Designing the Performance Management Systmes - A Conceptual Discussion

*Prof (Dr) R C Sharma

Since in the absence of effective performance management systems (pfmss) no organization can progress, it is essential to design the pfmss of the organization properly and then put it into practice appropriately. Though it is difficult to present a model design of pfmss that can be applied uniformly in every organization but still a framework of the design can be prepared which can be modified a little bit here and there and then adopted. In the present paper, an attempt has been made in the direction of preparing a broad framework of the design of pfmss.

The design of pfmss should spell out and take care of all the broad subsystems that good pfmss should consist of. Such subsystems may include: performance and development planning (which should lay emphasis on role profile, objective setting, performance measures and assessment, performance planning, development planning, and performance agreement), process of tracking performance management (it may take care of amending objectives and work plans, and ensuring continuous learning), reviewing performance, provision for appropriate evaluation of employee performance, performance improvement, performance management administration, and strategies, interventions and drivers. In case, the design of pfmss takes due care of the aforesaid sub-systems, the organization is likely to perform well assuming that other things remain the same.

Introduction

In today's volatile and highly competitive environment, an organisation is likely to perform well and secure a place for itself in the industry only if, besides other requirements, its Performance Management Systems (pfmss) are well designed and effectively implemented. It is because pfmss, in general, serve the strategic, administrative, informational, developmental, maintenance and documentation purposes.

However, pfmss can serve the above purposes only if they have strategic congruence, thoroughness, practicality, meaningfulness, specificity, identification of effective and ineffective performance, reliability, validity, acceptability and fairness, inclusiveness, openness, correctibillity, standardization, ethicality and so on. Pfmss also need to be integrated with human resource and developmental activities. It is, therefore, essential that pfmss are well designed, properly developed and effectively implemented.

Objective

The main objective of the present paper is to identify the broad sub- systems and their ingridients which should form the basic framework of the design of performance management system.

Literature Review

Armstrong, M. and Baron, A. (2006) have viewed performance management as a strategic and integrated approach to achieve success. Kandula, S.R. (2006) has laid emphasis on strategies and interventions of performance management. Armstrong, M.E. (2007) has pointed out key strategies and practical guidelines to put performance management in proper place. Beer, M. and Ruh, R.A. (1976) emphasised on employee growth through performance management. Armstrong, M and Murlis, H. (1998) discussed the role of reward management in performance management. Fletcher, C. (1993) pointed out that appraisals are routes to improved performance. Grint, K. (1993) pointed out as to what is wrong with performance appraisals and put forth certain suggestions. Kesseler, I. and Purcell, J. (1993) studied performance related pay. Winstanley, D. and Stuart-Smithm K. (1996) studied the relevance of ethics in performance management. Rowe, K.H. (1964) recommended an appraisal of appraisals. However, no specific study worth its name appears to have been conducted on the design of Performance Management Systems. Hence the present study.

*Amity University, Haryana, Amity Education Valley, Manesar 122413 (Gurgaon)

Methodology

The present paper is a sort of conceptual discussion on the designing of performance management system. The relevant information has been collected from secondary sources like journals, books, periodicals, magazines, research studies etc. The information so collected was thoroughly screened, analysed and compiled, and then conclusions were drawn.

Designing the PFMSS

It is indeed difficult to present a model design of pfmss that will serve the purpose of every organisation. Hence pfmss have to be tailored suiting to the size, culture, complexities, technology, and quality of managerial personnel of an organization. As such, in this proper only an attempt has been made to workout a pfmss design that is just indicative, suggestive and may be a sort of guide. It will not be rigid but a little bit flexible which may absorb deviations here and there.

Broadly speaking, system is a set of sequential dynamic subsystems. Though the various sub-systems of a system are autonomous but, all the same, they are interdependent and interrelated and make the functioning of the total system a success. Obviously, these sub systems should remain fit as also maintain proper balance, failing which the total system may not be effective to the desired extent or may even fail to deliver the goods. Performance Management Systems should also, therefore, have such features.

