

Evaluating Performance Management Systems Roadmap for Effective Practices: A Review

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Abstract

As an economy continues to shift and businesses rely more and more on their intellectual capital, they realize that their employees are the key to their competitive advantage and performance. Performance management is how companies measure performance, develop employees and align their workforce around corporate goals. Because employees are also their biggest expense, organizations are learning that they have to manage employee performance aggressively in order to identify top performers and develop an optimally functioning workforce. Performance management is now receiving unprecedented attention in both the business and human resource communities.

Keywords: *Evaluation; Performance Management System; Roadmap; Effective Practice*

INTRODUCTION

Today's organizations seem to change much more rapidly than in the past. Consequently, many experts have strong reservations about the numerous measurements that must be taken in performance management. Policies and practices for managing people should be

clearly aligned with overall strategies for ensuring the business's quality, effectiveness, and efficiency. Comprehensive strategies for improving the management of people should recognize the linkages and interdependencies between different areas of Human Resource Management and

should be developed and promoted as a matter of priority if not already aligned or in place. This article discusses five key steps involved in developing effective performance systems in organizations.

These include (1) creating and working with a design team; (2) linking the system to key organizational objectives, characteristics and strategy; (3) determining the performance management cycle; (4) linking performance management and pay delivery; and (5) implementing the system and presents best practice-based, easy to understand, nuts-and-bolts approaches for developing and implementing performance management systems in organizations. The most important part of the performance management process is the ongoing communication around the measurements. Components or parts of an effective performance management system include:

1. Performance planning
2. Ongoing performance communication
3. Data gathering, observation and documentation
4. Performance appraisal meetings

This paper focuses primarily on the aspects of defining performance in the organization. This includes establishing the direction for the desired behaviours,

clarifying stakeholders' needs, setting challenging but attainable goals and objectives, establishing a metric system and developing a system for maintaining the desired performance with positive reinforcement.

Definition:

Performance management is a term borrowed from the management literature that has only recently been adopted in the health care field. 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 (Armstrong and Baron, 1998). Flowier (1995) defined performance management as: "the organization of work to achieve the best possible results". Milkovich, G. T., and J. M. Newman(1993) define performance management as: "an interlocking set of policies and practices which have as their focus the enhanced achievement of organizational objectives through a concentration on individual performance".

Maroney, B.P. and M.R. Buckley(1992) provides a more organizational definition of performance management: "an approach to creating a shared vision of the purpose and aims of the organization, helping each individual employee

understand and recognize their part in contributing to them, and is so doing manage and enhance the performance of both individuals and the organization”. When discussing organizations that have achieved maximum performance, organizational effectiveness is commonly referred to when discussing organizations that have achieved maximum performance. One of the best overviews of the concept of organizational effectiveness is provided by Rynes, S. L., B. Gerhart, and L. Parks (2005). Performance management in practice applies these elements as a complete system. Specifically, compensation can be linked to performance (Banker, Lee, and Potter 1996; Bonner and Sprinkle 2002), which leads to widespread and growing development of pay-for-performance components in performance management

systems (Hene man, Ledford, and Gresham, 2000).

Accelerate Performance and Profits:

In today's world, where information and technology change at a breakneck speed, it is an inevitable obligation for the "manpower", which is the basic element to keep pace with these changes. It is an absolute necessity to implement management approaches that are considered to survive in such an environment and that adopt continuous improvement and change. New management approaches are suitable to them. However, there is not a complete consensus of opinion about the fact that which management approaches must be used for this purpose; nevertheless, the researchers in the literature have agreed on this subject (Pfeffer, 1996).



Figure 1: Performance Management Strategy

Relevance to Management Theory:

Management theory and empirical research conclude that a strong pay-for-performance linkage increases motivation and performance (Rynes, Gerhart, and Parks, 2005). Money not only serves as a motivator because of its satisfying effect on economic needs but also serves to meet certain individualistic psychological needs (Gerhart and Rynes, 1993).

The motivational influence of money was observed in a study finding that pay level affects employee performance (Gardner, Van Dyne, and Pierce, 2004).

Measuring People Behaviour and Performance:

Peer reviews are an excellent way to obtain information about individual performance in relation to their team's objectives, the business unit, and the organization. Normally, employees are allowed to choose a group from their peers to complete the peer review forms. These forms are then given to a team leader, facilitator, or manager to interpret the data and provide valuable feedback to the employee. It is important that the teams and individuals be allowed to help formulate and conduct the review. (Borman, W. C., 1991).

