

MBA
SEMESTER - 3
MBA03EH307

Performance Management



Message for the Students

Dr. Babasaheb Ambedkar Open (University is the only state Open University, established by the Government of Gujarat by the Act No. 14 of 1994 passed by the Gujarat State Legislature; in the memory of the creator of Indian Constitution and Bharat Ratna Dr. Babasaheb Ambedkar. We Stand at the seventh position in terms of establishment of the Open Universities in the country. The University provides as many as 54 courses including various Certificate, Diploma, UG, PG as well as Doctoral to strengthen Higher Education across the state.



On the occasion of the birth anniversary of Babasaheb Ambedkar, the Gujarat government secured a quiet place with the latest convenience for University, and created a building with all the modern amenities named 'Jyotirmay' Parisar. The Board of Management of the University has greatly contributed to the making of the University and will continue to this by all the means.

Education is the perceived capital investment. Education can contribute more to improving the quality of the people. Here I remember the educational philosophy laid down by Shri Swami Vivekananda:

“We want the education by which the character is formed, strength of mind is Increased, the intellect is expand and by which one can stand on one’s own feet”.

In order to provide students with qualitative, skill and life oriented education at their threshold. Dr. Babaasaheb Ambedkar Open University is dedicated to this very manifestation of education. The university is incessantly working to provide higher education to the wider mass across the state of Gujarat and prepare them to face day to day challenges and lead their lives with all the capacity for the upliftment of the society in general and the nation in particular.

The university following the core motto ‘स्वाध्यायः परमम् तपः’ does believe in offering enriched curriculum to the student. The university has come up with lucid material for the better understanding of the students in their concerned subject. With this, the university has widened scope for those students who

are not able to continue with their education in regular/conventional mode. In every subject a dedicated term for Self Learning Material comprising of Programme advisory committee members, content writers and content and language reviewers has been formed to cater the needs of the students.

Matching with the pace of the digital world, the university has its own digital platform Omkar-e to provide education through ICT. Very soon, the University going to offer new online Certificate and Diploma programme on various subjects like Yoga, Naturopathy, and Indian Classical Dance etc. would be available as elective also.

With all these efforts, Dr. Babasaheb Ambedkar Open University is in the process of being core centre of Knowledge and Education and we invite you to join hands to this pious *Yajna* and bring the dreams of Dr. Babasaheb Ambedkar of Harmonious Society come true.



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**MBA
SEMESTER-3 HR
PERFORMANCE MANAGEMENT
BLOCK: 1**

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1.1 Introduction

In view of that, many progressive organizations have started giving importance to the people factor.

Before we understand what is Performance Management we must clearly understand three important terms which are very essential:

- **Performance:** Achievement of the goals against the target set
- **Competency:** Knowledge, skills & attitude required to perform the role effectively
- **Potential:** Capacity of individual to handle the responsibilities based on his ability and current competency level.

Performance Management includes the performance appraisal process which in turn helps identifying the training needs and provides a direction for career and succession planning. Faced with a host of new workplace trends — more virtual teams, frequently changing Bosses, stiff competition and the growing problem of talent retention — companies are tweaking appraisal processes to keep pace. Today organizations are looking for performance management systems that combine the kind of legal protection and pay-for-performance linkage supported by the traditional process with current best practices focused on developing employee performance, improving employee retention, and increasing organizational effectiveness.

According to Armstrong and Baron, Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals. The term performance management gained its popularity in early 1980's when total quality management programs received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an ongoing communication process which is carried between the supervisors and the employees throughout the year.

Evaluation of employees periodically is very important to find out their efficiency. From the organizational point of view, performance appraisal is very important to

improve the quality of work force. Some employees who lag behind in certain keys of performance appraisal should be assisted to analyze and improve their performance level.

The field of performance management can comprise two separate types of management. One aspect of performance management is review of performance of a company as a whole, and also evaluates the effectiveness of the managers and heads of companies in reaching goals. In another sense, performance management may be a system of evaluating employees to help them reach reasonable goals and thus ensure that the company performs better.

Performance management of individual employees includes planning work, setting goals, offering feedback and reviews, offering opportunities to learn more in one's field, and rewarding employees who perform well.

1.2 What Is Performance Management?

1. Performance management is a tool that helps managers monitor and evaluate employees' work. The goal of performance management is to create an environment where people can perform to the best of their abilities and in alignment with the organization's overall goals. Performance management is widely used in both the private and public sectors.
2. Performance management is a set of processes and systems aimed at developing employees, so they perform their job to the best of their ability. The goal is to help employees build on skills that enable them to perform better in their roles, reach their potential, and boost their success while also accomplishing the strategic goals of the organization.
3. **According to Michael Armstrong and Angela Baron** – 'Performance management is a process which contributes to the effective management of individual and teams in order to achieve high levels of organisational performance.'
4. **Armstrong and Baron (1998) define performance management as** a “systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.”

1.3 What Is Performance appraisal?

1. **Dale Yoder**, “Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees.”
2. **Dale S. Beach**, “Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development”.
3. Performance management is a comprehensive process that organizations use to ensure that employees are working at their best and contributing to the

achievement of the organization's goals. There are various types and components of performance management, including:

4. **Performance Appraisals:** This is a common and traditional type of performance management that involves periodic evaluations of an employee's performance. It typically includes setting goals, reviewing progress, and providing feedback

1.4 Types of Performance Management

1. **360-Degree Feedback:** This approach gathers input from various sources, including supervisors, peers, subordinates, and self-assessment, to provide a more comprehensive view of an employee's performance. 360 degree feedback, also known as multi-rater feedback, is a system in which anonymous feedback is gathered about a member of staff from various people they have working relationships with.

This is usually their managers, peers, direct reports, subordinates - hence the name "360 degree". It's designed so a range of people can share their opinion to provide a well-rounded view on the individual.

It's used mostly as a development tool because it provides information about a subject's work competencies, behaviour and working relationships. It's also mainly used for individuals higher up in the organisation's hierarchy.

The 360 feedback system process

Administering the survey:

Around 6-10 respondents complete an anonymous online feedback form.

Respondents are arranged into groups depending on the relationship with the subject, such as, manager, peers etc. If it's appropriate, feedback can also be gathered from external sources, such as clients or customers.

The surveys are competency based and the questions typically consist of: rating management competencies, such as, leadership and communication skills and open ended questions, for example, "What does X do well as a leader?"

Questions should always be regarding observable behaviour as this will be easier to quantify.

The subject of the feedback also completes the same questionnaire.

The whole process should be supervised by a manager, coach or a trainer - often external to the organisation.

360 degree feedback strengths

If a 360 feedback system is implemented well, it can have a number of benefits for the individual, their team and the organisation:

- **Valuable development tool:** The 360 feedback system shows the subject the differences between how they see themselves and how others see them. This increases their self-awareness which means that the subject is more conscious of their personality, strengths, weakness, beliefs, motivations etc. With this information they can adjust their behaviour and identify their training needs. Consequently, the subject can become more effective in their role and for the role they may be aiming for.

- **Multiple sources:** A variety of people have contributed to the feedback, so the information is thought to be more valid and objective than feedback from, for example, just one manager. Also, the feedback is more likely to be accepted if multiple individuals "agreed" on the answers.
- **Motivation:** Knowing multiple individuals gave the same feedback provides the subject with the drive to develop.
- **Company competencies:** The company's fundamental competencies will be reinforced, not only for the subject, but also for the respondents. During the survey the respondents will be answering questions which remind them of what behaviours and values are important to the company.
- **Customer service:** Customer service can improve if customers and clients have completed the survey.
- **Method over outcomes:** The 360 feedback system assesses the method rather than the outcome. It's more important to do something the right way even if it doesn't produce the correct outcome - nothing is ever certain so by focusing on the method you give yourself the best chances of producing the preferred outcome. For example, a tight deadline is coming up, but a manager tells his staff that they can only work a maximum of one hour overtime a day and no work is allowed on the weekends. The manager has made this decision because he believes that stress and over-working can increase the chances of mistakes being made and of producing poorer outcomes.
- **Large teams or autonomous workers:** This type of feedback is significant in organisations where the subject works independently or with several teams because their manager will be unable to observe everything.
- **Safe environment:** Answers are safely given as the system is confidential. A lot of the feedback would be too uncomfortable for colleagues to share and it would probably never be given if the system was not anonymous.
- **Improves Communication:** Communication increases between the team because the subject understands how others perceive them which in turn assists with teamwork.
- **Addresses personality and behaviour:** It helps subjects understand how their behaviour affects themselves, their department and the organisation. This is also useful for reducing conflict.
- **Career development:** The organisation benefits by this feedback improving career development planning and execution of this. This also promotes the organisation's assurance of employee development which aids recruitment and staff retention

2. **Key Performance Indicators (KPIs):** KPIs are specific, measurable metrics that are used to evaluate individual and organizational performance. They are often used in conjunction with performance appraisals.

A KPI is short for a key performance indicator, a measurable and quantifiable metric used to track progress towards a specific goal or objective. KPIs help organizations identify strengths and weaknesses, make data-driven decisions, and optimize performance.

KPIs provide teams with targets to aim for, milestones to gauge progress, and insights to help guide decision-making throughout an organization. By monitoring KPIs, organizations can identify areas of strength and weakness, make data-driven decisions, and take actions to optimize performance.

Types of KPI

1. Sales KPIs

Sales KPIs are used to track the performance of your sales. They can include metrics such as revenue, customer acquisition cost, average purchase value, retention/churn rates, and more.

2. Marketing KPIs

As implied, Marketing KPIs focus more on assessing the effectiveness of your marketing campaigns. They can include metrics such as website visitors, conversion rate, social media engagement, and more. Insights gathered from Marketing KPIs are usually paired with those gathered from sales.

3. Financial KPIs

Financial KPIs focus on financial metrics such as revenue growth, profitability, return on investment (ROI), and cash flow. They provide insights into the financial well-being and stability of your organization.

4. Operational KPIs

Operational KPIs measure the efficiency of your operations and operational processes. They can include metrics related to production output, quality control, and inventory management.

5. Customer KPIs

Customer-centric KPIs focus on measuring your success in meeting your customer's needs, expectations, and preferences. Some examples of customer performance indicators include customer retention rate, average customer lifetime value, and customer satisfaction index.

- 3. Continuous Feedback:** This approach encourages ongoing communication and feedback bet Continuous Feedback is defined as a mechanism or a process where an employee receives ongoing employee feedback and is guided in a systematic manner by openly discussing the strengths and weaknesses of the employee.

Human capital is an asset to any organization, and this asset should be taken care of. Thus, organizations need a mechanism where the employees are made aware of what they are doing well and the scope of improvement to be able to perform their tasks well. ween employees and their supervisors, rather than relying on periodic evaluations.

The motive of feedback is it should be continuous. Therefore, it is essential for organizations to make continuous feedback a regular practice. Feedback is a cyclic process and not a linear process. The cycle makes sure that the content is absorbed, implemented, and repeated.

This process is not only restricted to the corporate world but is also highly appreciated in the field of sports. Athletes are open to the continuous feedback system, and why not?

Each time they are on the field, it is a new challenge for them, but they remember their previous challenges and the winning tactics they applied. Thus continuous feedback in sports is quite evident.

Continuous feedback model and system

The continuous feedback model is also known as the Deming wheel, as renowned management consultant Dr. Edwards Deming developed it in the 1950s. The model is based on four attributes:

1. Plan:

You need to identify and understand where the problem lies even before you plan to give feedback to the employees. Your feedback must be based on facts and statistics and not on your memory of the past experiences you might have had with the employee(s). You must first explore information, define your feedback, generate ideas to deliver the feedback, and then implement the feedback culture.

2. Do:

Once you have identified the strengths and weaknesses of the employees, it's time first to check the system with a small-scale pilot project before you implement the system in the entire organization. This will allow you to assess whether your proposed changes have achieved the desired outcome with minimum disruption.

3. Check:

You analyze the pilot project's results at this stage against your defined expectations. If the employee expectations are in tandem with reality, then it's time to implement the plan. Move to the final phase of implementation only when you are completely satisfied with the results.

4. Act:

This is the stage where you implement the process. Remember, this is a continuous process, a loop, and not a linear process with a beginning and an end. This means your improved process now becomes a stepping stone to keep improving the process for your employees at equal intervals.

4. Management by Objectives (MBO): MBO involves setting specific objectives and goals for employees that are aligned with the organization's objectives. Progress is monitored and reviewed regularly.

MBO defines top company goals and uses them to determine employees' objectives. MBO processes identify an employee's main objectives, which are later graded with group input.

This helps all company contributors see their accomplishments in connection to the company's top priorities as they carry out their tasks. It reinforces alignment between activity and outcome, which dramatically increases productivity.

Though MBO aims to help define and manage a set of objectives, the objectives themselves will be a little bit different for every company. It allows companies to express their individuality and top priorities and, most importantly, to execute on them.

• The pros and cons of MBO.

The management by objectives technique has several key strengths, including:

1. **Teamwork** – As MBO drives each member of staff towards business-focused objectives, it can lead to improved communication and teamwork.
2. **Clarity** – MBO sets out straightforward business goals and gives each member of staff a clear set of tasks to help meet them.

3. **Empowerment** – Equipped with clear objectives related to the wider business strategy, staff at all levels of the organization feel involved, empowered and indispensable.
4. **Efficiency** – With staff goals geared towards business success, managers know all staff are facing the same direction.
5. **Customization** – Managers tailor each set of objectives to individual staff members — based on their specializations, skills, qualifications and career goals.

Disadvantages too:

1. **High-pressure** – With a measurable, business-aligned set of goals, staff can feel under pressure.
2. **Impersonal** – Though goals can be tailored to individual staff skills, they might omit personal and career development considerations.
3. **Lack of context** – MBO approaches don't account for factors like motivation, resources and buy-in. It also doesn't reflect existing work culture, conditions or ethos.
4. **Over focused** – Focusing exclusively on business goals can detract from other important elements of your operations.
5. **Self-Assessment:** Employees evaluate their own performance and provide insights into their strengths, weaknesses, and areas for improvement.

Self-assessments are a great way to analyze your work performance and any areas for growth. You can customize self-assessments to include the criteria that best fit your life and professional career. If you're planning for the future or developing new aspirations, reflecting on your strengths, weaknesses, values and accomplishments can help you determine what goals to work toward next.

Importance of self-assessments

A self-assessment is a process through which you can learn more about yourself and measure your growth. You can perform self-assessments according to a variety of criteria, including development, skills and relationships. These are some reasons why self-assessments are important:

- Better understand how well you're performing in your role
- Grow intrinsic motivation for development
- Know your strengths and weaknesses
- Create reasonable and ambitious goals
- Develop strategies for enhancing your skills
- Gain recognition for improvement

6. Peer Review:

Employees have a tendency to form cliques or relationships in the workplace. They may feel uncomfortable saying anything negative about co-workers they consider friends. They may also fear that the reviews may be biased in favor of the most popular employees rather than the most competent. Furthermore, they may worry that their own reviews could be tainted by a co-worker who holds a grudge. As stress levels in the workplace are already high, the idea of peer reviews may increase feelings of job pressure and demoralize employees.

Best Practices for Peer Reviews in the Workplace

Handled correctly, peer reviews can provide management with valuable insights into employees' skills, morale, personality, and productivity. These tips can help you manage your peer reviews to achieve the best outcomes:

- The reviewer must be guaranteed complete anonymity. This can relieve concerns over retaliation for a negative comment and give them the confidence to offer honest appraisals.
- Reviewers should have a working knowledge of the reviewee's job duties and the skills needed to perform the job. For example, it might be difficult for an outside sales representative to evaluate a cost accountant or for a newly hired receptionist to provide a useful review of a marketing executive.
- In a small organization, the need for knowledge of the reviewee's job may need to be secondary to the need for anonymity. In a department with only two employees, for example, it would not be difficult for each employee to determine the source of the peer review if you limit input to just the department. You will need to solicit reviews from employees whose working relationship is not as close. You could, however, ask these employees to answer different questions about the reviewee, perhaps having the other person in the department evaluate technical competency with the other reviewers evaluating the reviewee's "people skills."
- Do not tie peer reviews to merit increases or other rewards, and make sure that you communicate this to employees. If employees feel that their raises depend on what their coworkers say about them, they might spend more time cultivating relationships than handling their duties.
- Create forms for the reviews that are relevant to the department or position. Positions such as receptionist, sales agent, or customer service representative, for example, may require a greater range of "soft" skills than positions such as database administrator, quality control supervisor, or network engineer. Allow blank spaces on each form for the reviewers to add topics that they feel are relevant but which you may have overlooked.
- Communicate your expectations clearly. Make sure that reviewers know precisely what they are to do. Emphasize that you need honest reviews that are fair and unbiased. Encourage them to take their time and think about the questions before answering them.