A good design of pfmss should identify and spell out the broad sub-systems that the pfmss should consist of. Such broad sub-systems and brief outlines of their design may be as follows:

I. Performance and Development Planning

Before carrying out Performance and Development Planning, it should be ensured that there is a willing and sincere commitment on the part of the top management towards introducing performance management systems in the organisations. Besides, the availability of the necessary skills and competencies required for introducing performance management systems successfully should also be ensured. There should also be created an environment in the organisation that is conducive to the introduction of performance management systems. It may require a firm resolve and necessary motivation on the part of all concerned so as to make willing cooperation forthcoming.

The design of performance and development planning should have a provision that performance and development planning is carried out jointly by the manager and the individuals and resulting into an agreement between the two parties. The design under reference should specify clearly the following:

Role profile

It should spell out (i) key result areas, (ii) technical competencies i.e. what people need to know and be able to do, (iii) behavioural competencies like will to achieve, effective communication, leadership, business awareness, planning, problem solving, team spirit, customer focus, flexibility, developing others, flexibility and the like, and (iv) core values like concern for quality, innovation, care for people, customer satisfaction, concern for environment, recognition of the personality of others, impartiality, equal opportunity for all, honesty, and so on.

Objective setting

Objectives are what the role holder is expected to achieve. Objectives are required in every area where performance and results directly and vitally affect the survival and success of an organisation. In this regard, work objectives, work standards, MBO approach, targets, tasks, behavioral expectations, values learning objectives, performance improvement objectives, etc., have to be specified. Care is also to be taken to ensure that there is integration or alignment of individual, team and organisational objectives. While setting objectives we should compare the objectives with the objective-setting checklist.

Performance measures and assessment

The process of performance management begins by defining expectations in terms of targets, standards and competence requirements. Encouraging people to take charge of their own performance which is what performance management is all about, cannot take place unless people can measure, assess and monitor progress towards their goals. Therefore, measurement is a vital concept as it enables providing and generating feedback and indicates

where things are going well and where not so well and thus helping in taking corrective action. While 'outputs' can be measured, 'outcomes' which are the obvious result of effort cannot necessarily be measured as usually outcomes are expressed in qualitative terms as a standard.

While designing, we should also devise positive and negative indicators for competency. Creating criteria for performance measure is also an integral part of designing of performance measure. Some of the main performance measures may include: productivity, quality, learning targets, competence, accomplishment of objectives, business and financial awareness, customer care, etc.

Performance planning

Though performance planning is forward looking but a critical examination of performance rendered in the immediate past may provide guidance for improvement. Hence while designing performance and development planning, adequate attention has to be paid to performance planning because it is through this that agreement is obtained on what has to be done to accomplish objectives, raise standards and improve performance. Performance plan is basically a work plan.

Development planning

This broadly refers to the preparation and agreement of a personal development plan. This may include many things like formal training, self-managed learning, mentoring, coaching, job environment, job enlargement, and the like. The development plan should record the action agreed to improve performance and to develop skills, knowledge and capabilities. This plan should contribute towards continuous development.

Performance agreement

Designing should have ample space for agreement among all concerned. Therefore, performance agreement should clearly spell out role requirement, goals and objectives, performance measures/standards, competence, organisational core values, a performance plan, a personal development plan, and process details.

II. Process of Tracking Performance Management

While designing performance management systems there should be provision for managing performance continuously throughout the stipulated period. Annual performance evaluation is necessary but it is often forgotten. Executives proceed to manage without any reference to the outcome of performance evaluation or performance review. Hence in order to improve performance there should be provision in the design of performance management systems for the continuous management of performance all through the year. There should be provision for managers and employees to meet at regular intervals and learn from successes, failures, problems and challenges. They should be ready and keen to continuously develop their skills and capabilities and look forward to achieving sustained improvements in their performance. Design should, therefore, have provision for regular dialogue, briefing, group or team meetings and one-to-one meetings between the managers and employees. There should also be provision for interim review meetings along the lines of main review meetings. The aforesaid exercises may require:

Amending objectives and work plans

When an action plan is put into practice, not everything moves in the desired fashion and, therefore, the objectives and work plans need to be updated according to the changed circumstances. This can be achieved only if we identify what an employee has accomplished, what have been the shortfalls in accomplishing objectives and meeting established standards, and where the shoe is pinching so that the desired steps may be undertaken to effect necessary change in the behaviour of individuals, managers, teams, groups and take other measures to improve performance.