Pay and Performance Relationship:

To secure a successful pay-for-performance initiative, adopting a focal performance review date and an increased emphasis on goal alignment may also be important components when considering the complete performance management system. Many companies have moved to a focal or single point review (SPR), where all employees are evaluated once a year at the same time (Join son, 2001).

Team and Performance Connectivity:

It is important for a team to have reached a relatively high level of maturity before attempting to introduce a peer review system into the environment (Tuckman and Jensen, 1997). Mature teams have a tendency to be more dedicated to enhancing team performance.

As the team matures, it develops a level of confidence, knowledge, and camaraderie that will benefit the review process (Ajith Kumar K R and Karunakaran N, 2021).

Instituting the peer review will add to this level of confidence by giving the team members the opportunity to evaluate their own performance, both within the unit and toward the goal of the whole organization.

Foundations for Performance Management:

Organizations should use a performance management system for three purposes: 1) for legal reasons, to document employee performance; 2) for internal planning and to support merit pay increases; and 3) to encourage a series of private one-on-one meetings between each subordinate and supervisor. The competition in the business world is fierce, not only competition for clients but also competition for talent. In order to gain and maintain the best possible team, businesses must invest in the training and development of their entire organization. Integrating training and performance management system is a highly efficient way for any organization to monitor progress and make strategic decisions regarding staff and resources.

Performance Management and Workplace Diversity:

While measuring the performance of the personnel, data received from different channels are used. In a study to learn what these channels might be, the performance evaluation systems are shown in table 1.

Lee Gardens Swartz and Anita Rowe (1998) claim that performance appraisals most likely come out of a distinct American culture, with an emphasis on logical and linear thinking and task accomplishment. Performance appraisals may be an impossible task; supervisors should be aware of their own cultural and historical backgrounds and how their biases may come into play during a performance appraisal.

Table 1: Performance Evaluation System

<ol style="list-style-type: none"> 1. Performance and Potential Evaluation by the reporting officers 2. Peers' Evaluation 3. Subordinates' Evaluation 4. Self Evaluation 5. Unit Performance Evaluation 6. Courses and Training 7. Foreign Language Knowledge 	<ol style="list-style-type: none"> 8. Education Level 9. Physical Fitness Evaluation 10. Appraisal-Award-Punishment 11. Career Summary 12. Personality Traits 13. Occupational Knowledge 14. Comparative Assessment
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A Typical Performance Evaluation System:

While forming an evaluation system, the criteria selected should meet seven qualifications (Vassallo, 2004): Validity: Criteria should be appropriate for the project and aligned with the objectives and goals. Directness: Criteria should be stated as clearly as possible. Objectivity: Criteria should be measurable. Adequacy: Criteria should sufficiently measure the outcome.

Quantitativeness: Criteria should be quantitative whenever possible. **Practicality:** Criteria should be obtainable cost-efficiently, and **Reliability:** Criteria should be designed to enable replicable results.

Effective Performance Management: Expected Outcomes:

Organizations that successfully implement performance management solutions will manage. The need to align management with strategic direction and the inability of lagging indicators such as financial metrics to understand organizational performance has been understood and embraced for more than a decade (Chinnappa, T B, Karunakaran N and Ajith Kumar K R, 2021). However, in 1990.s most organizations were not ready for performance management. CRM and ERP provided a detailed analysis of past performance and operational data but did not necessarily tie into strategic direction.



Fig 2 Sample Competency Model for Human Resource Manager

High-Performance Management and Organizational Performance:

Performance management concepts are also being applied to nongovernmental organizations and others interested in establishing a culture of continuous improvement. It consists of: performance planning, monitoring employee performance, employee development, evaluating employee performance, and recognition.

SMART principles to be followed:

Greguras, G. J., et. al (2003) suggests improved performance might result from

improvements in one or more of four aspects: 1. Organizational stability, 2. Financial stability, 3. Program quality (products and services) and 4. Organizational growth.