9. 180-Degree Feedback: This is a variation of 360-degree feedback that typically involves feedback from supervisors and peers.

10. Behavioral Observation Scales: These are systematic rating scales that measure observable behaviors and competencies that are important for the job.

11. Rating Scales: Employees are evaluated using predefined rating scales based on their job responsibilities and competencies.

12. Goal Setting: Performance management often includes the process of setting specific, measurable, achievable, relevant, and time-bound (SMART) goals for employees to work toward.

13. Performance Improvement Plans (PIPs): When an employee's performance falls below acceptable levels, a performance improvement plan outlines steps to address the issues and improve performance.

14. Competency Assessments: Employees are assessed based on specific competencies or skills required for their roles.

15. Balanced Scorecard: This approach measures performance from multiple perspectives, including financial, customer, internal process, and learning and growth.

16. Forced Ranking or Ranking and Yanking: Employees are ranked against each other, and the lowest-performing employees may face consequences such as termination.

17. Succession Planning: Performance management may be linked to identifying and developing high-potential employees for future leadership roles.

18. Talent Development and Training: Assessing performance can lead to identifying areas where additional training and development are needed.

19. Career Development Discussions: Performance management discussions can include conversations about an employee's career goals and how their performance aligns with those aspirations.

20. Subordinates Appraising manager (SAM)

This upward appraisal component of the 360-degree feedback is a delicate and significant step. Reportees tend to have the most unique perspective from a managerial point of view. However, reluctance or fear of retribution can skew appraisal results.

21. Customer or client reviews

The client component of this phase can include either internal customers such as users of product within the organization or external customers who are not a part of the company but interact with this specific employee on a regular basis.

Customer reviews can evaluate the output of an employee better, however, these external users often do not see the impact of processes or policies on an employee's output.

22. Assessment Centre Method

The concept of assessment centre was introduced way back in 1930 by the German Army but it has been polished and tailored to fit today's environment. The assessment centre method enables employees to get a clear picture of how others observe them and the impact it has on their performance. The main advantage of this method is that it will not only assess the existing performance of an individual but also predict future job performance.

During the assessment, employees are asked to take part in social-simulation exercises like in-basket exercises, informal discussions, fact-finding exercises, decision-making problems, role-play, and other exercises that ensure success in a role. The major drawback of this approach is that it is a time and cost intensive process that is difficult to manage.

Advantages of the assessment centre method:

- Enhance a participant's knowledge, boost his/her thought process, and improve employee efficiency

- Can be tailored to fit different roles, competencies, and business needs
- Offer an insight of the employee's personality (ethics, tolerance, problem-solving skill, introversion/extroversion, adaptability, etc.)

These various types of performance management processes and tools can be used individually or in combination, depending on the organization's goals and the nature of the work being performed. The key is to align performance management with the organization's objectives and create a system that motivates employees to excel and improve over time.

1.5 Performance Management System

A performance management system is a structured and comprehensive approach that organizations use to manage, evaluate, and improve the performance of their employees and teams. It involves a set of processes, tools, and methodologies to ensure that individuals and groups are working effectively to achieve the organization's goals. A performance management system typically includes the following components:

- 1. Goal Setting:** Defining clear and specific performance objectives and goals that are aligned with the organization's mission and strategic objectives. These goals can be individual, team, or departmental.
- 2. Performance Measurement:** Establishing key performance indicators (KPIs) and metrics to assess progress and results. These metrics are used to evaluate how well employees are meeting their goals.
- 3. Feedback and Evaluation:** Providing regular and constructive feedback to employees about their performance. This may involve formal performance appraisals, ongoing discussions, or 360-degree feedback.
- 4. Development and Training:** Identifying areas where employees may need additional training, development, or support to improve their performance.
- 5. Recognition and Rewards:** Recognizing and rewarding high-performing employees through bonuses, promotions, or other forms of recognition, while also addressing poor performance through appropriate actions, such as improvement plans.
- 6. Coaching and Mentoring:** Offering coaching and mentoring to help employees enhance their skills and address performance issues.
- 7. Performance Improvement Plans (PIPs):** When an employee's performance falls below acceptable levels, a structured plan is created to outline the steps needed to address the issues and improve performance.
- 8. Documentation:** Maintaining records of performance-related discussions, evaluations, and actions taken for legal and organizational purposes.
- 9. Communication and Transparency:** Ensuring that employees understand the performance management process and have clear expectations regarding their roles and responsibilities.
- 10. Link to Compensation:** Some performance management systems tie compensation and rewards directly to performance, depending on an employee's achievement of set goals and objectives.

11. Succession Planning: Identifying high-potential employees and preparing them for future leadership roles.

12. Feedback from Multiple Sources: Gathering input from supervisors, peers, subordinates, and self-assessments to provide a more comprehensive view of an employee's performance.

13. Continuous Improvement: Regularly reviewing and improving the performance management system itself to make it more effective and relevant to the organization's needs.

A well-designed and effectively implemented performance management system can help organizations drive employee engagement, align individual efforts with organizational objectives, and foster a culture of continuous improvement. It is essential for improving productivity, employee development, and overall organizational success.

1.6 Objectives and Importance of PMS Can be Included

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.

Importance of Performance Management

1. It Provides a Look into the Future

By consistently monitoring and managing workplace performance, leaders can see potential future problems. Like with any type of issue, early detection is key. The earlier problems are confronted the less effect that they will likely have.

For instance, if the company notices that a certain employee is not a team player, they can either move that employee to a position that does not require teamwork, provide training to that employee revolving around teamwork, or let that employee go before it

becomes a problem. By acting before the potential problem becomes an actual problem, the organization can prevent unnecessary trouble.

2. Helps Create Development and Training Strategies

As mentioned above, the earlier a problem is detected, the better. One of these problems could be that employees do not know how to perform certain processes correctly. If this continues, the organization might fall apart due to oversight. However, with performance management, this would probably be detected. The organization could then create training programs to change the issue into an opportunity for improvement.

3. Provides Clarity in the Organization

It is a common problem that many employees are unsure of what exactly their role entails, what is expected of them, and who they are to report to. Through performance management, the company can make all of this very clear. A lack of understanding often leads to a lack of productivity. Therefore, by providing clarity for employees, the result will often be increased productivity and confidence.

4. Provides the Opportunity for Exchanging Feedback

A lack of communication in a relationship is grounds for trouble, and this includes working relationships. Quite often, management speaks to employees about their performance, but employees do not very often get a chance to voice concerns or frustrations. Effective performance management provides an avenue through which both the employer and the employee exchange feedback. In addition to gaining insight, employees often feel much more valued when they can voice their thoughts.

5. Performance management also encourages organizations to reward and recognize their employees. Lack of recognition is a big reason some employees leave a job and look for another. They want to be appreciated for their hard work. In addition to the clarity, the ability to share feedback, and the additional training when needed, rewards and recognition can play an important role in employee retention.

6. Boosts Employee Engagement

Performance management, when it truly involves employees, will boost employee engagement. When there is a disconnect between management and employees, it is almost as though employees are just going through the motions of the day. Their position becomes merely a job as opposed to a rewarding career. However, performance management has the capability of engaging employees fully and making them feel invested in the company. This leads to job satisfaction and employee loyalty, all of which increase productivity.

It is imperative that you and the other leaders in your organization acknowledge the importance of performance management. By avoiding it, you are setting yourself up for disaster. Meet with your human resources department and other leaders to put a performance management plan in place. You might consider asking employees for feedback on what they feel should be addressed. Though it may take some time to put together, investing your resources into developing an effective performance management strategy will be well worth the effort.

7. It encourages employee recognition and reward

Most businesses tend to neglect the importance of recognizing and rewarding their employees. Doing that can be greatly disastrous to your organization. According to a

survey carried out by American Express, a third of top businesses believe that recognition and reward lead to higher staff retention, with half also attributing better motivation to giving incentives.

Effective recognition and reward systems can only work in organizations where there is a visible and accurate process of discussions and performance feedback. With continuous performance management, the management can identify efforts and activities worthy of encouragement and reward. Consequently, this drives a development mindset among members of your team.

Managers can use a continuous performance system to identify employees that go above and beyond for the company. It makes it easier for them to track progress in terms of personal development and business goals and execute informed decisions concerning additional incentives, like bonuses or pay-rises. Good reward systems are highly important for staff satisfaction and happiness.

Below are a few essential statistics you may want to consider:

- Companies that implement meaningful reward systems enjoy as much as a 50% increase in their employee engagement.
- 68% of employees will put in more effort if they're aware that their input is appreciated and valued.
- 84% of workers working in organizations with great recognition and reward systems say they are satisfied with their position.

1.7 Difference between Appraisal and Performance Management

Performance Management	Performance Appraisal
Performance management is about actually helping an employee to develop and increase his performance and productivity.	Performance appraisal evaluates the actual performance of the employee, but it does not focus on the employee's performance productivity.
Performance management looks at an employee's performance keeping in mind the present and the future.	Performance appraisal evaluates the employee's performance based on how he has performed in the immediate past
Performance management proactively manages an employee's performance and ensures that the employee has accomplished all the goals, vision, mission and the core values of the organization.	Performance appraisal only looks at the employee's performance objectively for the year and gives a final feedback to the employee.
Performance management has a holistic approach that evaluates the relationship between the employee and the organization and examines ways in which employee engagement can be fostered.	Performance appraisal is individualistic in nature and pertains to the employee and his past performance.
Performance management is strategic in the sense that it is constantly measuring an employee's performance and formulating new strategies for the	A performance appraisal system is operational because it follows certain protocol for performance, and it focuses only on the result of the employee's

employee's development.	performance.
Performance management is very dynamic because it involves a lot of dialog between the employee and the senior managers. There is more room for discussion in performance management.	Performance appraisals are very linear in terms of the communication because it has a very top down approach towards employee performance. There is a discussion that takes place only after the performance appraisal process.
Performance management is future oriented keeping in mind the strategies required for maintaining the employee performance for the next year. Performance management finds ways to improve employee performance.	Performance appraisal is very retrospective in the sense that it looks back on past events and situations. It looks at an employee's performance over a period. Performance appraisal is very past oriented.
Performance management is flexible in terms of keeping in mind the growth of the organization. Compensation and salary revisions are a part of PMS, but performance management comes up with developmental plans for more improvement	Performance appraisal is usually rigid because it is only confined to an employee's past performance. It has little to do with his growth.

❖ Keywords

1. **Performance management:** Performance management is a tool that helps managers monitor and evaluate employees' work. The goal of performance management is to create an environment where people can perform to the best of their abilities and in alignment with the organization's overall goals. Performance management is widely used in both the private and public sectors.
2. **Balanced Scorecard:** This approach measures performance from multiple perspectives, including financial, customer, internal process, and learning and growth.
3. **Forced Ranking or Ranking and Yanking:** Employees are ranked against each other, and the lowest-performing employees may face consequences such as termination.
4. **Career Development Discussions:** Performance management discussions can include conversations about an employee's career goals and how their performance aligns with those aspirations.
5. **180-Degree Feedback:** This is a variation of 360-degree feedback that typically involves feedback from supervisors and peers
6. **Goal Setting:** Defining clear and specific performance objectives and goals that are aligned with the organization's mission and strategic objectives. These goals can be individual, team, or departmental.
7. **Performance Measurement:** Establishing key performance indicators (KPIs) and metrics to assess progress and results. These metrics are used to evaluate how well employees are meeting their goals.

❖ Exercise

1. Discuss meaning of Performance management.
2. Write a note on Type of performance Management.
3. Discuss Performance management system.
4. Write a note on: Peer Review
5. Write a note on: MBO
6. Write a note on: Continuous Feedback
7. Write a note on: 360 feedback system

• MCQ

1. What is the primary objective of performance management?
 - a) Employee discipline
 - b) Employee motivation
 - c) Employee outsourcing
 - d) Employee micromanagementAnswer: b) Employee motivation
2. Which of the following is not typically a component of performance management?
 - a) Goal setting
 - b) Compensation negotiation
 - c) Performance appraisal
 - d) Feedback and coachingAnswer: b) Compensation negotiation
3. In 360-degree feedback, feedback is gathered from:
 - a) Only supervisors
 - b) Only peers
 - c) Supervisors, peers, subordinates, and self-assessment
 - d) Only subordinatesAnswer: c) Supervisors, peers, subordinates, and self-assessment
4. What approach involves ranking employees and often includes consequences for the lowest performers?
 - a) Continuous feedback
 - b) Management by Objectives (MBO)
 - c) Forced ranking or ranking and yanking
 - d) Self-assessmentAnswer: c) Forced ranking or ranking and yanking
5. In SMART goal setting, what does the 'A' stand for?
 - a) Subjective
 - b) Measurable
 - c) Achievable
 - d) RelevantAnswer: c) Achievable
6. What is the main focus of succession planning in performance management?
 - a) Disciplining underperforming employees
 - b) Identifying high-potential employees for future leadership roles
 - c) Providing regular employee feedback
 - d) Implementing performance improvement plansAnswer: b) Identifying high-potential employees for future leadership roles

7. What is a key aspect of effective performance management?
- a) Lack of communication
 - b) Inflexibility
 - c) Continuous improvement
 - d) Employee isolation
- Answer: c) Continuous improvement
8. Which component of performance management aims to address and improve the performance of employees who are not meeting expectations?
- a) Succession planning
 - b) Self-assessment
 - c) Performance Improvement Plans (PIPs)
 - d) 360-degree feedback
- Answer: c) Performance Improvement Plans (PIPs)
9. The Balanced Scorecard includes which of the following perspectives?
- a) Financial, Customer, Internal process, Learning and growth
 - b) Sales, Marketing, Accounting, Inventory management
 - c) Technical, Employee satisfaction, Project management, Innovation
 - d) Technical, Customer, Compliance, Employee growth
- Answer: a) Financial, Customer, Internal process, Learning and growth
10. Which performance management approach involves ongoing communication and feedback between employees and their supervisors?
- a) 360-degree feedback
 - b) Continuous feedback
 - c) Self-assessment
 - d) Management by Objectives (MBO)
- Answer: b) Continuous feedback
11. What is the primary purpose of performance appraisals?
- a) To determine employee salaries
 - b) To provide employees with feedback on their performance
 - c) To identify employees for promotion
 - d) To assign employee tasks
- Answer: b) to provide employees with feedback on their performance
12. Which of the following is an essential component of an effective performance management system?
- a) Lack of transparency
 - b) Infrequent communication
 - c) Employee isolation
 - d) Clear expectations and feedback
- Answer: d) Clear expectations and feedback
13. What does "MBO" stand for in performance management?
- a) Managerial Business Operations
 - b) Management by Objectives
 - c) Measuring Business Outcomes
 - d) Manual Business Operations
- Answer: b) Management by Objectives
14. What component of performance management is focused on ensuring employees are prepared for future leadership roles within the organization?

- a) Succession planning
 - b) Self-assessment
 - c) Compensation negotiation
 - d) Performance appraisal
- Answer: a) Succession planning

15. In a performance improvement plan (PIP), what is the purpose of the improvement plan?

- a) To terminate the employee
- b) To punish the employee
- c) To outline steps for improving performance
- d) To maintain the status quo

Answer: c) to outline steps for improving performance

16. Which of the following is a key benefit of 360-degree feedback in performance management?

- a) It is focused only on the employee's self-assessment.
- b) It provides a comprehensive view of an employee's performance from multiple perspectives.
- c) It emphasizes top-down feedback.
- d) It only considers feedback from supervisors.

Answer: b) It provides a comprehensive view of an employee's performance from multiple perspectives.

17. What is the main purpose of a self-assessment in performance management?

- a) To evaluate the performance of peers
- b) To receive feedback from subordinates
- c) To allow employees to evaluate their own performance
- d) To identify employees for promotion

Answer: c) to allow employees to evaluate their own performance

18. Which of the following is a crucial element of continuous feedback in performance management?

- a) It is conducted annually.
- b) It involves setting long-term goals.
- c) It focuses on ongoing communication and improvement.
- d) It only includes feedback from supervisors.

Answer: c) It focuses on ongoing communication and improvement.