Ensuring continuous learning

In order to improve performance continuously, it is necessary that we should learn from our successes, failures, challenges, problems, experiences, etc. It is, therefore, advisable to have provision for such learning in the design of performance management systems. Managers, individuals, teams and groups should get frequent opportunities to deliberate on the lessons they can get from their day-to-day experiences and how best they can put this

experience in future use. Thus the day to day progress should be analysed and at periodical 'milestone' meetings it should be identified as to what has been achieved and what has not been achieved that should have been achieved. Keeping in view the above, necessary behavioural and other required changes should be effected in the agreed manner. Joint discussion and mutual agreement are the keys in this regard. Provisions in the design for regular analysis, discussions, reviews and agreements for learning can play an important role in improving performance management systems.

III. Reviewing Performance

Despite the fact that performance management is an on-going process, it is desirable to have a formal review once or twice every year so that the five primary performances management elements, viz., agreement, measurement, feedback, positive reinforcement, and dialogue, may be put to good use. Hence, in the design of pfmss, there should be provision for performance review meetings so that performance can be improved in future and the problems in meeting performance standards and accomplishing objectives may be taken care of.

The design of pfmss should clearly spell out performance review issues (like 'on whom should performance reviews focus', 'on what should they focus', 'what criteria to be used to review performance', 'how such review meetings should be handled', etc.) to be examined. Performance reviews should aim at planning, motivation, communication, learning and development, etc. The design should include the schedule of conducting performance reviews. The 12 golden rules for conducting performance review meetings should also be the constituents of the design of pfmss. These rules state that: 'be prepared', 'work to a clear structure', 'create the right atmosphere', 'provide the good feedback', 'use time productively', 'use praise', 'let individuals do most of talking', 'invite self-assessment', 'discuss performance, not personality', 'encourage analysis of performance', 'don't deliver unexpected criticisms, and 'agree measurable objectives and a plan of action'. The design of pfmss should also have provision for providing feedback. Feedback in performance management is positive in the sense that it aims at pointing out the way to further development and improvement, not simply letting the people where they have gone wrong. Feedback must report on both successes as well as failures and should be based on facts.

IV. Provision for Appropriate Evaluation of Employee

Performance
Assessment is an essential and inevitable performance management activity but at the same time it is one of the most difficult ones to get right. Hence evaluation of performance of employees enjoys a special place in the designing of performance management systems. We cannot workout a development plan for an employee until and unless we know about his past performance because it is his past performance that indicates his strengths and weaknesses. However, performance appraisal is one area where it is really difficult to judge accurately, objectively and with precision. That is why different managers will assess the same person very differently. Beside other things, 'halo' or 'horns' effect can apply when the appraiser is aware of some prominent or recent example of good or poor performance and assumes from this that all aspects of the individual's performance are good or bad. Not only this, poor perception i.e. not noticing things or events for what they actually are, also affects assessment. Then, relying on partial data and taking note of only those things that the appraiser wants to see, i.e. selectivity, may also affect the quality of assessment. Again, poor interpretation i.e. implying that the appraiser may put his own, possibly biased, slant on information, may also affect assessment. The notion of performance is a vague one. Usually both the mangers and the employees are not sure what good performance looks like. It is not only the output or work behaviour but both that should be taken into account while one's performance is evaluated. Therefore, in the design of performance management systems there should be adequate provision for both. Standards should be laid down and appraisers should be thoroughly trained in various methods of performance assessment and other relevant aspects.