A SMART goal is a performance planning statement that describes and quantifies an outcome for which the employee is responsible. The resulting goal should answer these questions for the employee: All performance characteristics should pass the SMART Test (table 3)

Table 2: Managing Performance Cycle [MPC]

Management by objectives	Performance Development and Review
Agree on objectives	Observe behaviour
Set criteria	Describe incidents typical of the person
Make plans	Analyze data
Execute plans	Discuss problems and goals
Measure results	Make plans
Review results	Review progress
Begin new cycle	Begin new cycle
Performance Results Evaluation	
Make salary and placement decisions	

Table 3: SMART Principles

Specific	What am I specifically responsible for?
Measurable	What standard will be used to measure my success?
Attainable	Do I have the necessary resources and skills?
Results-Focused	What is the objective or end-result desired?
Time-Limited	What is my deadline?

The steps in performance-based management are:

- Identify the people to be served and problems and needs to be addressed.
- Identify the community or organizational outcomes to be achieved.
- Identify the program level outputs that can be directly related to the community.
- Define the program activities likely to produce each desired program outcome.
- Acquire, allocate and manage resources to accomplish critical agency activities.
- Monitor key agency, client and organizational performance indicators.
- Evaluate client outcomes and measure program impact on those outcomes.

Strategic Role of Human Resources:

The HR best practice link to performance management suggests that there must be strong alignment between individual employee activity, departmental objectives and strategic corporate goals, and we see

strategic goal management quickly becoming a key element associated with an organization's performance management effort.

Companies are recognizing the need to align the employee's day-to-day activities with desired strategic outcomes but need practical tools to help, develop, monitor and measure their success around goals (Chinnappa T B, and Karunakaran N,2021).

The utilization of employee performance data is becoming a major component of an organization's strategic business planning. The requirements (figure 3) are critical for deploying a successful performance management solution.

Major Pitfalls of Measurement Systems:

- Organizations make the most common mistake measuring too many variables (Mark Graham Brown, 1994).
- A conceptual framework is needed for the performance measurement and management system.
- Effective internal and external communications are the keys to successful performance measurement.

- Accountability for results must be clearly assigned and well-understood.
- Performance measurement systems must provide intelligent information for decision-makers, not just compile data.
- Compensation rewards and recognition should be linked to performance measurements.
- Performance measurement systems should be positive, not punitive.
- Results and progress toward program commitments should be openly shared with employees, customers, and take holders.

Key elements for effective performance management:

Effective employee and organizational performance should not be focused solely on pay.

Other factors that drive performance, in some cases more than pay, include the strong public service motivation of most government employees, good management and leadership, the importance of the work, the opportunity to have a responsibility and to make good use of one's skills and ability, the prospects for personal growth and career development, the support of superiors and co-workers, and the nature of the work environment. All of these elements need and deserve sustained attention.