19. What is the primary focus of rating scales in performance management?

- a) Establishing employee goals
- b) Collecting feedback from peers
- c) Measuring observable behaviors and competencies
- d) Ranking employees

Answer: c) Measuring observable behaviors and competencies

20. When does a forced ranking or "rank and yank" approach typically occur in performance management?

- a) At the beginning of the fiscal year
- b) On an employee's birthday
- c) At the end of the fiscal year
- d) When a new employee joins the company

Answer: c) At the end of the fiscal year

21. What is the primary objective of a career development discussion in performance management?
- a) To identify areas for discipline
 - b) To assign new tasks to employees
 - c) To discuss an employee's career goals and aspirations
 - d) To provide immediate feedback on an employee's performance
- Answer: c) to discuss an employee's career goals and aspirations
22. What is the main purpose of a 180-degree feedback process in performance management?
- a) To involve all employees in performance appraisals
 - b) To gather feedback from supervisors, peers, and subordinates
 - c) To rely solely on self-assessment for performance evaluation
 - d) To identify underperforming employees
- Answer: b) to gather feedback from supervisors, peers, and subordinates
23. In performance management, what is the primary purpose of talent development and training?
- a) To discipline underperforming employees
 - b) To improve employee morale
 - c) To identify areas where additional training and development are needed
 - d) To determine compensation adjustments
- Answer: c) To identify areas where additional training and development are needed

2.1 Introduction**2.2 Performance Management****2.3 Metrology****2.4 Usages of Performance System****2.5 Purposes of Performance System****2.6 Types of Organizational Performance Management Systems****2.7 Elements of a performance management system****2.8 Criteria of Effective Performance Management****2.9 Appraisal communication techniques****2.10 Conclusion****❖ Keywords****❖ Exercise**

2.1 Introduction

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
- Rewarding good performance.

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 (i.e., planning, monitoring, developing, rating, rewarding) work together and support each other, resulting in natural, effective performance management.

2.2 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.”

Performance management is a tool that helps managers monitor and evaluate employees' work. The goal of performance management is to create an environment where people can perform to the best of their abilities and in alignment with the organization's overall goals. Performance management is widely used in both the private and public sectors

2.3 Methodology

Businesses have been managing the performance of individuals for centuries. But one of the first formalized models was introduced during the First and Second World Wars when the military needed to understand the strengths and capabilities of each member to inform battle strategies.

By mid-century, performance appraisals were being used by businesses to grade the performance of individual workers and to assign rewards.

In the 1960s, the focus began to shift to employee development, where discussions were held between an employee and their manager to review performance and – where warranted – to institute teaching and training to help the employee improve and/or advance in their career.

In the intervening years, some aspects of traditional performance management software have evolved due to better technology, such as cloud computing, improvements in user interfaces, and artificial intelligence (AI) and machine learning. However, most systems continue to emphasize employee evaluation and reward on a quarterly or annual basis.

While recognition remains an important aspect of performance management, businesses are moving to a more holistic approach, one that provides ongoing feedback and guidance for employees to help them achieve their goals.

2.4 Usages of Performance System

1. Provides clarity:

Performance management gives employees a clear understanding of their expectations, goals, and deliverables. It creates an amicable work environment as team leads and members are on the same page concerning deliverables and outcomes. Such work cultures, in turn, experience reduced conflict, increased efficiency, and enhanced performance quality.

2. Enhances efficiency:

Performance management tools help capture details about employees, including salaries, targets and goals, and performance. These data points enable organizations to consistently select the right employees for specific roles and promotions. They also help identify those who are not performing optimally, so that plans can be made for additional training or performance improvement plans (PIPs), etc.

3. Promotes job satisfaction:

As employees gain clarity about their deliverables, and the expectations from them, it also creates opportunities for self-assessment, improved performance, and agency in defining one's career path. This autonomy empowers employees to take charge of their growth and professional development, which in turn promotes job satisfaction.

4. **Increases motivation:**

A performance management system identifies and showcases star performers in an organization. Such recognition helps develop a culture of excellence that motivates employees to produce their best work and put their skills to best use.

Organizations can choose to recognize and reward employees with monetary benefits, awards, or promotions. This drives home the message that the organization will reward good performance, and encourage others to strive for exceptional achievements.

5. **Enables objective decision-making:**

Humans often carry unconscious bias, which is hard to recognize and reduce. And while working with teams, there could be a natural tendency to favor a few. But a robust performance management system enables managers and leaders to make objective decisions while reducing biases, nepotism, favoritism, etc.

A performance management system can provide data based purely on merit and map them to expected targets and goals, thereby making the process transparent and objective. This in turn enables objective decision-making.

6. **Helps plan for training needs:**

While all employees undergo a series of mandated training programs in every organization, some employees might need extra support or assistance in certain areas. Training sessions can be curated and tailor-made to match the needs of poor performers so that the organization can enable them to improve their output.

2.5 Purposes of Performance System

HR and learning and development (L&D) teams can effectively plan for the training needs of every individual and department. With well-thought-out performance management tools and processes, organizations can effectively manage and nurture their people. High performers can be recognized and rewarded while poor performers can be supported. This, in turn, can help organizations retain high potential employees and save costs by increasing retention rates.

1. **Strategic Purpose:**

Strategies are implemented through defining the results, behaviors and, to some extent, employee characteristics that are necessary for carrying out any particular strategy. The next measure would be to develop measurement and feedback systems that will exploit the extent to which employees exhibit the characteristics, engage in the behaviors and construct the outcome. To achieve this strategic purpose, the system should be elastic because when goals and strategies change, the results, behaviors and employee individuality usually need to change accordingly. Studies have revealed that to achieve their strategic purpose, effective performance management systems display five characteristics which would be;

- Association of employee performance with organizational aims.
- Transparent enunciation of the preferred work culture.
- Apparent requirement of the results and proficiency which would be the way the results are to be achieved.
- Management behavior and methods that encourage unrestricted effort

2. **Developmental Purpose:**

The next purpose of performance management system is to develop employees who are efficient at their work. If the members of staff are not performing efficiently, performance management seeks to develop their performance. The comments given during performance evaluation process usually isolate the employee's short falls. But the advantage of performance management that it not only identifies the short falls but also the causes of the issue for example a talent deficit, a motivational hitch or any hindrance holding the employee from being efficient. Managers are frequently uncomfortable dealing with their performance issues. These confrontations are quite necessary but eventually risk the work relations in the group. If the manager gives high ratings to employees ignoring the flaws in them the relations within the team are saved but the sole purpose of devised performance management is not fulfilled.

3. **Administrative Purpose:**

The information stimulated from performance management system is most often used for promotion, wage increase, salary management, devising retention and termination processes and most important being an individual's performance recognition. It is observed that in Australia many companies use information from performance appraisal for career development, prospective promotion standing and also for training programs to be planned for individuals. Surprisingly many evaluators are not comfortable going through the process of performance appraisal and end up rating both the performers and non-performers either high or equally which would make the performance appraisal information absolutely worthless.

The sole purposes of performance management system are to link employee activities with the firm's strategic aspirations, provide apt and helpful information for making organizational resolutions about workforce and to give the feedback to them resulting in their career development. An important trend in performance management is to devise the means by which performance can be evaluated and measured.

2.6 Types of Organizational Performance Management Systems

Organizational performance management (sometimes called corporate performance management) is a term used to describe the methodologies and processes that help to define, measure, and ultimately achieve strategy. Three commonly used forms of organizational performance management are:

1. **The Balanced Scorecard:**

In our humble opinion, the Balanced Scorecard (BSC) is one of the best types of performance management systems available, and for good reason: 88% of BSC users say the framework is extremely or very useful in helping them achieve their goals.

What makes the BSC unique is that it combines four different business perspectives—financial, customer, internal processes, and people—to help companies understand and achieve their organizational objectives.

Its main components:

Objectives—high-level organizational goals that state what organization is trying to accomplish strategically, broken down according to the four perspectives

Measures—key performance indicators (KPIs) that help to understand if we are accomplishing objectives strategically.

Initiatives—key action programs developed to achieve objectives, sometimes referred to as projects.

Some key points about the BSC are:

It facilitates alignment across divisions and departments because we can link departmental objectives to the overall organizational objectives. We can also see how measures and projects are connected to organization-level measures.

It requires a structured reporting process. Creating a BSC is predicated on reviewing strategy on a regular basis—and we can only do this if strategy is organized.

2. **Management By Objectives:**

Created by influential management consultant Peter Drucker, Management by Objectives (MBO) has many variations. Essentially, it centers on creating a set (anywhere from two or six) of organizational objectives, which are then used as guideposts for creating individual employee objectives.

Some of its key characteristics are:

- Objectives are not necessarily linked to one another. (This is different from the BSC approach, where objectives are aligned within an overall strategy.)
- Objectives may be defined as part of a collaborative effort between leaders and employees. The idea is that employee participation creates buy-in, and helps clarify the path to obtaining the objectives.
- Objectives are the main focus of MBO; less emphasis is placed on how those objectives will be achieved. Organizations tend to rely on either measures or projects (but rarely both). The key to making MBO work is to create a structure that clearly differentiates between projects and measures. They don't work the same way, so trying to lump them together will inevitably cause confusion.

The term Management by Objectives has been around a while, but it does not always see it in strategy documents. One way to recognize this approach is by looking at the strategic plan, which might have a set of goals and then objectives. We will also then see a list of activities or actions that the organization is grouping together to try to improve those goals and objectives.

3. **Budget-driven Business Plans:**

Sometimes, the budget leads the performance management process rather than strategy. In this case, 'work plans' are linked to the overall budget of the organization, and spending goes to the projects and programs that deliver results. It is a less commonly used performance management system, but it works for some organizations.

Some of its key characteristics are:

- Income sources and expenses (line items) may be grouped into categories so leaders can easily identify areas that need downsizing or potential opportunities for investing.
- It may involve a combination of ongoing and new projects.
- It is driven by finance, which is different from the other approaches that are organized by a strategy department.
- The development process usually starts with the finance team providing last year's spending to a department, and asking the department to list the activities they hope to accomplish within the coming year without changing the budget.

2.7 Elements of a Performance Management System

As a human resources leader, it is important to prove value to the organization by ensuring to choose the best team members for each department. It is no small feat especially when you must fulfill many requirements in any given day. To help you ensure that your organization is in good shape, consider using the following elements for establishing and maintaining a working performance management system.

1. Reward and Compensation:

Every employee deserves to be appreciated and compensated for the time they have invested in serving company. Rewards and benefits motivate employees to perform because it is not in vain. Note that monthly salary does not pass as reward and compensation, especially if it is the same for every employee on that level. A bonus should come special and is one of the most effective known performance management strategies after promotions.

2. Manager Reviews:

Because the managers oversee various departments, it is crucial to understand their relationship with their employees. By allowing employees to review their managers, you can more quickly assess the performance level, leadership style, and influence of your managers. and assign someone with the right qualities to lead a team.

3. Development and Improvement:

Some employees need to be motivated more for them to bring out their best. If an employee is going to complete a task ahead of schedule, for example, they have plenty of time to find if there are any improvements. An effective performance management system can be implemented to help ensure consistent development and improvement for employees and for the tasks they work on. However, this is the kind of performance management system should be implemented with much caution so that you don't become a bully boss.

4. Succession Planning:

In most situations, employees do not work in the same place or position forever. This is a real situation that employers need to be prepared for. That is because some of the employees that leave the workplace, some of them hold an unbeaten record of perfect performance. Therefore, it is wise to have a succession plan to transfer skills from one employee to the other to ensure gaps are covered in the interim.

5. Performance Monitoring:

It is critical to track the performance of your employees because it is likely the only way of finding out where improvements are necessary. Also, you can have your employee's track their performance, and this will help them improve because they will know if they are too reluctant.

6. Goal Setting:

Any organization has a purpose and targets to meet. Most times, employees understand what is expected of them, as most of them are professionals who have learnt their skills specifically for that job position. Without an understanding of what the CEO or senior management of a company is aiming for, all the skills and knowledge of your employees could potentially be useless. The employees usually set the goals, and the managers implement to ensure that everyone keeps their word.

7. On-going Feedback:

Always ask for feedback from employees if you want to ensure a well-rounded and supportive HR department. That way, it's possible to avoid dealing with unexpected issues. Continuous feedback also makes it easy to track employees and know if there are any development needs necessary to enhance their performance.

8. Outcome Management:

It is not always guaranteed that the best team of employees will get the job done. The outcome can go both ways, and as the manager, you must be prepared to handle both. Paying employees according to their performance is one of the right ways of managing outcomes. That is because they will enhance employee performance knowing that they can earn much more when they work harder.

2.8 Criteria of Effective Performance Management

The criteria for effective performance management systems which can be adopted in contemporary business organisations even though many have differed view of the criteria the most important once can be listed and categorized as strategic congruence, validity, reliability, acceptability and specificity. The criteria can be explained as under.

1. Strategic Congruence:

It is the level to which the performance management system extracts job performance that is matching with the organization's aims, strategy and culture. For example, if a company accentuates innovation, then the company's performance management system would assess how well are the employees are being innovative with the products and services. This criterion emphasizes that the company's performance management system provides training and assistance to the employees for them to contribute to the organization's achievements which in turn indicates that the system needs to be bendable enough to be able to dynamically change with the company's changing strategic posture. The system, known as a balanced scorecard, is a way of developing strategic congruence. It is one way by which organizations can link their long-term strategy to short-term actions and provide a means for the organization to continuously improve and learn which can be achieved by having a spotlight on number of departments of the organization, such as financial, internal business processes, learning and growth and translating the vision. The balance scorecard is one way of signaling to the member of staff what the organization's aims are for customers and shareholders. Every employee performance can be associated with the overall strategy by connected in three activities which are communicating and educating, setting goals and linking rewards to performance measures.

2. Validity:

This is the level to which the performance measure assesses all the relevant and only the relevant portions of performance. It is also known as 'content validity'. For this

particular performance measure to be valid and fruitful for best results it should not be lacking or grimy. A performance measure would not yield the necessary results if it does not consider all the aspects of performance. For instance a performance measure system devised at a manufacturing unit considering only quantity produced by the employees and ignoring the quality aspect of the produce. A grimy measure evaluates inappropriate aspects of performance or aspects that not related to the job. The performance measure should look for ways to reduce the grimy parts but it is not possible to completely eliminate the short falls. Validity is concerned with increasing the overlap between actual job and performance and measure of job performance. For instance quantity of produce would be high if the machinery being used is in good condition. Even if a particular employee is quite experienced in the field if the machinery provided for the job is not in best working conditions the produce would not be on par with the other workers. Thus, to use the numbers alone would be to use a measure that is strongly affected by things beyond the control of the individual employee.

3. Reliability:

It is related to stability of the performance measure. An important type of reliability is inter-rater reliability: the stability among the individuals who evaluate a employee's performance. A performance measure has inter-rater reliability if two individuals give the same or at least close to being same assessments of a person's job performance. Another type of reliability is internal consistency reliability. This relates to the extent to which a number of points measuring a particular parameter of performance, like quality, correlate with each other. Studies reveal that most individual supervisory measures of job performance exhibit low reliability. With some measures, the extent to which all the items rated are internally consistent is important. Additionally, the measure should be reliable over a period of time. A measure that results in drastically different ratings depending on the time at which the measures are taken lacks test-retest reliability. For instance if an employee's performance is being evaluated, employee's performance needs to be measured over a period of time but not only for a month.

4. Acceptability:

It relates to the extent to which a performance measure is considered to be useful and reasonable or adequate by those use it. Many very elaborate performance measures are extremely valid and reliable but they consume so much of the evaluator's time that they decline to use it and also the employee being evaluated do not accept it. This measure is affected by the extent to which employee believes the performance management system being reasonable.

5. Specificity:

This measure is the extent to which the performance measure gives particular guidance to employees about the organisation's expectations and the ways to meet them. This measure is appropriate to both the strategic and developmental purposes of performance management. If any measure does not specify the measure to be undertaken by the employee to help the company achieve its strategic goals, it becomes difficult for the organisation to achieve the strategic purpose. Also, if any performance management system does not point out the issues with an employee's performance it would not be possible to rectify them.

2.9 Appraisal Communication Techniques

A performance appraisal is when an organization assesses an employee's job performance. It usually involves setting goals and objectives with the employees and evaluating their progress against those goals. As a one-to-one process, performance appraisal can be used to identify employees who need improvement and who are performing well and should be considered for promotion or other recognition.

It is essential to be clear, concise, and honest regarding performance appraisal communication. This can be difficult; however, for an employer, it is necessary to maintain a healthy working relationship with the employees. Communicating performance appraisals can be complex, but it is essential to give employees feedback that is both fair and accurate.

The following sections explain how a managing body should efficiently communicate performance appraisals to the employees.

1. Convey the purpose of performance appraisal:

While communicating performance appraisal, the manager needs to make sure that the employees understand the purpose of the appraisal.

