not merely paperwork that is filed in a drawer and seen only when ratings of record are required.

### **Monitoring**

In an effective organization, assignments and projects are monitored continually. Monitoring well means consistently measuring performance and providing ongoing feedback to employees and work groups on their progress toward reaching their goals.

Regulatory requirements for monitoring performance include conducting progress reviews with employees where their performance is compared against their elements and standards. Ongoing monitoring provides the opportunity to check how well employees are meeting predetermined standards and to make changes to unrealistic or problematic standards. And by monitoring continually, unacceptable performance can be identified at any time during the appraisal period

and assistance provided to address such performance rather than wait until the end of the period when summary rating levels are assigned

### **Developing**

In an effective organization, employee developmental needs are evaluated and addressed. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or other methods. Providing employees with training and developmental opportunities encourages good performance, strengthens job-related skills and competencies, and helps employees keep up with changes in the workplace, such as the introduction of new technology.

Carrying out the processes of performance management provides an excellent opportunity to identify developmental needs. During planning and monitoring of work, deficiencies in performance become evident and can be addressed. Areas for improving good performance also stand out, and action can be taken to help successful employees improve even further.

### **Rating**

From time to time, organizations find it useful to summarize employee performance. This can be helpful for looking at and comparing performance over time or among various employees. Organizations need to know who their best performers are.

Within the context of formal performance appraisal requirements, rating means evaluating employee or group performance against the elements and standards in an employee's performance plan and assigning a summary rating of record. The rating of record is assigned according to procedures included in the organization's appraisal program. It is based on work performed during an entire appraisal period. The rating of record has a bearing on various other personnel actions, such as granting within-grade pay increases and determining additional retention service credit in a reduction in force.

### **Note:**

Although group performance may have an impact on an employee's summary rating, a rating of record is assigned only to an individual, not to a group.

[BACK TO TOP](#)

### **Rewarding**

In an effective organization, rewards are used well. Rewarding means recognizing employees, individually and as members of groups, for their performance and acknowledging their contributions to the agency's mission. A basic principle of effective management is that all behavior is controlled by its consequences. Those consequences can and should be both formal and informal and both positive and negative.

Good performance is recognized without waiting for nominations for formal awards to be solicited. Recognition is an ongoing, natural part of day-to-day experience. A lot of the actions that reward good performance like saying "Thank you" don't require a specific regulatory authority. Nonetheless, awards regulations provide a broad range of forms that more formal rewards can take, such as cash, time off, and many nonmonetary items. The regulations also cover a variety of contributions that can be rewarded, from suggestions to group accomplishments.

### **Managing Performance Effectively**

In effective organizations, managers and employees have been practicing good performance management naturally all their lives, executing each key component process well. Goals are set and work is planned routinely. Progress toward those goals is measured and employees get feedback. High standards are set, but care is also taken to develop the skills needed to reach them. Formal and informal rewards are used to recognize the behavior and results that accomplish the mission. All five component processes working together and supporting each other achieve natural, effective performance management.

### **Linkage of Performance Management to Other HR Dimensions**



HR decisions establish standards for each job role to define its competencies. Then, performance management systems measure employee achievement relative those competencies. Managers use performance management systems to assess and reward the behavior of their employees. Additionally, a strategic human resource management function handles the recruiting, interviewing, hiring and development of all personnel required to ensure your company can achieve its goals. The relationship between performance management and strategic planning links day-to-day operations with your company's vision.

### **Setting Organizational Goals**

As part of the strategic planning process, an organization defines its goals and objectives. For example, a company may decide to focus on specific IT trends such as cloud computing, data security and global markets. As a result, strategic direction may dictate whether a company maintains research and development spending. This impacts the HR department's ability to attract and retain top talent.

### **Defining Personal Development Goals**

An individual establishes her personal goals by aligning her development activities to the organization's needs. For example, a strategic HR department can publish self-assessment tools that allow an employee to determine how she rates in terms of attributes. These attributes might include accountability, reliability, integrity and customer-centric behavior. Performance gaps may reveal a need to improve in one or more areas. Establishing a specific, measurable and attainable goal makes it easier for an employee to achieve her objective. Goals should also be realistic and time constrained. To complete the process, managers usually require employees to submit a development plan. Only after approval can the employee begin completion of her defined activities.