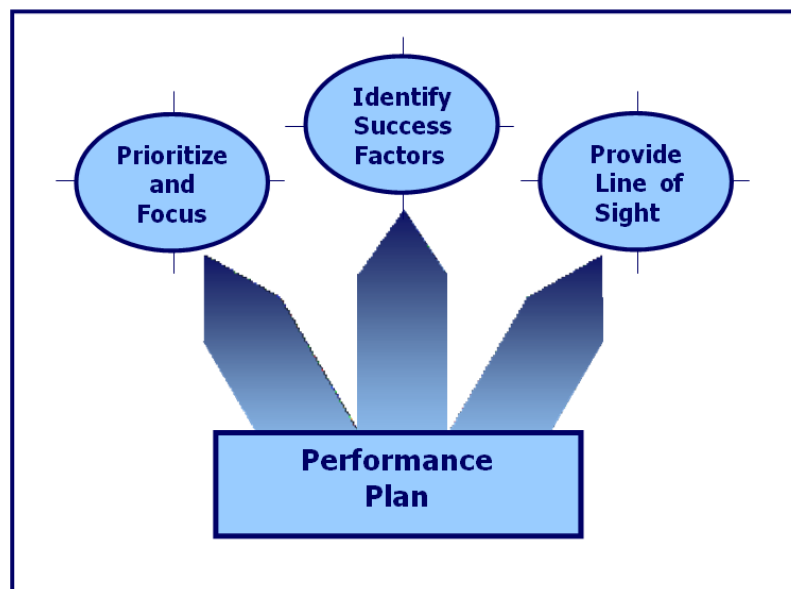


Figure 3: Successful performance management solution

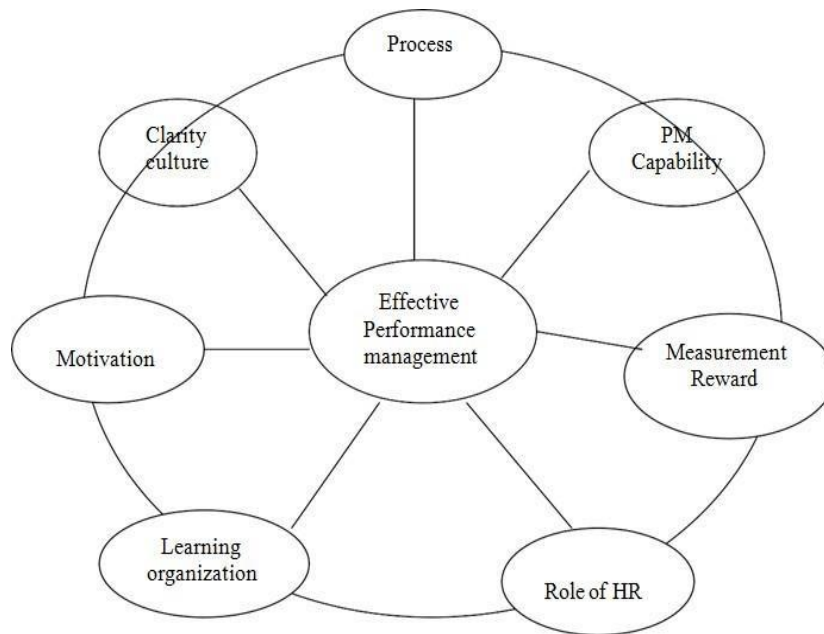


Figure 4: Elements for effective performance management

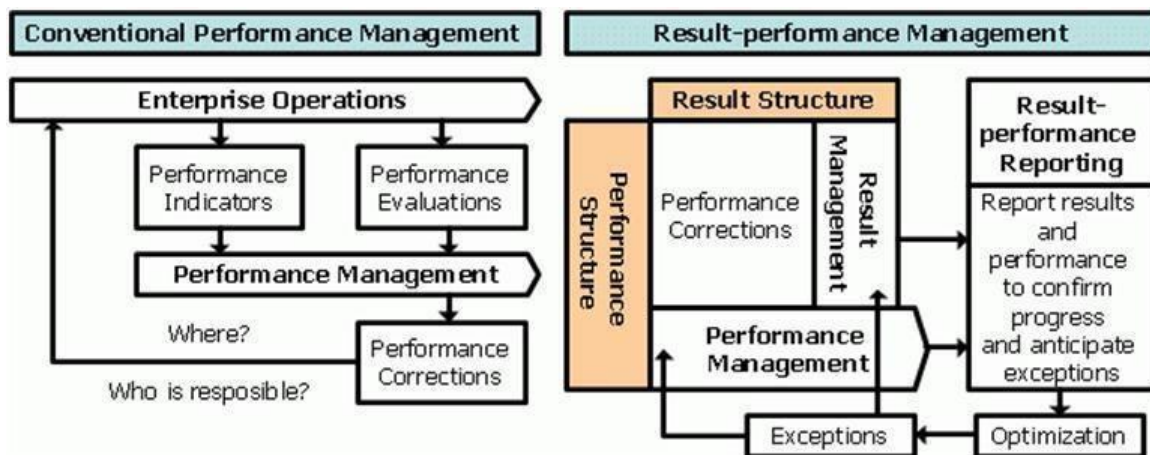


Figure 5: Conventional and Result performance management

CONCLUSION

Performance management is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, behaviour and contributions. It is about sharing expectations.

Managers can clarify what they expect individuals and teams to do; likewise, individuals and teams can communicate their expectations of managing and what they need to do their jobs. It follows that performance management is about interrelationships and about improving the quality of relationships between managers

and individuals, between managers and teams, between members of teams and so on, and is, therefore, a joint process. It is also about planning, defining expectations expressed as objectives and in business plans and measurement.

For enterprises aspiring to motivate and align the activities of the organization with a defined set of goals, the performance management paradigm provides a useful framework. It allows for identifying, articulating, measuring, and monitoring the behaviours that lead to success. Technology solutions for implementing performance management initiatives can immeasurably assist in this process by providing broad and rapid deployment, consistent and accurate information, and sophisticated analytics that provides greater value to users and the organization.

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