The manager can take the performance appraisal as an opportunity to reflect on what the employee has done well and identify any areas where the employee needs to improve.

The following questions should be kept in mind while assessing the employee performance:

- What are their significant accomplishments over the past year?
- What goals were set for them at the beginning of the year, and how well were those achieved?
- What challenges or difficulties have they faced at work, and how did they deal with them?
- What do they think could have been done better over the past year?
- The replies given by the employees will help the manager to have a good idea about the employee's performance over the past year and help them identify any areas for development.

2. Clear and concise feedback:

The managing body should provide specific feedback about an employee's performance during an appraisal. Thus, he should avoid giving general comments or criticism that could be interpreted in other ways. There are a few key things that they should keep in mind when giving feedback:

- It is vital to ensure that the feedback is specific and objective. Feedback should be based on observable behavior, not personal opinion.
- The manager must be aware of his own biases and how they might be affecting the feedback.
- He should be respectful and professional in the delivery of words and avoid using inflammatory language and making personal attacks.
- The key is to focus on the future rather than dwelling on the past mistakes of the employee.

- The lead or manager should also be open to hearing feedback for himself. Appraising employee performance should be a mutual discussion and not a one-way lecture.

3. Honesty in employee assessment:

An employee's performance appraisal is the time to reflect on past performance and guide the employees for the upcoming year. Hence, it is crucial to be honest during performance appraisal communication. If the employees are not meeting expectations, the manager should let them know and explain the necessary steps for improvement.

The appraisal process is designed to help the staff and the employer of an organization improve their performance and identify any training or development needs. During the appraisal meeting, the employee should be asked about his performance over the past year. The employer may also ask him to give examples of work that he feels will demonstrate his progress and achievements. The manager then should provide feedback on the employee's overall performance and what is expected from him in the coming year. This feedback should be honest and constructive. Only when the manager gives honest feedback, the employee can relate to that and motivate himself to improve performance in the future.

4. Avoid non-constructive criticism:

While assessing and critiquing an employee's performance, the management body should ascertain that their criticism is constructive and will help the employees improve. One effective technique could be sending out an appraisal communication email that helps employees figure out what the process is and how to participate in it. They should be instructed to avoid personal attacks or criticisms that are not helpful. When critiquing someone's work, giving constructive feedback that will help them improve is of utmost importance.

After communicating the appraisal to the employees, the manager or team lead needs to follow up with them to see how they are doing. This will show that he is committed to helping this team improve and reach their goals in the long run. After the appraisal interview, it is essential to stay in touch with the staff and update them on their progress. This will help ensure that they are on the same page and aware of the team goals. Furthermore, following up after the appraisal interview shows that the team lead or manager is dedicated to their job and is willing to work hard to improve the team's overall performance.

2.10 Conclusion

Performance Management is a process that enables an organization to evaluate and continuously improve individual, subsidiary unit and corporate performance, against clearly defined, pre-set goals and targets. There is a very important link between performance management strategies applied to individuals or units which contribute to the organization be it for global profitability. This linkage is also important as an individual's performance is evaluated according to expectations of appropriate outcomes and behavior that contribute to organizational goal attainment. Any concern would need to devise an effective system for managing the performance of its global operations that assists strategic cohesion and competitiveness but it is also important to keep in mind not to impose onerous methods for the same invading the local receptiveness. Examining performance and ensuring adherence to agreed standards are key elements of an organization's managerial control system.

A sound employee management system should be comfortable for both employers and employees. For the best results, most organizations implement several employee performance management elements. It is, however, encouraged that before implementing any strategy, get to understand CEO more and get the clear picture. That way, Management will know the right skills and talents to hunt for. Additionally, it will help to understand better the kind of employees' management system that will work correctly.

❖ **Keywords**

1. **Performance management:**

Performance Management is a systematic process by an Organisation to improve and evaluate the performance of its employees as individuals as well as groups.

2. **Performance:**

The accomplishment of a given task with the set standards, precision, quality and completeness.

3. **Strategic Congruence:**

It is the level to which the performance management system extracts job performance that is matching with the organization's aims, strategy and culture.

4. **Reliability:**

It is related to stability of the performance measure.

5. **Acceptability:**

It relates to the extent to which a performance measure is considered to be useful and reasonable or adequate by those use it.

❖ **Exercise**

Q-1 Long Question:

1. What is Performance Management?
2. Discuss Usages of Performance System.
3. Explain Purposes of Performance System.
4. Discuss Types Of Organizational Performance Management Systems.
5. Explain Elements of a performance management system.
6. Discuss Criteria of Effective Performance Management.
7. Write a note on Appraisal communication techniques.
8. Explain Convey the purpose of performance appraisal.
9. Discuss Clear and concise feedback.
10. Write note on Honesty in employee assessment.

Q-2 Answer the following multiple choice questions:

1. When goal setting, performance appraisal, and development are consolidated into a single, common system designed to ensure that employee performance supports a company's strategy, it is called_____.
 - A. Strategic organizational development
 - B. Performance management
 - C. Performance Appraisal
 - D. Human Resource management

2. Aligning and evaluating employee's performance with company's set goals is called
 - A. Appraisal management
 - B. Performance management
 - C. Hierarchy of management
 - D. Off-the-job training

3. Steps involved in employer's movement for performance management is
 - A. Total quality
 - B. Appraisal issues
 - C. Strategic planning
 - D. All of above

4. _____ 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.
 - A. Performance management
 - B. Appraisal management
 - C. Performance Appraisal
 - D. Human Resource management

5. Which of the following is an alternate term used for performance appraisal?
 - A. Quality and quantity of output
 - B. Job knowledge
 - C. Employee assessment
 - D. None of the above

6. What is the primary purpose of Performance Management?
 - A. Setting organizational goals
 - B. Assessing employee knowledge
 - C. Evaluating employee performance
 - D. Enhancing employee skills

7. Usages of Performance System includes
 - A. Provides clarity
 - B. Enhances efficiency
 - C. Promotes job satisfaction
 - D. All of above

8. Usages of Performance System includes
 - A. Increases motivation
 - B. Enables objective decision-making
 - C. Helps plan for training needs
 - D. All of above

9. The full form of MBO is
 - A. Management by Objective
 - B. Managed object
 - C. Management by others
 - D. Managed by Own

10. The concept of MBO was popularized by _____

- A. Peter Drucker
- B. Philip Kotler
- C. J.C. Flangan
- D. R.K. Burns

11. The concept of MBO was developed in____.
 - A. 1956
 - B. 1960
 - C. 1954
 - D. 1984
12. The concept of MBO was given in ____ book.
 - A. The Practice of Management
 - B. The principle of management
 - C. The principle of money
 - D. The practice of money
13. _____ is a process whereby the supervisor and subordinates manage an organization jointly.
 - A. MBO
 - B. Rating Scale
 - C. 360
 - D. Critical incident
14. Full form of KPI is
 - A. key performance indicators
 - B. Key present indicators
 - C. Case performance indicators
 - D. key performance insider
15. _____ is a process that enables an organization to evaluate and continuously improve individual, subsidiary unit and corporate performance, against clearly defined, pre-set goals and targets.
 - A. Performance management
 - B. Appraisal management
 - C. Performance Appraisal
 - D. Human Resource management
16. Purposes of Performance System includes
 - A. Strategic Purpose
 - B. Developmental Purpose
 - C. Administrative Purpose
 - D. All of the above

Answers:

1. B. Performance management
2. B. Performance management
3. D. All of above
4. A. Performance management
5. C. Employee assessment
6. C. Evaluating employee performance

7. D. All of above
8. D. All of above
9. A. Management By Objective
10. A. Peter Drucker
11. C. 1954
12. A. The Practice of Management
13. A. MBO
14. A. key performance indicators
15. A. Performance management
16. D. All of the above

Q-3 Answer following questions are True or false.

1. Performance Management is a systematic process by an organization to improve and evaluate the performance of its employees as individuals as well as groups.: True
2. The concept of MBO was developed in 1956. :False
3. A sound employee management system should be comfortable for both employers and employees.: True
4. While communicating performance appraisal, the manager needs to make sure that the employees understand the purpose of the appraisal. :True
5. Performance management gives employees a clear understanding of their expectations, goals, and deliverables.: True
6. Performance management is a tool that helps managers monitor and evaluate employees' work.: True
7. The goal of performance management is to create an environment where people can perform to the best of their abilities and in alignment with the organization's overall goals.: True
8. Performance management is widely used in both the private and public sectors.: True

3.1 Introduction**3.2 Goals of Performance Management****3.3 Performance Management Strategy****3.4 Performance Management Process****3.5 Stocktaking****3.6 Feedback**❖ **Keywords**❖ **Exercise****3.1 Introduction**

Performance management is a set of processes and systems aimed at developing employees, so they perform their job to the best of their ability. The goal is to help employees build on skills that enable them to perform better in their roles, reach their potential, and boost their success while also accomplishing the strategic goals of the organization. Effective performance management establishes a continuous conversation between employees, managers, and HR.

The performance management process is strategic and systematic. It combines verbal and written components, which take place throughout the year, culminating in an annual performance appraisal. The process involves the following:

- Establishing clear expectations,
- Setting individual objectives and goals that align with team and organizational goals,
- Providing ongoing feedback, and
- Evaluating results.

Career decisions, including promotions, bonuses, and dismissals, are linked to the performance management process.

Performance Management Definition:

1. Armstrong and Baron “A strategic and integrated approach to increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors”

2. Dr. T. V. Rao ‘Performance management involves thinking through various facets of performance, identifying critical dimensions of performance, planning, reviewing and developing and enhancing performance and related competencies.

3. Bates and Holton 'Performance management can be defined as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who works in them and by developing the capabilities of terms and contributors.'

3.2 Goals of Performance Management

1. To develop a performance culture

As the Ivey Business Journal states, "Creating a performance culture requires a systematic approach to managing the performance of organizations, teams and individuals." Known to many as the 'Corporate DNA', a company's culture is the culmination of how employees approach their work. A distinctive performance culture can provide competitive advantage, motivate employees and drive productivity. It is up to the HR department to create a performance management system that promotes high standards of performance culture. They do this by promoting transparency and trust, focus, skill development, recognition and effective goal-setting.

2. To align individual behaviour to organisational values

Company values are critical to the smooth running of a business. An organisation needs to stand for something. Knowledge and understanding of your company's core values will dictate every decision made within the company, every goal set and every employee hired. If your organisational values are clear, visible and understandable, employees can begin to align their behaviour to them. Should a difficult decision have to be made, the employee can, with support, return to the company's values in order to help them make their decision. The result is a unified workforce, working towards the same destination.

3. To align individual and organisational objectives

While the conventional belief is that it is optimal to cascade objectives downwards, it is becoming increasingly apparent that it is more favourable to align goals upwards. The right performance management system will give employees autonomy and power over their own goals, while providing transparency with regards to company objectives. This openness will mean employees are able to form and adapt their individual goals to organisational objectives, thereby uniting the company and enabling progress.

4. To provide the basis for personal development

Personal development is critical for employee morale. Employees want to advance, they want to improve and, importantly, they want to know that your company is invested in them. An important element of performance management is the formation of Personal Development Plans (PDPs) or Personal Development Objectives. By helping your employees create PDPs, you increase engagement levels, decrease turnover and benefit from a more skilled workforce.

5. To inform performance related pay decisions

Performance management has long been used to inform decisions regarding pay and bonuses. Though some experts argue it is best to ultimately divorce pay and performance, the reality is many companies still use ongoing performance as a benchmark to reward their employees. Note though that objective, numerical means of measuring performance have been proven to be stressful for employees and ultimately not as objective or effective as we would believe them to be.

6. To improve employee motivation and engagement

Although engagement and motivation are not solely HR responsibilities, your performance management system is a great place to start. It can begin with issues such as workplace flexibility, reward and recognition systems, the creation of PDPs and the implementation of ongoing performance discussions. All of these factors work together to improve engagement and incentivise your employees to excel.

7. To improve individual performance

Performance management processes need to be designed to encourage excellent employee performance. Regular, informal ‘check-ins’ (focused one-to-ones) can help in this area. Frequent discussions allow employee and manager to discuss SMART objectives, priorities, personal development and any pressing concerns. Check-ins should be future-focused and result in specific actions that will be taken to improve performance further.

8. To improve organisational performance

All management systems should be designed to improve organisational performance. By taking into account all the other factors in this list, organisational performance should flourish as a result, but HR managers should always keep an eye on the bigger picture, knowing how the company stacks up against its competition.

9. To identify high performers for talent management purposes

Development opportunities should be made available to all employees, but especially high performers who show a keen interest in furthering their career. Performance management systems need to provide data that can help to inform talent management decisions.

10. To measure potential for promotion planning purposes

High performers will want to advance within your organisation. However, these high-achieving and ambitious individuals are unlikely to remain with your company in the long term if their efforts and skills aren’t recognised. A critical aspect of performance management involves identifying employees with potential for promotion, so that that these employees can be progressed into new positions before they leave for another organisation who offers them greater responsibilities.

11. To identify underperformers

Poor performance can seriously impair the progress of a business. Regular performance discussions will help to identify employees who are struggling and support them to improve. Efforts should be made to resolve the underlying problems. Detailed, time-bound plans should be put in place to resolve the situation and managers should keep on top of proceedings.

12. To record performance evidence to justify HR decisions (e.g. dismissals for poor performance) if legally challenged

Every meeting, regardless of how informal it is, should be recorded in some manner. Modern performance management software facilitates this process and keeps everyone up to date. Not only is this information useful to the HR department, but it is critical data that may need to be revisited in the face of certain legal proceedings.

3.3 Performance Management Strategy

With the principles of performance management in place and with the collaboration of managers, HR, and employees, the next step is outlining a concrete strategy on how to utilize performance management to actualize employee potential and promote organizational success.

1. Align objectives with organizational strategy

The purpose, values, and goals of each unit or department of the organization should support or relate to the purpose, values, and goals of the organization. This will create a situation where each time that a departmental goal is achieved, the organization moves forward.

Setting periodic departmental strategy meetings will foster alignment by giving managers, department heads, and other stakeholders the opportunity to sync up and evaluate progress. Managers can communicate any insights or changes to their teams, ensuring that every member of an organization is acting in tandem.

2. Set standards, criteria, and indicators

Transparent management is vital to the credibility of the performance management process. Setting clear standards and indicators enables every individual to understand their role in the organization. Individual deliverables should be designed according to the SMART acronym: Specific, Measurable, Achievable, Realistic, and Time-bound.

3. Choose evaluation methods

There are a variety of different performance management methods to choose from, depending on the industry or department

Management by Objective (MBO)

In this method, measurable goals are set collaboratively for the organization, various departments, and each individual member. Employees are evaluated annually based on how well they have achieved the results specified by the goals. MBO is a good method for evaluation in nonroutine jobs, such as those of managers or project leaders who cascade organizational goals down to employees, and fosters productivity by providing specific, detailed targets.

Some examples of objectives include:

- Increase revenue by 15% in Q3
- Generate 500 new MQLs per month
- Increase employee retention by 20%
- Decrease client onboarding time by 50%

Critical incident method

By describing specific events (or incidents) where the employee performed well or in a way that needs improvement, the critical incident method (CIT) puts performance in context and illustrates how the individual understands their choices.

For example, a manager may ask an employee about a specific project that required significant retooling. By explaining how they proceeded and what influence this had on the outcome, managers are able to assess positive or negative performance.

Checklist method

This method consists of a series of statements that the evaluator responds “yes” or “no” to regarding the employee’s behavior or performance.

A checklist could look like this:

The employee is punctual
The employee is courteous and helpful to his/her team members
The employee is engaged in his/her work
The employee is reliable
The employee works consistently towards assigned goals
The employee performs tasks correctly
360-degree performance appraisal

This method involves collecting information about the individual’s performance from supervisors, colleagues, or employees they manage. This group review focuses on employee development, getting feedback from a range of sources to inform performance management.

Relevant stakeholders will be asked anonymously about the individual’s work-related behavior and about the impact this has on operations. Appraisals consist of online forms that give respondents the opportunity to provide feedback about the subject’s competencies. This can be done using any rating format, for example, a Likert scale:

On a scale of one to ten, please rate [employee’s] proficiency in leadership:

Motivates others towards their goals
Handles conflict in an appropriate manner
Is an adept problem solver
Competency-based

Instead of measuring performance according to measurable outcomes, specific tasks, or work- related behaviors, this project management method focuses on performance as measured against specific competencies assigned to each individual position.