### **Managing Change**

Ensuring an organization's capability to provide critical services usually requires assessing the entire workforce against a defined competency model for each role. Work usually involves a

combination of technical and professional skills. For example, if a business needs to make a shift from doing business one way to transforming to using new processes and technology, skill in change management becomes a priority. Managers need to recognize, through performance management processes, individuals who can act as leaders and help others achieve strategic goals.

### **Providing Training**

Strategic HR management allows you to recognize the need to offer training and development opportunities that ensure personnel can respond to challenges both now and in the future. Workshops, seminars and self-paced podcasts, videos and job aids can help prepare employees to address problems in the workplace. By analyzing performance review results, HR administrators identify problem areas, such as communication, collaboration and business acumen. Then, they can offer learning and development options. Or, if all employees appear to lack technical knowledge about a new infrastructure, the success of the entire company may depend on addressing performance gaps. The HR department needs to rise to the challenge of developing, delivering and evaluating training that meets this learning need

### **Mechanics of Performance Management Planning and Documentation:**

#### **The Need for Structure and Documentation**

Performance management can be one of the most arduous parts of managing staff. Not to be taken lightly, there are legal requirements involved in the process to which all operators in the Education and Care sector must comply. But did you know that even if you follow the right processes, you might still be exposing your organisation to risk without keeping the right document flow and evidence?

Documentation provides evidence that performance issues were discussed with the employee in a timely and concise fashion.

Documentation offers a history of the employee's improvement or failure to improve performance over time. It is chronological and a precise description of the employee's actions, the manager's actions, and events as they occur.

Documentation provides evidence that supports management decisions to take unfavorable action such as discipline or termination with an employee.

Documentation offers proof that an employee deserves an available promotion or opportunity over other employees who are also eligible.

Documentation provides evidence to justify salary increases, decreases, or why an employee received no raise.

In the event of a lawsuit, complete and thorough documentation protects an employer's interests. The documentation can support management's actions in terminating an unsuccessful employee. It also can prove that the employee was terminated for reasons that are legal as opposed to others such as illegal discrimination.

#### What to Document

Managers need to document employee performance, both positive contributions and performance failures. They need to document exactly what the employee did and said and what the manager did and said in response during the meeting or conversation.

#### Process of documentation

##### 1. Follow a consistent format.

The payoff is that a well documented assessment makes it easy for you (and your employee) to review performance progress – or regress. It can help reduce your legal risk if an employee needs to be performance managed or perhaps dismissed.

To help guide you through how to document the performance reviews, here are some key components worth factoring in.

## **2. Record essential information**

This should come at the top of the document and include the basics such as the date, employee name, department, employment status, manager's name and performance period. Get this information right now, and you will only need to make minor amendments for the next review.

## **3. Have a performance goals rating system**

To determine the rating you wish to assign to each of your employee's performance goals, we suggest using a numerical system – for example:

1. being outstanding
2. exceeds targets
3. meets targets
4. needs improvement
5. unsatisfactory

Using this system means when you and the employee both give a separate rating it should be clear what your agreed rating will be. This also helps form the discussion points around Key Performance Indicators, and whether the employee is performing as expected.

## **4. Include job skills and personal attributes**

These objectives might include sections such as Accountability, Initiative, Attention to Detail and Teamwork. Your review document should include space for the employee to comment including examples that back up the rating they give themselves. There should also be a space for you (or the manager) to comment in addition to a section for explaining the final rationale for the agreed rating.

Remember to record your observations about your employee's job performance as objectively as possible, and tie your conclusions to hard data. By supporting your assessment with specific examples the employee can see exactly where they can improve. If the employee's work is substandard, you suspect they might need to be performance managed, or even dismissed being

able to provide documents that outline the steps you took to try and correct any performance issues will help reduce your legal risk if the matter ends up in court.