Methods of performance assessments
The design of performance management system

should clearly spell out as to which method or group of methods of assessment will be made use of by the appraiser. Some of the main methods of performance appraisal, which can be included in the design of performance management systems, according to their suitability to the organisation, are: (A) Casual Approach, (B) Traditional and Highly Systematic Appraisal which may include: Straight Ranking Method, Man to Man Comparison Method, Paired Comparison Technique, Graphic Rating Scale Method, Grading Method, Forced Choice Description Method, Check List Method, Critical Incident Method, Descriptive Evaluation, Point System, Field Review Method, and (C) Modern Methods which may comprise : 360- Degree Method, Mutual Goal Setting Method (MBO), Behaviorally Anchored Ratting Scales (BARS), Assessment Centres, Human Resource Accounting, and Self-evaluation (Complementary to Evaluation by Superiors), etc. Any one or a group of two or more methods can be picked up for use depending on their suitability to the organization.

V. Performance Improvement

The design of pfmss should be such as may help in improving performance. It is common to blame others, especially the junior employees, for poor performance, though poor performance may not always necessarily be because of the fault of employees. Poor management and ineffective leadership etc. may also be responsible for it. The problems may be at several levels. The overall strategy for action to deal with problems may include: 'select the goal', 'specify the minimum expectations of results', 'communicate expectations clearly', 'allocate responsibility', and 'expand and extend the process'. For improving performance management at the organizational level, there should be specific mention in the design about the mission statement, value statement, critical issue factors (like product development, process innovation, customers service, asset utilization, etc.), strategies, objectives, organizational performance measures, balance scorecards, plan, action, measurement and review. Similarly, for improving team performance, there should be provision for setting objectives, work plans, team performance review, etc. With regard to improving individual performance also, the design should spell out the provisions for

increasing opportunity for using and developing skills of employees.

Not only this, there should also be provision in the design for the steps to be taken to manage underperformers well. Such steps may include: identifying and agreeing on the problem, establishing the reasons for the deficiency, deciding and organizing on the action required, resourcing the action, and monitoring and providing feedback.

VI. Performance Management Administration

While designing performance management administration, it should be kept in view that oppressive control only prejudices managers against the process. They should not feel that the process has been thrust upon them. Filling of the form is essential but it should not be overemphasized. Therefore, it is necessary that before designing the performance management forms, the organization should be very clear about the purpose of such forms. These should serve as the working documents and be continuously used as reference documents on objectives and plans: when reviewing progress. While designing performance management forms it should be ensured that they should be kept as simple and brief as possible. However, now-a-days, the use of web-based software makes it easy for both managers and employees to record role profiles and performance agreements (including performance improvement and personal development plans and objectives), monitor progress against the plans, access online performance documents and gather multi-source comments.

VII. Strategies - Interventions and Drivers

There should also be scope in the design for including various strategies to improve performance management. Each strategy should be designed with the help of formidable interventions and each intervention makes an attempt to make it possible to realise the objectives of performance management. For example, there can be numerous strategies like: Reward-based, Career-based, Team-based, Culture -based, Measurement -based, Competency-based, and Leadership-based. Then each strategy is implemented with the support of interventions. For example, the objectives of Competency-based

performance management can be achieved with the help of two Interventions - (i) Nurturing reward-based performance management, which can be realized with the help of a number of Drivers like setting objectives of reward system, tracking past and present reward system, determining and applying reward methodology, determining reward components, determining components in monetary reward, designing reward system, consulting and communicating on reward -based performance management strategy, implementing of reward -based performance management, and refining and re-informing of reward system, and (ii) Capitalizing on reward strategy in instutionalisation of performance management. This second intervention has its objective of capitalizing on matured reward strategy to institutionalize practice of performance management in an organisation. This intervention may also consist of ten Drives used for making this intervention effective. Such drives may be : reward for performance management institutionalization, reward as follow up of performance excellence, reward as centre of institutionalization, integrating reward system with measurement management, integrating reward system with competency management, matching reward with culture strategy, leadership as ultimate form of reward, career as form of reward, reward as a source of employee involvement, and using process centric reward for performance management institutionalization.

In this way, we can design the interventions of each strategy followed by identifying drivers with the help of whom each driver can be made effective. Not only this, the design should also include the various steps involved in the implementation of each driver. Of course, all this exercise involves a lot of thinking out of the box and sincere efforts.

However, the fact remains that the successful and effective performance management would be possible only when it is designed perfectly taking into account the various aspects mentioned above.