Competencies can be broken down into core competencies and behavior indicating the individual possesses these competencies. For example, “empowering others” is the core competency your organization and the observable behaviors are:

Lets people make decisions regarding their work
Encourages others to achieve individual and group goals
Provides positive reinforcement
Avoids micromanaging and encourages collaborative problem solving
Graphic rating scale (GRS) appraisals

GRS lists several factors, including behaviors and characteristics that are used to rate the individuals according to gradations (for example unsatisfactory, satisfactory, excellent).

Some characteristics that might be evaluated are:

Attendance
Work quality
Teamwork
Dependability

4. Build performance management into the business planning cycle

As performance management deals with personal objectives that in turn feed into the organization's strategy for achieving its corporate objectives, performance management should be an integral part of the business planning cycle. So, make room for employee development, manager training, periodic reviews, and other performance management activities.

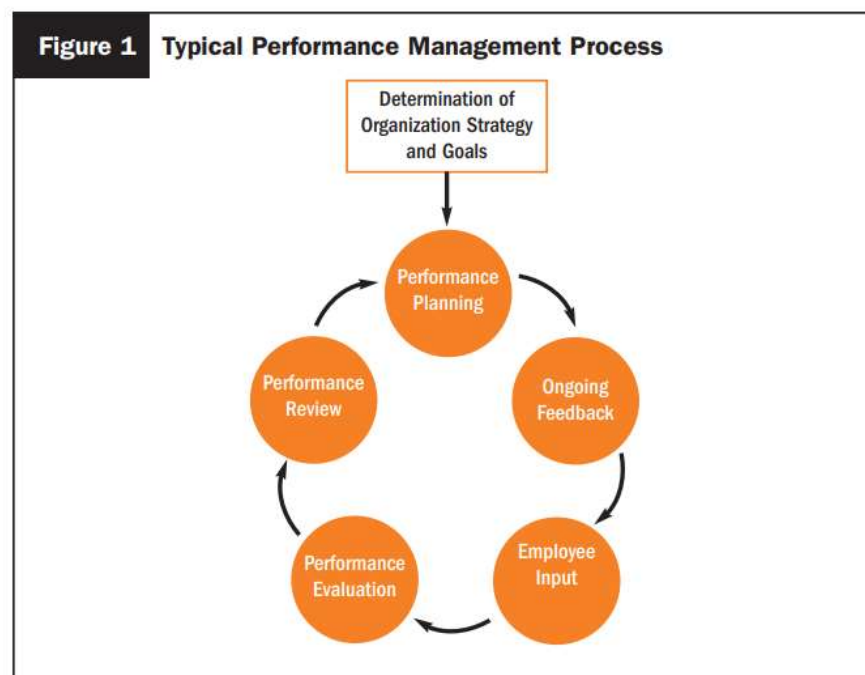
5. Ensure clear communication

Successful performance management depends on the engagement and involvement of all employees. Be clear about what your performance management process is seeking to achieve, how it will operate, how objectives will be set, what criteria will be used for evaluating performance, and whether compensation is involved. A culture of open communication will enable management to stay agile and productive.

6. Monitor and review

Unless you keep track of what your performance management strategy is achieving, it won't be effective. Using an online performance management platform will give you control over performance data, metrics, and employee feedback. Review this information and share insights across your organization to celebrate achievements—or leverage this knowledge to swiftly implement any necessary changes so that your organization can keep operations on track.

3.4 Performance Management Process



The following sections describe each phase of this process in more detail.

1. Performance Planning

At the beginning of the performance management cycle, it is important to review with employees their performance expectations, including both the behaviors employees are expected to exhibit and the results they are expected to achieve during the upcoming rating cycle. Behaviors are important because they reflect how an employee

goes about getting the job done—how the individual supports the team, communicates, mentors others and so forth. We are all familiar with employees who may achieve exceptional results but are extremely difficult to work with, unhelpful or exhibit maladaptive behaviors at work. Because such behaviors can be extremely disruptive, behavior is important to consider in most work situations. On the other hand, an employee can be extremely helpful, considerate and interpersonally effective, yet never achieve any important results. Behavioral and results expectations should be tied to the organization's strategic direction and corporate objectives.² In fact, if developed and implemented properly, performance management systems drive employees to engage in behaviors and achieve results that facilitate meeting organizational objectives. For example, if improving customer service is determined to be critical to an organization's future success, including customer service related expectations and rewards in the performance management system will not only communicate its importance but also promote increases in behaviors and results related to this area. Similarly, if effective teaming with strategic partners is a key organizational value, the performance management system should hold employees accountable for effective collaboration.

Behavioral Expectations

As we will discuss below, effective performance management systems provide behavioral standards (see page 10 for an example) that describe what is expected of employees in key competency areas. During the performance planning process, managers should review and discuss these behavioral standards with employees. It is important for managers to make sure employees understand how the behavioral standards relate to their specific jobs.

Results Expectations

The results or goals to be achieved by employees should be tied to the organization's strategy and goals. The employee's development needs should also be taken into account in the goal setting process. Development goals can be targeted either to improving current job performance or preparing for career advancement.

Example goals for an employee might be:

Complete project "X" by time "Y."

Increase sales by 10 percent. Successfully mentor employee "X" to develop skill "Y." In some situations, it is difficult to see direct relationships between high-level and sometimes lofty organizational goals and what a particular individual can achieve in his or her job. To remedy this, organizational goals need to be translated and cascaded into more refined goals and expectations at the unit, team and individual levels. This typically requires a series of meetings where, for example, the highest-level executives first develop division goals that align with the organizational goals. Then, the mid-level managers develop unit goals that align with the division goals, followed by managers developing group goals that align with unit goals and so on until the organizational goals are cascaded down to individuals. This exercise can be a somewhat time-consuming and difficult process. Depending on the nature of the organization's goals, it may be difficult to cascade them down clearly to some jobs, for example, general maintenance and support jobs. Nonetheless, to the extent possible, the most effective practice is to establish a hierarchy of goals where each level supports goals directly relevant to the next level, ultimately working toward the organization's strategic direction and critical priorities. The value of developing and linking goals at different levels has been extensively written about in the Management by Objectives (MBO) literature. While goals and expected results can be established

for the entire rating cycle, many employees are in jobs that are characterized by continual change. Under these circumstances, it may be necessary to set nearer-term goals in order to ensure that they are sufficiently specific and achievable to have positive motivating effects. In addition, feedback should be given and appraisals can be performed as employees reach key milestones or achieve goals during the rating period. Shown below is a list of guidelines that the research literature has shown to be important for establishing effective goals.⁴ It is interesting to note that very difficult (but attainable) goals lead to more effective performance outcomes than moderately difficult goals. Research has also shown that employee commitment to goals is critically important for goal attainment and that employees must feel that they are able to achieve their goals. It is thus important to ensure that employees participate in the goalsetting process, accept their goals and are motivated to work towards those goals. It is also important for managers to communicate their willingness to assist employees in achieving their goals by providing guidance and resources, and removing obstacles to goal attainment.

Guidelines for Establishing Effective Performance Goals

- i. Goals must clearly define the end results to be accomplished.
- ii. To the extent possible, goals should have a direct and obvious link to organizational success factors or goals.
- iii. Goals should be difficult, but achievable, to motivate performance.
- iv. Goals should be set in no more than three areas—attempting to achieve too many different goals at once will impede success.

2. Ongoing Feedback:

During the performance planning process, both behavioral and results expectations should have been set. Performance in both of these areas should be discussed and feedback provided on an ongoing basis throughout the rating period. In addition to providing feedback whenever exceptional or ineffective performance is observed, providing periodic feedback about day-to-day accomplishments and contributions is also very valuable. Unfortunately, this does not happen to the extent that it should in organizations because many managers are not skilled in providing feedback. In fact, managers frequently avoid providing feedback because they do not know how to deliver it productively in ways that will minimize employee defensiveness. For the feedback process to work well, experienced practitioners have advocated that it must be a two-way communication process and a joint responsibility of managers and employees, not just the managers. This requires training both managers and employees about their roles and responsibilities in the performance feedback process. Managers' responsibilities include providing feedback in a constructive, candid and timely manner. Employees' responsibilities include seeking feedback to ensure they understand how they are performing and reacting well to the feedback they receive. Having effective, ongoing performance conversations between managers and employees is probably the single most important determinant of whether or not a performance management system will achieve its maximum benefits from a coaching and development perspective.

Guidelines for Providing Feedback Effectively

- Provide immediate positive and developmental feedback in a private location.
- Ask for the employee's view about what could have been done differently.
- Be specific about what behaviors were effective or ineffective.
- Focus on what the person did or did not do, not personal characteristics.
- Collaboratively plan steps to address development needs.
- Offer help in addressing development needs and providing resources.

3. Employee Input

Employee input has been used effectively in many organizations. It sometimes takes the form of asking employees to provide self-ratings on performance standards, which are then compared with the manager's ratings and discussed. However, experienced practitioners have found that this type of process and discussion can lead to increased defensiveness, disagreements and bad feelings between employees and managers, if managers ultimately rate employees less effectively than they have rated themselves. An alternative way of collecting employee input is to ask employees to prepare statements of their key results or most meritorious accomplishments at the end of the rating period.

Employee input has a number of positive results. First, it involves employees in the process, enhancing ownership and acceptance. Second, it reminds managers about the results employees have delivered and how they were achieved. Third, employee-generated accomplishments can be included in the formal appraisal, decreasing managers' writing requirements. Fourth, employee input increases communication and understanding. Managers and employees usually review and discuss the accomplishments before they become part of the appraisal, resulting in fewer disconnects between the manager's and the employee's views of the employee's contributions. Finally, employee accomplishments can be retained and used as input for pay or promotion decisions.

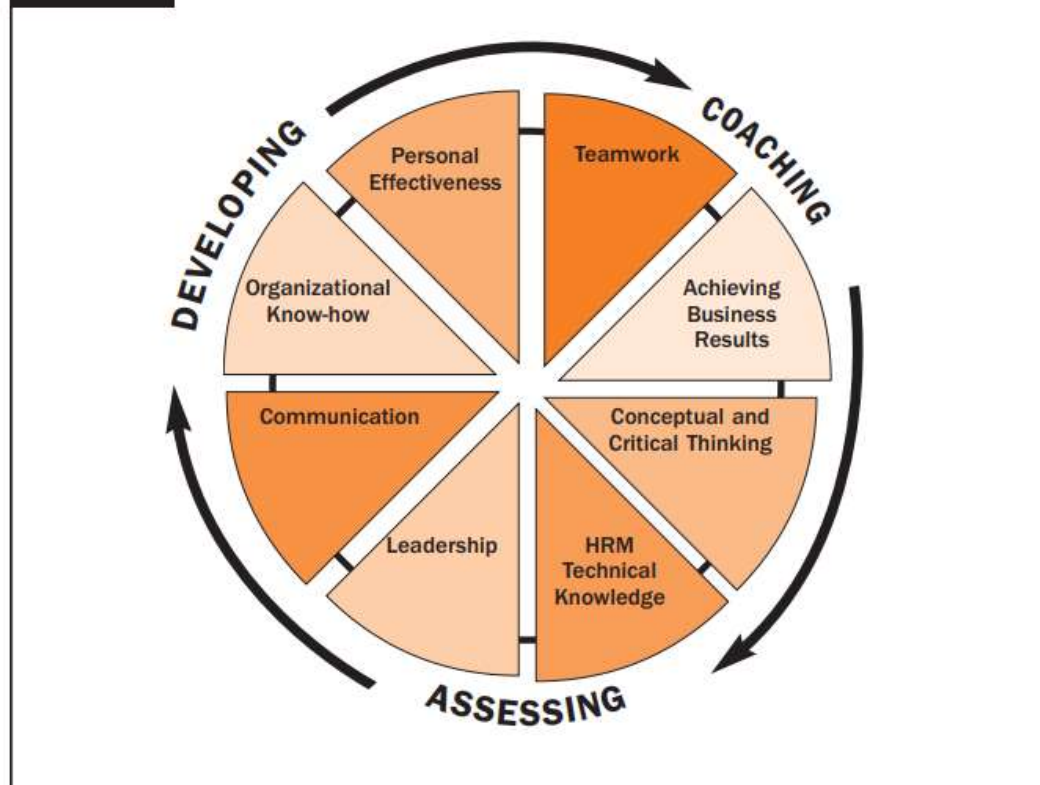
Guidelines for Writing Employee Accomplishments

- Include the situation or circumstances faced by the employee.
- Describe what specific actions the employee took to achieve results.
- Describe the impact of the accomplishment on the work unit or organization.

4. Performance Evaluation

Evaluating Behaviors Today, many organizations are using competency models as a basis for their performance management systems.¹² Competency models articulate the knowledge, skills, abilities and other characteristics that are deemed to be most instrumental for achieving positive organizational outcomes. Job analysis techniques, such as job observations, interviews, focus groups and surveys, are used to identify key competencies and associated critical work behaviors. An effective process for identifying and defining competencies is discussed in Jeffery Schippmann's (1999) book on strategic job modeling.

Figure 2 Sample Competency Model for Human Resource Manager



An advantage of competency models is that they typically include the full array of factors associated with success—technical, leadership and interpersonal. Competency models are especially useful because they not only communicate what is important to an organization but also provide a common foundation for developing integrated human resource systems, such as staffing, training, promotion, succession planning and performance management. Organizations usually identify between five and 10 key competencies that are linked to their strategic objectives and critical success factors. An important practical question is how many competencies need to be separately evaluated? Novice developers of performance management systems are sometimes tempted to include numerous competencies, which can take quite a long time to rate and may not be palatable to busy managers who need to complete a large number of appraisals. A reasonable number of competencies should be selected to capture the most important aspects of performance. Related competencies can be combined into larger competency factors. For performance management purposes, experienced practitioners agree that competencies should be defined in terms of important job behaviors and expectations that are associated with them. Defining competencies behaviorally provides a solid basis for differentiating between employees who are performing more or less effectively than others. The competencies should also be defined to reflect different levels of responsibility, complexity and difficulty that characterize employees' jobs at different levels in an organization. Employees at different job levels are certainly paid differently, based on their experience, responsibility and contributions. For performance evaluation purposes, it is important to articulate clearly how expectations change at different job levels (for example, entry-level employee, experienced employee and manager) as well as what reflects more or less effective job performance at each level. The primary advantages

of defining competencies in terms of behavioral performance standards are (1) to help employees understand what is expected of them and (2) to provide uniform standards that managers can apply in evaluating employees, thereby increasing consistency, transparency and fairness. Research has shown that it is important for employees to perceive that the performance management system is fair. Further, perceived fairness can mitigate negative outcomes, such as unfavorable ratings.

Some competency models and performance standards are developed at the organizational level to apply to all jobs. The unique technical aspects of different jobs can be represented in a more generally defined technical competency, where the behavioral standards may reflect keeping current in technical field, applying technical knowledge and skill effectively, and so forth. Alternatively, some competency models contain a set of core competencies that apply to all organizational members and additional specialized competencies that are customized to reflect the specific technical or managerial responsibilities that apply to particular jobs. Several examples are listed below. Q In one large organization, a common competency model was developed at the organizational level but three sets of performance standards were developed reflecting these competencies: one for professional jobs, one for administrative jobs and one for managerial jobs. Q In another large organization, 26 job families were identified, such as Information Technology, Acquisitions, Finance, Human Resources, Analysts and Management. Customized competencies and performance standards were then developed for each job family and level.

In yet another organization, a common set of performance standards was used to define a set of core competencies (interpersonal effectiveness, teamwork, communication) that were used across all jobs. In addition, specialized technical competencies were also defined for each individual job group. Decisions need to be made about how many sets of competencies and performance standards should be developed and how customized they should be. There is no one best approach, as there are advantages and disadvantages to different options. Use of a common set of performance standards across jobs means that the standards will be written at a more general level and that managers will need to translate them into more specific expectations and goals that are relevant to a given employee's job, particularly in competency areas that relate to technical aspects of the job. However, practical advantages to using common standards across jobs or job groups are that (1) the development time and developmental resources are significantly less than developing separate standards for each job and (2) there is more consistency in the expectations communicated to organizational members. To the extent that an organization wishes to drive particular behaviors, a consistent message regarding expectations can facilitate this. Experienced practitioners advocate the use of performance standards because without them it is difficult to calibrate evaluations from different managers. If a scale is used, for example, that measures whether an employee "meets expectations" without articulating exactly what those expectations are, some managers will inevitably expect more than others. The result is that employees holding the same job at the same level may be held to different standards, which is unfair. Similarly, a scale that asks managers to rate employees from "ineffective" to "highly effective" suffers the same problem. Thus, the inclusion of performance standards to guide ratings is considered best practice in developing an effective performance management system.