### **5. Include a position description review**

Before going any further, it's important to review your employee's existing position description to make sure it's still relevant. During the course of a year, or even six months, many aspects of your employee's role can change as your business grows or targets shift. Now's the time to make any updates necessary to ensure your employee's position description and key performance indicators reflect their current and ongoing role.

### **6. Have development objectives**

This is where you ask the employee to indicate what areas they would like to focus on during the coming months. In this section of the review document you can include questions such as: What new skills or behaviour would you like to work on in the coming year to support you in your role? Or: Are there any professional development opportunities you would like to undertake, relevant to your career goals?

### **7. Overall performance review rating**

Ask the employee to give an overall rating of their performance for the year. Then you do the same, and together you agree on the final rating. This is also where some forethought into the final message you would like to leave the employee with can be helpful. For example, *Performance Reviews* suggests writing down three things the employee did well during the year and two areas that most need improvement. Then, ask yourself: "What's the single most important take away I want the employee to remember?" Refine your message to one key idea as your overall impression of their performance.

### **8. Make sure you both Sign off!**

It seems obvious, but be sure both you and the employee sign and date the document to show you're in agreement about its contents. Technology now ensures companies can digitally document

when a document is read, updated, and signed off. In the past HR administrators would utilize paper files and perhaps a spreadsheet, but with the entire process can be documented online and stored for future reference

### **Manager's Responsibility in Performance Planning Mechanics**

#### **Role of Managers in Performance Management**

The success of performance management practices in any organization depend upon the commitment and involvement of the different stakeholders like top management, line managers, employees and the HR specialists.

#### **Role of Top Managers in Performance Management**

The top managers play a lead in the entire process by setting trends for the lower rung and acting as role models for the employees. Their responsibility is to design policies which ensure an efficient management of performance in an organization and to define and act upon the core values relating to performance. Top management plays a vital role in convincing the line managers that performance management can be instrumental in the achievement of business goals and thus ensure that they take this aspect seriously in their work front for maximizing employee satisfaction and productivity.

Top managers are expected to develop a high performance culture in an organization by ensuring the following:

- By communicating an organization's mission and values to its customers and employees.

- By clearly defining the work expectations and communicating to everyone for ensuring success in the achievement of business goals and facilitating an overall performance improvement.
- By keeping the employees informed about their progress towards the achievement of goals and suggesting corrective actions for non-achievement of performance.
- By establishing a shared belief amongst the employees regarding the importance of continuous improvement in performance.

A remarkable example is Infosys Technology Ltd., an international IT company and a world leader. The chairman Mr. Narayan Murthy was dedicated and committed towards an efficient management of performance of the employees for developing a vast talent pool in the organization. He considered his employees as the most powerful wealth responsible for driving the success and the future of his organization. He introduced the best reward systems in the industry for retaining the existing talent and the attracting the best from the industry. He encouraged an open communication and provided them with an opportunity to interact with the management and share ideas in meetings. He established a Leadership Institute in Mysore for grooming the future leaders for successfully tackling the challenges of the changing markets. Similarly, the management of United Parcel Service of America (UPS), selects only those people who fit into their organizational culture for efficiently managing their performance and projecting a positive image before the customers.

### **Role of Line Managers**

The line managers or the front-line management play a very crucial role in implementing and enacting the HR policies. Hence, it is very important for the management to ensure that the line managers possess a right attitude towards the performance management approaches and equally possess the right competencies for executing it. The line managers mostly consider the performance management process as a mere bureaucratic chore and hence they consider it as a

sheer waste of time. Some managers lack the required skills for reviewing the performance of the employees, providing feedback and identifying objectives along with them. These limitations can be overcome by adopting the following remedies:

- By providing leadership from the top.
- By communicating with the line managers about the importance of performance management in driving successful results and how it is a part of their responsibility.
- By maintaining simplicity in the overall process of performance management.
- By reducing the pressure from the line managers by making the process an ongoing one instead of an annual review.
- By involving the line managers in the design and development of the performance management processes by representing them in pilot studies.