Besides the above, there are many other things that should be taken care of while designing the pfmss. First, the design of pfmss should be such as may encourage and provide opportunities for learning by and development of the employees as also improvement of performance. Secondly, the design of pfmss should have provision for recognizing the performance of the employees through non-financial rewards. There should be proper linkage between performance and pay. Both should have proper reconciliation. Thirdly, design of pfmss should clearly define the role of Top Managers, Line Managers, Employees, HR Department, etc.

Conclusion

As stated earlier also, there cannot be a uniform design of pfmss which may be a fit for every organization. However, if the points discussed above are taken care of in designing the pfmss, it may serve the purpose to a great extent. Once the broad framework of the design of pfmss is worked out, it may not be difficult to incorporate the required changes from time to time according to the requirement of the organisation.

References

1. Armstrong, M (2007), *Performance Management: Key strategies and Practical Guidelines*, Kogan Page India Ltd., N. Delhi

2. Armstrong, M and Banin, (2006), *Performance Management: A Strategic and Integrated Approach to Achieve Success*, Jaico Publishing House, Delhi

3. Armstrong, M and Baron, A (1998), *Performance Management: The New Realities*, Institute of Personnel and Development, London

4. Armstrong, M and Murlis, H (1994), *Reward Management*, Kogan Page, London

5. Chadha P (2007), *Performance Management*, Macmillan India Ltd., Delhi

6. Chowdhury, PR and Basu J (2000), "Best practices in employee performance appraisal", *Business Today*, 22 June-06 July, p 129

7. Deming W E (1986), *Out of the Crisis*, MIT Centre for Advanced Engineering Studies, Cambridge, MA

8. Handy C (1989), *The Age of Unreason*, Business Books, London

9. J M Subramanya (1999), "Dissecting Excellence", *The Financial Times*, New Delhi, 5

10. Jeffrey Pfeffer (1999), "The real Keys to High Performance", *Business Today*, New Delhi, 22 December, p 158

11. Kandula SR (2006), *Performance Management : Strategies Interventions Drivers*, Prentic-Hall of India Private Ltd., New Delhi

12. Kaplan R S and Norton D P (1992), "The balanced scorecard - measures that drive performance", *Harvard Business Review*, January-February, pp 71-79

13. Lockett J (1992), *Effective Performance Management*, Kogan

Page, London

14. Martocchio, Joseph J (1998), *Strategic Compensation,* New Jersey, Prentice Hall Inc

15. McNally, Kathleen (1992), "Compensation as a Strategic Tool," *HR Magazine*, 37 (7), pp 59-66

16. P Chadha (1980), "Objectively in Employee Performance Appraisals- An Issue in Authority Distribution", in N.C. Joshi & VG. Kesary, *Readings in Management*, Wheeler Publishing, Allahabad, p 530

17. P. Ward, "A 360- degree turn for the better", *People Management*, February 1995, quoted in Michael Armstrong, *A Handbook of Human Resource Development Practice*, Kogan Page, London, 1999, p 465

18. Patricia King (1989), *Performance Planning and Appraisal*, McGraw-Hill Book Company, New York, p 42

19. Purcell, J et al (2003), *Understanding the People and Performance Link: Unlocking the black box*, CIPD, London

20. Reynolds J (2004), *Helping People Learn*, CIPD , London

21. Roopa Pai (1997), "Telling It Like It Is…Nicely", *Business Today*, 22 June- 6 July, p 144

22. Schaffer, R H (1991), "Demand better results and get them", *Harvard Business Review*, March-April, pp 142-49

23. Sharma DC, & Sharma RC (1988-89), *Personnel Management and Industrial Relations*, S J Publications, Meerut

24. Sharma R C (2003), *Human Resource Management*, Galgotia Publishing Company, New Delhi

25. Sharma R C (2009), *Managing Human Resources*, ASoDL, Noida

26. Sharma R C, & Sharma DC (1989-90), *Business Management*, S J Publications, Meerut

27. Udai Pareek (1997), *Training Instruments for Human Resource Development*, Tata McGraw-Hill Publishing Company Limited, New Delhi, pp 288-292

28. Walters M (1995), *The Performance Management Handbook*, Institute of Personnel and Development, London