Advantages of Performance Standards

- Communicate key performance factors and expectations.
- Show distinctions in effectiveness levels that help supervisors explain why an employee was evaluated in a particular way.
- Provide a job-relevant basis for evaluating employees, increasing fairness.

Evaluating Results

Although more and more organizations are using competency models and accompanying behavioral standards as a basis for performance management, there is also increasing focus on and importance of evaluating employees' results as part of the performance management process. Key results to be achieved will vary for different employees, depending on the nature of the individual's job and assignments. For example, some employees may have production or sales results, others may be responsible for successfully developing and implementing new programs or systems, others may have specific levels of customer satisfaction outcomes they are expected to reach, and yet others may have employee development or team leadership results. A critical issue faced by organizations is how to measure and evaluate results. Some results can be evaluated by tracking various objective indicators of performance, such as dollar volume of sales, profitability and amount of product produced. While objective indicators of performance can be useful, there are two potential problems with them.¹⁶ The first is that such measures can be affected by differences in opportunities that are available to different employees. For example, one employee may have more modern equipment than another and thus be able to produce a higher volume of product, irrespective of how hard either individual works. A similar example is that one employee may have sales territory in Wyoming and another in New York City. Certainly, based on the volume and proximity of potential customers, the individual in New York will have more opportunities to make sales than the one in Wyoming. Another issue with objective measures of performance is ensuring the accuracy of the metrics collected and putting systems in place to track those of interest for performance evaluation. Developing and collecting meaningful metrics in organizations can have significant resource implications and thus the number and type of metrics to be collected must be carefully considered. Due to the inherent difficulties in collecting good objective performance measures, many organizations have moved the evaluation of results to collecting information on employees' most meritorious accomplishments and the impact of these contributions. Discussed above was a component of the performance management process where employees are asked to articulate their major accomplishments or results for the rating period. The use of employee accomplishments to measure results does not have the same limitations as using objective performance measures and also allows for results to be considered that may not have objective performance measures associated with them, such as team leadership skills.

5. Performance Review

Assuming that feedback has been provided on an ongoing basis, the formal performance review session should simply be a recap of what has occurred throughout the rating period. In other words, there should be no surprises in the performance review. During this meeting, managers should discuss with employees their ratings, narratives and rationale for the evaluation given.²⁰ The performance review session is

also a good time to plan developmental activities with employees. Experienced practitioners have found that competency models and performance standards like those described above help managers and employees identify and address development needs. Obviously, any performance standards that are not currently being met should be identified as development areas. If all current job standards are being met, employees and managers can look to the next level's performance standards to identify requirements and developmental areas to pursue in preparation for advancement. While identifying developmental needs can be easy with the right performance management tools, knowing exactly what to do to address these needs effectively is not always so obvious. Many managers are quick to suggest formal classroom training or distance learning to enhance employees' skills, without realizing that the vast majority of learning occurs on the job. Even if formal training is the best option for addressing a development need, how does a manager know which training to prescribe for an employee's particular needs? To address these questions and help managers and employees more easily identify effective learning options, "Developmental Handbooks" can be included in performance management systems. Developmental handbooks contain on-the-job learning experiences, formal training and other developmental resources (e.g., books, Web sites) targeted to each competency. These handbooks provide a roadmap for helping address development areas. See the sample excerpt on the previous page. In some organizations, pay, promotion decisions and other administrative actions are also discussed during the performance review session. In others, separate meetings are held to discuss administrative actions. The rationale for not discussing rewards or other outcomes during this session is to enable a more open discussion about employee development needs. As a practical matter, however, it can be difficult to schedule multiple performance management meetings between managers and employees to discuss different aspects of the process (e.g., evaluations, development, rewards). While identifying developmental needs can be easy with the right performance management tools, knowing exactly what to do to address these needs effectively is not always so obvious. Many managers are quick to suggest formal classroom training or distance learning to enhance employees' skills, without realizing that the vast majority of learning occurs on the job. Even if formal training is the best option for addressing a development need, how does a manager know which training to prescribe for an employee's particular needs? To address these questions and help managers and employees more easily identify effective learning options, "Developmental Handbooks" can be included in performance management systems. Developmental handbooks contain on-the-job learning experiences, formal training and other developmental resources (e.g., books, Web sites) targeted to each competency. These handbooks provide a roadmap for helping address development areas. See the sample excerpt on the previous page. In some organizations, pay, promotion decisions and other administrative actions are also discussed during the performance review session. In others, separate meetings are held to discuss administrative actions. The rationale for not discussing rewards or other outcomes during this session is to enable a more open discussion about employee development needs. As a practical matter, however, it can be difficult to schedule multiple performance management meetings between managers and employees to discuss different aspects of the process (e.g., evaluations, development, and rewards.)

3.5 Performance Monitoring

Just as performance appraisals are expected to achieve various developmental goals, performance monitoring exercise is also important to ensure that the whole system of

performance management is working effectively and efficiently. Generally, performance appraisal systems are well thought of and properly designed. Still many times the performance management system fails to provide the desired outcome. The major reason behind this is too much focus on planning and too less concentration at the time of implementation. To remove such kind of mistakes in the organization, a tool is required which can observe and assess the ongoing performance and provide solution to a timely recovery from any deviation between expected and actual performances. Performance monitoring enables to create an environment of continuous learning and development in the organization.

Few characteristics of performance monitoring are:

- Performance monitoring activity is performed as an outcome of performance appraisal.
- It is an instrument to keep the employee focused towards achievement of performance as per the performance planning stage decisions.
- Performance monitoring is not a onetime activity. The ongoing nature of this activity enables it to provide opportunities to the employees to keep a track on their performance and eventually taking corrective action in order to deliver the performance as per the expectations.
- Through performance monitoring process employees would know about the current condition of their performance related outcomes. They would also get aware about the areas of deficiency. Once the gaps are identified, employees could opt for a suitable training and development program.
- Performance monitoring equips the employees to take advantage of career development opportunities.
- Performance monitoring enables achievement of organizational and individual goals. It is possible through continuous monitoring and follow up system. It builds up the bonding between management and employees. The line managers responsible for effective implementation performance appraisal system lacks in their effort due to presence of certain situations such as culture of open communication does not exist in the organization, there is no short term visible impact of ignoring this activity, organizations fail to develop a culture where performances of each other could be discussed and improved, lack of time for conducting the activity, and lack of proper system and guidelines to monitor and report the performance related information.

Objectives of Performance Monitoring

Performance monitoring is a tool to measure various activities that are the part of performance management system which can affect the performance of an employee working in direction of enhancing the organizational performance. Performance monitoring system involves analysis of

- results in order to ensure that assigned task has been completed successfully
- completed task effectiveness in terms of accuracy
- contribution of activities towards performance improvement
- measures adopted for improvement in performance
- Development of performance based culture in the organization.

The purpose of performance monitoring is not to intrude but to provide a true picture about the success of performance management system in the organization. The monitoring of implementation should be done comprehensively and regularly till it

gets inculcated in the culture of the organization. Major objectives of performance monitoring are:

- To support appraiser and the employee under appraisal in understanding and implementing the system. It provides guidance and valuable inputs to plan the performance, analyse, get it reviewed, and extraction of valuable data based information.
- To build up the recognition of performance planning analysis through analysing data and offering feedback at respective department level.
- To act as a reminder mechanism for the employees that are supposed to work for heightened performances. A continuous use of performance monitoring make employees accustomed to the requirement of system and starts delivering performance at the desired level. The constant pressure to work better when it becomes a habit, employees would able to manage their time well.
- To offer opportunities to the employees of the organization in relation to get required training, acquire proper learning, and take advantage of development situations.
- To contribute towards improving individual job performances.
- To ensure the effectiveness of performance measurement methods through inculcating suitable changes.
- To reconsider the ways in which performance is understood and its criteria are decided. It is done at the performance planning stage for both individuals and groups.
- To keep a check on the commitment and involvement level of employees in order to increase the acceptability of information they would receive through feedback.
- To act as a change agent in order to adjust the performance management system as per the requirement of dynamic external environment. Performance monitoring is helpful to an organization in more than one ways. It provides mechanism to improve on the existing performance management system. It helps in reviewing and rectifying the performance on a regular basis to keep the results on the right track. Performance monitoring helps in identifying performance gaps and ways to improve the performance on a continuous basis. It provides an opportunity to an employee to exploit his full potential. Monitoring the performance helps the organization in providing accurate, objective, and balanced feedback to the employee. Performance monitoring is also a way to show the employees that how important you and your work are for the success of the organization.

3.6 Feedback

Feedback is a kind of response that takes place after the conduct of any business operation undertaken by an individual or group. Every feedback, criticism, and comment is deemed vital for successive progress in a learning and development circumstance.

Employees can experience an environment of engagement and productivity through quality feedback. Good quality feedback indicates to the learners their performance levels and helps them figure out where they want to work to achieve better results.

Feedback is an instrument that assists a person in evaluating their work and themselves. While the observations and remarks are essential for employees similarly,

it's vital for the leaders too. To focus more on growth, they need an evaluation to be an inspiration for their organization.

- **Types of feedback**

- 1. 360-Degree Feedback**

The modern performance review method is gaining attention like a forest fire. Included in this process is confidential, anonymous feedback from the people who work around an employee. They can be the employee's manager, colleagues, clients, superiors, etc.

Organizations today use 360 degree feedback software to learn and understand the strengths and weaknesses of an employee. Here superiors can evaluate an employee's performance through multiple sources, instead of just one-on-one feedback from their direct manager.

360 degree feedback fosters an environment of transparency in the organization. Moreover, it boosts the overall performance of the team and facilitates self-awareness.

- 2. Constructive Feedback**

The idea behind constructive feedback is to foster a favorable outcome by offering advice, comments, reviews, or suggestions that are invaluable and helpful to a person. The aftermath of constructive feedback is often a boost in the process rate, improvement in human behavior and identification of any weakness, spotlighting of new perspectives, etc., and much more.

The purpose is to provide feedback to an individual in a sense that'll pave a path toward improvements. This is a noteworthy component, as it augments personal growth on top of professional development in individuals.

- 3. Formal Feedback**

A deliberated form of feedback that's planned and structured professionally in advance to give to an employee.

Additionally, formal feedback is much more organized, methodically documented, and secured for future reference in the business files.

Feedback sessions such as this provide a mutual platform for both the employer and the employee to have open discussions. Questions, doubts, problem areas, things going well, open questions, etc., and much more.

A formal feedback session at the job demonstrates actionable insights in accordance with the facts and figures.

- 4. Informal Feedback**

Informal feedback, as the term suggests, is a casual form of catching up with employees on the work being done.

The sudden and in-the-moment kind of conversation with a person regarding their performance, behaviors, or interactions in the organization.

Informal feedback is a common form of feedback as it takes place at any time, among anyone, and can be as influential and beneficial as ineffective and unkind.

People can be more transparent with each other in this setting as no formal boundaries tie them down from speaking their minds.

5. Positive Feedback

The type of feedback that every employee wants in their records. Positive feedback focuses on the strengths and values an employee contributes toward the organization's success.

Employees that receive quality positive remarks feel appreciated and are more inclined to work toward the company's success, thus, making them loyal. Humans are naturally motivated to do and be better after hearing some positive feedback.

Positive feedback fortifies good behaviors and helps employees polish their skills professionally.

As the saying goes, excess of everything is bad. Similarly, it's essential to keep in mind that positive feedback shouldn't be overused, too, as it decreases the value.

6. Negative Feedback

Negative feedback is the type of feedback people usually avoid, but a balance needs to be maintained. Where there's a negative, there's a positive too. Negative feedback can often make people anxious or demotivated, which lowers productivity.

But it is also essential as the areas that need to be improved can be highlighted.

Negative feedback can be effective and valuable as it enables supervision of performance and alerts about the changes that should be made.

7. Quantitative Feedback

The data for feedback purposes that calculates results on a numerical basis, is referred to as quantitative feedback. It assists in quantifying the aspects of a business like – customer service, product and campaign success, etc.

Quantitative feedback works by measurable outcomes and metrics. The information acquired through it is robust and reliable about employee and company performance.

The idea behind quantitative feedback is to acquire multiple answers. Quick multiple choice questions are primarily used so that it's easy to answer and a high dropout rate can be avoided. Conclusions are then drawn based on the statistics acquired.

8. Qualitative Feedback

Qualitative feedback is a non-numerical representation of comments and reviews through which individual perspectives can be understood. Organizations bring qualitative feedback into action so as to gain quality insights about the clientele and their issues or motivations.

Qualitative feedback enables a more subjective discussion about quality and performance and helps discover the 'why' behind quantitative results.

9. Sandwich Feedback

As the term suggests, this type of feedback literally portrays a sandwich. Herein, two positive feedbacks cushion the negative feedback.

Initially, the superior delivers positive feedback and then critical or constructive feedback. After that, another positive feedback closes the whole feedback process.

Professionals more often than not prefer the sandwich feedback or hamburger method as a valuable and innovative way of tackling challenging conversations. The idea behind this type of feedback is to ease the blow of the critique by engulfing the negative remarks between two positive comments.

10. Immediate Feedback

The instant feedback approaches wherein reviews are provided on-demand or contextually, immediately after a learner's action. This assists a person in deepening their understanding of things and how to improve themselves.

Immediate feedback that is provided just after the action or learning helps improve understanding. It addresses the misconceptions, reinforces the strategies, and supports in achieving a high retention rate.

Furthermore, immediate feedback enhances an individual's confidence and self-awareness which leads the path toward increased motivation.

❖ Key Word

1. Performance Management

Performance management involves thinking through various facets of performance, identifying critical dimensions of performance, planning, reviewing and developing and enhancing performance and related competencies.

2. Performance management strategy

With the principles of performance management in place and with the collaboration of managers, HR, and employees, the next step is outlining a concrete strategy on how to utilize performance management to actualize employee potential and promote organizational success.

3. Management by Objective (MBO)

In this method, measurable goals are set collaboratively for the organization, various departments, and each individual member. Employees are evaluated annually based on how well they have achieved the results specified by the goals.

4. Critical incident method

By describing specific events (or incidents) where the employee performed well or in a way that needs improvement, the critical incident method (CIT) puts performance in context and illustrates how the individual understands their choices.

5. Sandwich feedback

As the term suggests, this type of feedback literally portrays a sandwich. Herein, two positive feedbacks cushion the negative feedback.

❖ Exercise

1. Define Performance management briefly.
2. Discuss Goals of Performance Management.
3. Write a note: Performance management strategy.
4. Discuss Performance Management Process.
5. Write a note: Performance evaluation.
6. What Is Stocktaking?
7. What Is Stock Checking?

8. discussed the differences between stocktaking & stock checking.
9. Discuss Methods of Stock Checking.
10. What is feedback? Discuss types of feedback.

MCQ:

When goal setting, performance appraisal, and development are consolidated into a single, common system designed to ensure that employee Performance supports a company's strategy, it is called _____

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1. What is the primary purpose of performance management?
 - a) Employee discipline
 - b) Employee evaluation
 - c) Employee development and improvement
 - d) Employee compensation
2. Which of the following is a key element in effective performance management?
 - a) Micromanagement
 - b) Clear communication
 - c) Limited feedback
 - d) Annual appraisals
3. Performance management typically involves setting:
 - a) Low standards to ensure employee success
 - b) Unrealistic goals to challenge employees
 - c) Clear and achievable performance expectations
 - d) No performance expectations
4. What is the role of feedback in the performance management process?
 - a) It is unnecessary and counterproductive
 - b) It provides employees with an opportunity to vent frustrations
 - c) It helps employees understand their strengths and weaknesses
 - d) It's the responsibility of HR, not managers
5. Which step in the performance management process typically involves a formal meeting between the employee and the supervisor?
 - a) Goal setting
 - b) Performance appraisal
 - c) Continuous feedback
 - d) Compensation adjustment
6. A 360-degree feedback system gathers input from whom?
 - a) Only the immediate supervisor
 - b) Peers, subordinates, and superiors
 - c) External stakeholders
 - d) Family and friends

7. Performance improvement plans (PIPs) are typically used to:
 - a) Recognize top performers
 - b) Document employee complaints
 - c) Address and improve underperformance
 - d) Determine annual bonuses
8. How often should performance goals be reviewed and adjusted?
 - a) Every decade
 - b) Once a month
 - c) Once a year
 - d) Only when an employee requests it
9. What is the role of Human Resources (HR) in the performance management process?
 - a) To conduct all performance appraisals
 - b) To set all performance goals for employees
 - c) To provide guidance, tools, and support for the process
 - d) To determine employee compensation without input from management
10. Which of the following is NOT a potential outcome of the performance management process?
 - a) Recognition and rewards
 - b) Employee development and training
 - c) Employee termination
 - d) Reduced communication between employees and management
11. What is the primary purpose of a 360-degree appraisal?
 - a) To assess an employee's performance solely based on self-evaluation
 - b) To evaluate an employee's performance from multiple perspectives, including peers, subordinates, and superiors
 - c) To determine employee compensation
 - d) To identify the employee's preferred work style
12. Who typically provides feedback in a 360-degree appraisal?
 - a) Only the immediate supervisor
 - b) Only the HR department
 - c) Peers, subordinates, superiors, and sometimes external stakeholders
 - d) Only the employee's family and friends
13. What is a potential benefit of using a 360-degree appraisal?
 - a) It eliminates the need for traditional performance appraisals
 - b) It provides a more comprehensive and balanced view of an employee's performance
 - c) It reduces the workload for HR departments
 - d) It focuses exclusively on an employee's self-assessment
14. Which of the following is a potential challenge of implementing a 360-degree appraisal system?
 - a) It is less time-consuming than traditional appraisal methods
 - b) It can lead to conflicts and disputes among colleagues
 - c) It allows employees to evaluate their own performance without external input
 - d) It does not provide any feedback to the employee
15. In a 360-degree appraisal, what is the purpose of anonymity for feedback providers?