### Employee's Responsibility in Performance Planning

#### Employee's Role in the Performance planning:

Planning:	<ul style="list-style-type: none"> <li>✓ Meet with your supervisor at the beginning of the performance management year. Discuss your job duties and how they fit into the University's goals for successful operation. Make suggestions on how to improve the description of the job duties.</li> <li>✓ Ask the supervisor questions until it is clear what is expected from you on all job duties and behaviors.</li> <li>✓ Tell your supervisor how you view the job duties and behaviors to avoid any misunderstandings about expectations.</li> <li>✓ Discuss customers' expectations, the supervisor's priorities, budget and any other pertinent matter that relates to meeting goals and expectations.</li> </ul>
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Coaching:	<ul style="list-style-type: none"><li>✓ Take responsibility for your own continuous performance improvement and development.</li><li>✓ Make Plans and follow through to meet the requirements of your job duties and behaviors.</li><li>✓ Periodically throughout the year, ask the supervisor for feedback on your performance. Consider the feedback you receive to be suggestions for improvement and development of new skills.</li><li>✓ Talk to your supervisor about your progress as well as any obstacles to improvement, so that the supervisor can help remove the barriers to good performance.</li><li>✓ Write down when you do well on job duties and behaviors so that you can make sure your supervisor knows about your accomplishments.</li><li>✓ Request a brief meeting with your supervisor, if needed, to ask for direction or a refresher discussion on job duties and behaviors.</li><li>✓ Occasionally re-read the job duties and behaviors that were discussed in the planning meeting at the beginning of the year.</li></ul>
Review	<ul style="list-style-type: none"><li>✓ Monitor your performance by asking others to tell you how you're doing and by keeping notes on your progress.</li><li>✓ Prepare for the review discussion by collecting your notes on your performance.</li><li>✓ Participate in the review meeting by showing your supervisor any notes you've made about your accomplishments and by suggesting things that might help you during the next performance management process year.</li></ul>

### Why it's Important to Document Performance management

1. **Protects the company:** Documenting the facts and the communication that you have had with the employee on their performance will help protect the company should the employee ever file a claim or sue the organization. For example, if the employee claims discrimination after a termination, you will have documentation that lays out the facts and shows that there were legitimate performance issues that were addressed with the employee.
2. **The right thing to do for the employee:** Communicating that an employee is not meeting expectations and documenting the conversations to show the seriousness of the issue is only fair to the employee. Tolerating bad performance until it becomes a distraction for the rest of the team and you want to fire the employee immediately is not fair to that individual. If the employee doesn't know there is a problem, he/she cannot address it. Showing that you communicated the issues with the employee will show you made a good faith effort to help the employee improve, which will help protect the company in the event of a law suit.
3. **Provides future managers with a record if you leave the organization:** If you leave the organization for any reason, documentation will prevent the new manager from having to start from scratch. If the new manager experiences the same performance issues, he/she will have a record of what discussions you had with the employee and will be one step closer to correcting the problem. Depending on why you left that position, your priority may not be helping the new manager and the old company, but regardless wouldn't you want the same courtesy if you were taking over a new team?

### Best Practices when Documenting Performance Issues

1. Describe the circumstances that made the action necessary

- *Include specific examples, dates, times, and impact to the team, company, and client*
2. Point out the specific Policy that has been violated
  - *Include the policy number and quote the policy, if appropriate*
3. Reiterate any previous performance issues that have been addressed
  - *Include the date of the previous discussion and the name of the person who communicated the issue with the employee*
4. Describe the expected standard of performance or desired behavioral change
  - *Be specific. Some items may seem intuitive, but your definition of “professional” may be very different than the employee’s definition of “professional”*
5. Designate intermediate evaluation sessions
6. Indicate support for the employee and willingness to assist
  - *Provide your contact information and offer to be available should the employee have questions or need guidance to make sure he/she meets those expectations*
7. Supervisor’s signature
8. Employee’s comments, if the employee chooses to do so
9. Employee’s signature
  - *The signature confirms that employee was aware of the concerns*
  - *If employee refuses to sign the document, a witness should sign and indicate the employee’s refusal to sign*

Thorough documentation will ensure the employee understands the problem and how to address it and provides the company with evidence that you gave the employee a real opportunity to correct the issue.

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