- a) To ensure that employees do not receive any feedback
 - b) To encourage open and honest feedback without fear of reprisal
 - c) To reveal the identity of feedback providers to the employee
 - d) To limit the participation of feedback providers
16. How is the feedback collected in a 360-degree appraisal typically administered?
- a) Through informal conversations with colleagues
 - b) Through self-assessment forms completed by the employee
 - c) Through a structured and confidential survey or assessment
 - d) Through public discussions in the workplace
17. What is the main objective of a 360-degree appraisal process?
- a) To focus exclusively on an employee's strengths
 - b) To identify areas for improvement and development
 - c) To assign a performance rating to each employee
 - d) To determine annual bonuses
18. Who typically analyzes and summarizes the feedback received in a 360-degree appraisal?
- a) The employee being evaluated
 - b) An external consultant
 - c) HR professionals or a designated administrator
 - d) The CEO of the company
19. How often is a 360-degree appraisal process usually conducted?
- a) Quarterly
 - b) Annually
 - c) Once in an employee's lifetime
 - d) Every two years
20. In a 360-degree appraisal, what should the primary focus be when providing feedback?
- a) Personal biases and opinions
 - b) Constructive and actionable feedback related to job performance
 - c) Compliments and praise
 - d) Feedback on non-work-related matters
21. What is the primary goal of Management by Objectives (MBO)?
- a) To increase micromanagement
 - b) To improve communication within the organization
 - c) To achieve organizational and individual goals
 - d) To limit employee participation in goal setting
22. Who typically sets the objectives in an MBO system?
- a) Only top management
 - b) Only individual employees
 - c) A collaborative effort between managers and employees
 - d) External consultants
23. In the MBO process, what is the role of managers in relation to objectives?
- a) Managers are not involved in the objective-setting process.
 - b) Managers solely dictate objectives to employees.
 - c) Managers assist in setting objectives and provide guidance.
 - d) Managers set objectives unilaterally.

24. What is the purpose of regularly reviewing and measuring progress in MBO?
- To create a rigid, unchanging set of goals
 - To eliminate the need for performance appraisals
 - To ensure objectives remain static throughout the year
 - To track progress and make adjustments as needed
25. What is the key benefit of using MBO in organizations?
- It eliminates the need for employee performance evaluations.
 - It increases employee stress and dissatisfaction.
 - It aligns individual and organizational goals and improves performance.
 - It centralizes all decision-making with top management.
26. What is the primary goal of providing constructive feedback?
- To criticize and demotivate the recipient
 - To highlight the recipient's failures and shortcomings
 - To facilitate improvement and positive change
 - To avoid addressing any issues at all
27. Which of the following is an essential element of constructive feedback?
- Focusing solely on the recipient's weaknesses
 - Being vague and ambiguous
 - Providing specific and actionable recommendations
 - Avoiding feedback altogether
28. When should constructive feedback be delivered for maximum impact?
- Immediately after an issue arises
 - At the end of the year during performance reviews
 - Only when the recipient requests it
 - Never
29. Which of the following is a common mistake when giving constructive feedback?
- Providing feedback privately to avoid embarrassment
 - Using "I" statements to express personal feelings and opinions
 - Being overly critical and not offering solutions or suggestions for improvement
 - Avoiding feedback that might make the recipient uncomfortable
30. What should the tone of constructive feedback generally be?
- Positive and encouraging
 - Harsh and confrontational
 - Neutral and emotionless
 - Passive and disinterested

4.1 Introduction**4.2 Competency****4.3 Performance****4.4 Determining Goals****4.5 Bonus**❖ **Exercise****4.1 Introduction**

(Islami, 2020) ” Every single organization has expectations from the pool of people that work for the organization.” In an organization all the individuals put in their efforts towards shared goal. This could be in constructive collaboration with individual career goals. The realities of business are changing fast. Certain industries are specifically looking to sustain & maintain their share in the business market. This includes both resources that are pooled from the job market & consumers that are attracted for product market.

To succeed, businesses need the following (Islami, 2020).

- Define clear objectives and goals for the organization.
- Develop a structured framework to monitor and evaluate performance.
- Effective Internal and External Communications:
- Implement a communication strategy to ensure all stakeholders understand the performance measurement system.
- Foster opens communication channels within the organization.
- Communicate performance results transparently to external stakeholders when appropriate.
- Clarity and Understanding in Accountability.
- Clearly define roles and responsibilities to avoid ambiguity.
- Establish a culture of accountability, emphasizing ownership of tasks and results.
- Provide training and resources to ensure employees understand their roles in achieving organizational goals.
- Performance Management Systems for Decision-Making.
- Ensure the performance management system provides actionable insights.
- Align data collection and analysis with strategic decision-making processes.
- Use performance data to identify areas for improvement and inform strategic planning.
- Link Performance Measurement to Compensation, Rewards, and Recognition.
- Integrate performance metrics into the compensation and rewards structure.
- Tie individual and team performance to monetary incentives and recognition programs.
- Ensure fairness and transparency in linking performance to rewards.
- Open Sharing of Results and Commitments with Employees.
- Foster a culture of openness and transparency.
- Share performance results regularly with employees at all levels.
- Encourage employee involvement and feedback in the improvement process.
- Combining Competency-Based Interventions.
- Integrate competency assessments into the performance management

framework.

- Identify and address skill gaps through targeted interventions.
- Align competency development with organizational goals and individual performance expectations.

4.1.1 Role of HR in Performance management

1. Alignment with Corporate Objectives:

HR strategy should be coextensive with the overall objectives and goals of the organization. This ensures that HR activities contribute directly to the achievement of broader business objectives.

2. Recognition of Human Capital as an Asset:

Acknowledging employees as valuable assets signifies the strategic importance of human capital in achieving organizational success.

3. Effective HR Management for Organizational Success:

Managers recognize that effective management of HR is pivotal to organizational success. This includes activities like talent acquisition, development, and retention.

4. Efficient HR Strategy for Direction and Change:

An efficient HR strategy provides direction and manages change in an orderly manner. It helps organizations adapt to evolving business landscapes.

5. Focus Areas of HR Strategy:

HR strategy encompasses various critical areas such as talent retention, competency development, change management, conflict resolution, and ensuring the right fit for human resources in distinct roles.

6. Adapting to Business Changes:

HR needs to adapt to major business changes, ensuring that the workforce is aligned with new strategies, technologies, or market conditions.

7. Alignment with Organizational Mission and Goals:

Linking HR processes with the mission and goals of the organization ensures that every HR activity contributes to the larger purpose of the business.

8. HR as a Cost or Profit Center:

HR is often considered a cost center when its primary role is seen as supporting internal processes without a direct impact on revenue generation. Traditional HR functions like recruitment, training, and employee benefits are necessary for organizational well-being but may not have a direct link to revenue generation. In cost centers, the focus is on managing expenses efficiently while still meeting the organization's needs. HR can be viewed as a profit center when its activities contribute directly to the organization's revenue or bottom line. Strategic HR initiatives, such as talent management, workforce planning, and employee engagement programs, can lead to increased productivity, innovation, and customer satisfaction, impacting profitability. The shift towards viewing HR as a profit center involves aligning HR strategies with overall business objectives and demonstrating a return on investment (ROI) for HR initiatives.

In practice, the distinction between cost and profit centers for HR is not always black and white. Many HR functions have elements of both, with some activities being essential for the organization's functioning (cost center), while others directly contribute to growth and profitability (profit center).

The evolving role of HR professionals involves not only managing traditional HR functions efficiently but also actively participating in strategic decision-making to positively influence the organization's financial performance. This includes initiatives that enhance employee productivity, promote a positive workplace culture, and align HR strategies with the organization's business goals. Thus, a well-crafted HR strategy is not just about managing people; it is about aligning the workforce with the strategic goals of the organization, adapting to changes, and ensuring that HR functions contribute positively to the bottom line. It positions HR as a strategic partner in the success of the business.

4.2 Competency

The terms "competence" and "competency" are related but are often used with slightly different nuances in various contexts. As described, there can be a distinction between the two:

1. Competence:
 - Skill-based: It refers to the range of skills one possesses.
 - Standard attained: It reflects upon the achievement of a skill level.
2. Competency:
 - Behavior-based: It focuses on the behavior or way skills are applied.
 - Manner of behavior: It describes how one performs a skill or task.

So, while competence is about the skills and the standard of performance, competency is about the behavior and how the skills are applied or demonstrated.

The plural forms, "competences" and "competencies," are used to convey different meanings:

- Competences: the quality of being adequately or professionally qualified physically and intellectually..
- Competencies: the ability to do something well or effectively.

The progression from knowledge to skill to competence helps illustrate the development of an individual's abilities.

The definition by Hogg (1993) "it aligns with the idea that competencies are characteristics of an individual (manager, in this case) that lead to the demonstration of skills and abilities. The key points from the definition emphasize that competencies are observable, must result in effective performance, and include the capacity to transfer skills and abilities."

While these terms may be used interchangeably in some contexts, there are distinctions, particularly in the focus on skills and standards in competence and the emphasis on behavior and application in competency.

To distinguish between the concepts, the following points are elucidated.

Knowledge:

Definition: Understanding the meaning or information about a particular subject or activity.

Example: Knowing the theoretical aspects of driving a car.

- **Skill:**

Definition: The ability gained through practice to perform a specific task or activity proficiently.

Example: Being able to drive a car after receiving practical training in a non-traffic area.

Competence:

Definition (from Hogg, 1989) "Characteristics of a manager that lead to the demonstration of skills and abilities, resulting in effective performance within an occupational area."

4.2.2 Characteristics of a H.R. Manager:

Competency is inherent in the personal traits and attributes of an individual.

Demonstration of Skills and Abilities: Competency involves observable behaviors that highlight the application of skills and abilities.

Effective Performance: The goal of competency is to enhance performance significantly compared to those lacking competency.

Transferability: Competency includes the capacity to transfer skills and abilities from one context to another.

The analysis of the definition emphasizes that competency is not just a theoretical understanding (knowledge) or the ability to perform a task (skill). It goes beyond ensuring that the application of skills and abilities leads to effective performance within a specific occupational domain. Additionally, the mention of the capacity to transfer skills and abilities highlights the versatility of competency, allowing individuals to apply their capabilities in different contexts. It is worth noting that the emphasis on observable behavior and the tangible impact on performance distinguishes competency from mere potential or theoretical knowledge. Competency is about practical application and achieving superior results in a specific role or area.

4.3 Performance

As defined by Aguinis (2005 (Sanghi, 2007)) "Performance management is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization." Its five elements are agreement, measurement, feedback, positive reinforcement, and dialogue. When employees do not perform their job, it is both the individual employee and the organization that suffer. Employees are the medium through which all other resources are put to use. Within the premises of limited resources, the best use of resources for achieving organizational goal is the ultimate objective of human resource management.

Pulakos (2009) "Performance management is the key process through which work gets done. It is how organizations communicate expectations and drive behavior to achieve important goals."

It is also about how organizations identify ineffective performers for development programs or other personnel actions. Achieving goals is vital for sustenance of firms. Competencies are inherent characteristics of individuals that impact their ability to perform effectively in various job situations. Competencies are not necessarily job-specific, and they encompass a combination of knowledge, skills, and attitudes that

can be measured against standards and improved through training and development. The focus is on the transferability of competencies across roles. Performance includes behavior, results, expectations, measures of evaluation etc. When a team or firm communicates the expected ethical behavior, duties, responsibilities etc. to an employee it is communication of expectations for employees as well as employer. Managers should keep in mind that while evaluating performance both behavior & results should be equally weighted. (Armstrong, 2014)The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization.

Campbell (1990) “performance is the outcome of three determinants. One, knowledge about facts and things (termed declarative knowledge).Two, knowledge about how things are done and the skills to do them (termed procedural knowledge and skills).Three motivation to act, to expend effort and to persist (termed motivation).”

4.3.1 Theories of Performance Appraisal.

Goal theory

(Armstrong, 2014)Goal theory, as developed by Latham and Locke (1979), highlights four mechanisms that connect goals to performance outcomes: “1) they direct attention to priorities, 2) they stimulate effort; 3) they challenge people to bring their knowledge and skills to bear to increase their chances of success and 4) the more challenging the goal, the more people will draw on their full repertoire of skills.” This theory supports the emphasis in performance management on setting and agreeing objectives against which performance can be measured and managed.

Control theory

(Armstrong, 2014)Control theory focuses attention on feedback as a means of shaping behavior. As people receive feedback on their behavior they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome the discrepancy. Feedback is recognized as a crucial part of performance management processes.

Social cognitive theory

Bandura developed social cognitive theory. (1986). It is based on his central concept of self-efficacy.

This suggests that what people believe they can or cannot do powerfully impacts their performance.

Developing and strengthening positive self-belief in employees is therefore important for performance management objective.

4.3.2 Objectives of performance appraisal

1. Strategic communication – Communicating to people what & why their job is crucial to overall goal achievement of business.
2. Relationship building – Cultivating trust between the performer & evaluator.
3. Employee development – Feedback is communicated to make workplace & its elements satisfactory to employees. While it is an everlasting method of ensuring combined effort towards identification & enlightenment towards strength & weaknesses of people in the working environment.
4. Employee evaluation – assess the performance of employees (performance appraisal) as a basis for making decisions on job reassignment, promotion or performance-related reward.

4.4 Determining Goals

Determining & agreeing upon goals is the primary stage of Performance goal determination. Performance evaluations are defined for various positions through Key Responsibilities Area (KRA). These are further defined as targets or objectives. An important part of goal determination is alignment of team goals to corporate goals. Contrary to certain beliefs, employees also visually or mentally realign their goals to organizational goals when they feel valued.

The acronym ‘SMART’ is often used to define a goal.

- S -Specific. What am I going to do? Why is this important to me?
- M- Measurable. How will I measure my success? How will I know when I have achieved my goal?
- A -Attainable. What will I do to achieve this goal? How will I accomplish this goal?
- R -Relevant. Is this goal worthwhile?
- T-Time-Bound. When will I accomplish my goal?

Blanchard (1989) he suggested that the last three letters of the mnemonic should be amended to read.

“For attainable, R for relevant and T for trackable. He attached particular importance first to ‘relevant’”, meaning that the objective is to do with the business and its customers. Second, he emphasized ‘trackable. because the important thing to do with objectives is to monitor progress over time, i.e., track it (he rejected ‘Time-related’ because it did not convey this essential feature and was in any case covered already by ‘specific’).

The process of determining and setting performance goals is a crucial aspect of effective performance management. The mentioned stages and the SMART criteria provide a structured approach to goal setting. Further elaboration of the following is important.

1. Determining Goals:

The primary stage involves defining and agreeing upon performance goals. Performance evaluations are often structured around Key Responsibilities Areas (KRA), which are then broken down into specific targets or objectives.

2. Alignment with Corporate Goals:

An essential part of goal determination is ensuring alignment between individual/team goals and the broader corporate goals. When employees perceive that their goals contribute to organizational success, it enhances their sense of value and commitment.

3. SMART Criteria:

Specific: Clearly define what needs to be accomplished and why it is important. This provides a clear direction for action.

Measurable: Establish criteria for measuring success and define indicators to track progress objectively.

Attainable: Ensure that the goals are realistic and achievable. Consider the resources and steps needed for successful goal attainment.

Relevant: Verify that the goals align with the broader objectives of the business and are meaningful to both individuals and the organization.

Time-Bound: Set specific times for goal completion to create a sense of urgency and help in monitoring progress.

4. Blanchard's Amendments to SMART:

Attainable: Like the original SMART, ensuring that goals are feasible and can be accomplished with the available resources.

Relevant: Emphasizing the importance of goals being related to the business and its customers.

Trackable: Highlighting the need to monitor progress over time. This emphasizes the ongoing assessment of performance and the ability to adjust as needed.

5. Importance of 'Relevant' and 'Trackable' (Blanchard's Perspective):

Relevant: Goals should directly contribute to the business and its customers, ensuring that efforts are meaningful and impactful.

Trackable: Monitoring progress over time is crucial for performance management, enabling continuous improvement and accountability.

By incorporating the SMART criteria and considering the amendments suggested by Blanchard, organizations can enhance the effectiveness of their performance goal-setting process, promoting clarity, alignment, and continuous improvement. Various types of jobs require customization of Performance appraisal depending on the peculiarity of skill set required.

4.4.1 Types of jobs.

1 Full-time Job:

Employees work a standard number of hours per week, typically 40 hours, and receive benefits such as health insurance, paid time off, and retirement plans.

2 Part-time Job:

Employees work fewer hours than full-time, often with flexible schedules. Part-time workers may or may not receive benefits depending on the employer.

3 Temporary/Contract Job:

Employment for a fixed period, often to complete a specific project or cover a temporary staffing need. Workers in temporary positions are typically not eligible for long-term benefits.

4 Freelance/Independent Contractor:

Individuals who work on a project-by-project basis for multiple clients. Freelancers are usually responsible for their own taxes, health insurance, and other benefits.

5 Internship:

Temporary positions for students or recent graduates to gain practical experience in a specific industry. Internships may be paid or unpaid.

6 Remote/Telecommuting Job:

Employees work from a location other than the company's office, often from home or another remote location. Remote work has become more common with advancements in technology.

7 Consulting Job:

Professionals with expertise in a specific field offer their services to businesses on a contractual basis. Consultants are hired for their knowledge and experience to address specific business challenges.

8 Entry-level Job:

Positions that require minimal or no prior work experience. These jobs are typically suitable for individuals who are starting their careers.

9 Executive/Management Job:

Leadership roles within an organization, involving decision-making, strategic planning, and overseeing various departments or teams.

10 Nonprofit Job:

Employment within organizations focused on social or environmental causes. Nonprofit jobs may include roles in fundraising, program management, advocacy, and more.

11 Blue-collar Job:

Manual or industrial work often involves physical labor. Examples include construction, manufacturing, and skilled trades.

12 White-collar Job:

Professional, office-based work that typically involves tasks performed at a desk using a computer. Examples include administration, finance, and information technology.

These categories provide a broad overview, and there can be further subdivisions within each type based on industry, skill level, and other factors.

Identifying Skill gap:

Skill gap is an introspective activity for H.R. professionals. It should be conducted for organizations & employees both. Steps to help identify skill gaps:

For Individuals:

1. Self-Assessment:

Reflect on your current skills and knowledge. Consider both technical (hard) skills and soft skills. Identify areas where you feel confident and areas where you lack proficiency.

2. Set Goals:

Define your short-term and long-term goals. What skills are required to achieve those goals? Identify the skills that will contribute to your success.

3. Feedback:

Seek feedback from peers, supervisors, or mentors. They can provide insights into your strengths and areas that need improvement.

4. Industry Research:

Stay informed about trends and changes in your industry. Identify emerging skills that are becoming increasingly important.

5. Job Descriptions:

Review job descriptions for positions you aspire to or are interested in. Note the required skills and qualifications.

6. Training and Certification Opportunities:

Explore training programs, workshops, and certifications relevant to your field. Assess whether acquiring these certifications will address your skill gaps.

7. Networking:

Connect with professionals in your industry through networking events or online platforms. Discuss the skills that are in demand and gather insights on what is valued in your field.

8. Upskilling:

Upskill" refers to the process of acquiring new skills or enhancing existing ones to improve one's proficiency and employability. Upskilling is often undertaken to stay relevant in a rapidly changing job market, advance in one's career, or adapt to evolving industry trends. Individuals and organizations both engage in upskilling to meet the demands of a dynamic and technology-driven work environment.

• **For Organizations:**

1. Skills Inventory:

Conduct a skills inventory of your current workforce. Identify the skills your employees possess and those that are lacking.

2. Performance Reviews:

Use performance reviews to assess employee skills. Identify communal areas of strength and weakness across teams.

3. Employee Surveys:

Gather feedback from employees through surveys. Ask about their perceived strengths, areas for improvement, and the skills they believe are crucial for their roles.

4. Future Skill Requirements:

Anticipate future skill requirements based on industry trends, technological advancements, and organizational goals.

5. Benchmarking:

Compare your organization's skill requirements with industry benchmarks. Identify gaps that may hinder competitiveness.

6. Training Needs Analysis:

Conduct a training needs analysis to pinpoint specific areas where employees need development. This can involve assessments, surveys, and discussions with managers.

7. Succession Planning:

Identify key roles within the organization and the skills required for those roles. Develop plans to ensure a pipeline of talent with the necessary skills.

8. External Benchmarking:

Compare your organization's skills against industry competitors. Identify areas where your workforce may be falling behind.

Once skill gaps are identified, H. R can develop strategies to address them through training, mentorship, hiring, or other relevant interventions. Regularly reassessing and updating these assessments ensures that skills remain aligned with organizational and individual goals.

Gap analysis is a process that involves identifying the disparity between current knowledge and skills and the desired or required knowledge and skills. This discrepancy, or "gap," can be addressed through targeted learning and development initiatives. However, the focus on addressing deficiencies should be complemented by a positive approach that identifies and fulfills development needs to empower individuals for future challenges.

The deficiency model of training, which primarily addresses issues that have gone wrong, has limitations. Learning is seen as a more positive and initiative-taking endeavor that goes beyond fixing problems. It encompasses preparing individuals to take on additional responsibilities, acquire new skills in response to changing work demands, and develop a versatile skill set to manage multitasking.

Coaching is an essential element in the process of addressing these gaps. Coaching is a personalized, often one-to-one, approach aimed at helping individuals enhance their skills, knowledge, and overall performance. Coaching opportunities may arise from formal or informal performance reviews, but they can also be integrated into everyday activities. The components of coaching as part of the management process include:

- 1) Using Opportunities for Learning: Leveraging various situations as opportunities to promote learning.
- 2) Controlled Delegation: Ensuring that individuals not only understand their tasks but also comprehend what knowledge and skills are required for successful task completion. This allows managers to offer guidance initially, avoiding interference at later stages.
- 3) Performance Awareness: Making individuals aware of their performance by asking questions that gauge their understanding and thought processes.
- 4) Encouraging Higher-Level Thinking: Motivating individuals to contemplate higher-level problems and consider how they would approach and solve them.

Coaching plays a crucial role in workplace learning, and it is commonly employed in executive coaching as part of a blended learning approach. This approach integrates various complementary learning activities to foster leadership and management development. Overall, coaching is an initiative-taking method that aligns with the positive aspect of learning and development, aiming to empower individuals to meet evolving challenges and responsibilities.

The evaluation of learning is a crucial step in the training and development process. It helps organizations assess the effectiveness of their training programs, ensuring that

they align with the intended outcomes and contribute to the overall success of the organization. The process of learning evaluation can be conceptualized as a chain of impact, as highlighted by Tamkin et al. (2002).

- **Establishing learning Program:**

Planning of Learning: Identifying Organizational or Individual Learning Needs: Organizations need to start by identifying specific learning needs, whether they are related to organizational goals or individual employee development.

Setting Clear Objectives: Clearly define the objectives of the learning program, specifying the knowledge, skills, or behaviors that participants are expected to acquire.

Learning Event:

Delivery of Training: Execute the planned learning activities, whether they involve workshops, online courses, on-the-job training, or other forms of learning events.

Engagement and Participation: Monitor participants' engagement and participation during the learning event to ensure that the content is being effectively delivered.

From Learning to Changed Behavior:

Application of Knowledge and Skills: Evaluate whether participants can apply the newly acquired knowledge and skills in their day-to-day tasks.

Behavioral Change: Assess whether there is a noticeable change in participants' behaviors, indicating that the learning has translated into practical application.

From Changed Behavior to Impact on Others and the Organization:

Impact on Team or Department: Determine the impact of changed behavior on immediate teams or departments, considering factors such as improved teamwork, communication, or productivity.

Organizational Impact: Assess how the changes in individual and team behavior contribute to broader organizational goals and success.

Feedback from Peers and Supervisors: Gather feedback from peers and supervisors to understand the observed impact and identify areas for further improvement.

Continuous Improvement:

Feedback and Reflection: Encourage participants to provide feedback on the training program, allowing for continuous improvement.

Review and Adjust: Analyze evaluation data and make necessary adjustments to the learning program, considering feedback, changing organizational needs, and emerging trends.

By viewing learning as a chain of impact, organizations can systematically assess the effectiveness of their training initiatives at each stage. This approach not only helps in validating the investment in learning and development but also provides valuable insights for enhancing future programs and ensuring that they contribute meaningfully to individual and organizational growth.

4.4.2 Managing Performance appraisal documentation

Monitoring, documenting, and assessing human resources involves a systematic approach to ensure the effective management and development of an organization's workforce. The breakdown of the key aspects involved:

1. Monitoring:

Attendance and Time Tracking: Keep track of employees' attendance, working hours, and time-off requests using digital tools or attendance systems.

Performance Metrics: Monitor key performance indicators (KPIs) relevant to each role to evaluate productivity and contribution to organizational goals.

Project Progress: If applicable, monitor the progress of projects and tasks assigned to individuals or teams.

2. Documenting:

Employee Records: Maintain comprehensive records for each employee, including personal details, job history, training records, and performance evaluations.

Incident Reports: Document any incidents, issues, or concerns related to employee behavior, conflicts, or policy violations.

Training and Development Plans: Keep records of training programs attended by employees and document their development plans.

3. Assessment:

Performance Appraisals: Conduct regular performance reviews to assess employees' achievements, strengths, areas for improvement, and alignment with organizational goals.

360-Degree Feedback: Gather feedback from peers, subordinates, and supervisors to provide a holistic assessment of an employee's performance and behavior.

Goal Achievement: Evaluate how well employees have met their individual and team goals and provide constructive feedback.

Skills Assessment: Periodically assess employees' skills to identify gaps and plan for training and development initiatives.

4. Employee Engagement:

Surveys and Feedback: Conduct employee satisfaction surveys to gauge overall morale and identify areas for improvement.

Communication Channels: Document the effectiveness of internal communication channels to ensure that employees are well-informed about company updates and changes.

5. Legal Compliance:

Documentation of Policies: Ensure that all HR policies are well-documented, accessible, and communicated to employees.

Compliance Checks: Regularly review and update policies to ensure compliance with labor laws and regulations.

6. Succession Planning:

Identification of Key Talents: Identify high-potential employees and document succession plans to ensure a smooth transition in key roles.

Leadership Development: Assess and document leadership potential within the organization and plan for leadership development programs.

7. Career Development:

Individual Development Plans: Collaborate with employees to create individual development plans that align with their career aspirations and organizational needs.

Promotion and Advancement: Document instances of promotions, career advancements, and changes in job roles.

8. Feedback and Improvement:

Continuous Feedback: Provide ongoing feedback to employees and document discussions to support continuous improvement.

Corrective Action Plans: Document any corrective actions taken and their outcomes to address performance issues.

By effectively monitoring, documenting, and assessing human resources, organizations can make informed decisions, nurture talent, and create a positive and productive work environment. Regularly reviewing and updating these processes ensures they remain relevant and aligned with the organization's goals and value.

4.5 Bonus

It is important for organizations to carefully plan and communicate their bonus programs to ensure they align with the company's goals and values. Transparent and fair bonus practices contribute to a positive work culture and can be an effective tool in attracting, retaining, and motivating employees.

Employee compensation, a bonus is typically an additional payment or reward given to employees beyond their regular salary or wages. Employers may offer bonuses to recognize and reward exceptional performance, achievements, or contributions to the organization. Here are some key points related to bonuses:

4.5.1 Types of Bonuses

Performance Bonuses: Awarded based on individual or team performance.

Annual Bonuses: Given on an annual basis, often tied to company performance.

Sign-On Bonuses: Offered to attract new hires to the organization.

Retention Bonuses: Given to retain key employees over a specified period.

Profit-Sharing Bonuses: Tied to the company's profits and distributed among employees.

4.5.2 Purpose of Bonuses

Recognition: Acknowledge and reward employees for their hard work and achievements.

Motivation: Provide an incentive for employees to perform at their best.

Retention: Encourage talented employees to stay with the company.

Attracting Talent: Attract high-caliber individuals to join the organization.

Distribution and Criteria:

Merit-Based: Awarded based on individual or team performance.

Discretionary: Given at the employer's discretion without a specific formula.

Objective Criteria: Tied to measurable goals and achievements.

Subjective Criteria: Based on managerial judgment and evaluation.

Tax Implications:

Taxable Income: Bonuses are typically considered taxable income for employees.

Withholding Taxes: Employers may withhold taxes from bonus payments.

Tax Deductions: Employers may be eligible for certain tax deductions related to bonus payments.

Communication:

Transparency: Clear communication about the criteria for receiving bonuses.

Timely Communication: Inform employees about bonus decisions in a timely manner.

Performance Feedback: Connect bonuses to specific achievements and performance metrics.

Employee Morale and Engagement:

Boost Morale: Bonuses can boost employee morale and job satisfaction.

Increased Engagement: Recognizing and rewarding employees can lead to increased engagement.

Team Cohesion: Encourage a positive team environment by recognizing collective achievements.

❖ Exercise**Long Questions:**

- 1) Discuss the prerequisites for human resource activity for business success.
- 2) Can H.R. be a profit center? Discuss the statement with respect to technology-based industries.
- 3) Discuss the process of establishing performance goals.
- 4) Critically evaluate the statement "Performance goals & standards are simultaneously crafted, but communication is the key."
- 5) Critically examine the statement 'Competency is about practical application and achieving superior results in a specific role.'
- 6) Would it be appropriate to design a performance appraisal system based on behavior, Outcomes, or both? Enumerate W.R.T. technology-based businesses.

Short Questions:

- 1) What is the role of H.R. in performance management..
- 2) Differentiate Competence & competencies.
- 3) Write a note on: Types of bonuses.

Do as directed:

- 1) In an organization all the individuals put in their efforts towards a ____ goal.
 - a) Shared
 - b) Accepted
 - c) Plain
 - d) Practical

- 2) Business sources resources from _____ & _____ market. that are pooled for product market.
- 3) The progression from knowledge to _____ skill to helps illustrate the development of an individual's abilities.
- 4) Bonus can increase / decreases employee morale.
- 5) Knowledge about facts and things is known as _____ knowledge.
- 6) When an individual wants to act, to expend effort, it is known as _____
 - a) Knowledge
 - b) Motivation
 - c) Leader
 - d) Valence
- 7) In order to retain employees which bonus is given?
- 8) Sign on / Retention bonus is offered to attract new hires to the organization.
- 9) Which appraisal method includes all the perspectives of an individuals performance?
- 10) _____ is a technique where skill development & training is done on one to one basis.

Answers:

- | | |
|-------------------|------------------|
| 1) A | 6) B |
| 2) Job & Consumer | 7) Retention |
| 3) Competence | 8) Sign on |
| 4) Increases | 9) 360° feedback |
| 5) Declarative | 10) Coaching |

Case let

Carrol Ltd was a successful Carrol manufacturer. In mid-2010 the company faced a problem with its performance appraisal system. The system was demotivation the employees and motivates them. Employees were discouraged and disgruntled. Carrol Ltd appraises its employees once a year. It required them to document their accomplishment and the managers used it to assess and assign rating. The rating was on forced distribution (Forced ranking is a system of employee evaluation and compensation that is used to rank employees in a company from best to worst. Employees are typically placed in one of three categories: top performers, average performers, and poor performers.). This system resulted in inequitable rating. The company produced a new system of performance appraisal. The new system focused on appraising employees half yearly and the numerical rating system was removed. Further the company prohibited the appraisal guidelines of the use of subjective assessments of performance. Both the employee and the manager had to prepare a written document on how well the employee met the present performance target. They meet and discuss performance and provide feedback, improvements and resolving any differences between them. The new system emphasized both the positive and negative aspects of an employee's performance. The discussion was focused on the merits, performance, and relationship with peers and position in salary range.

What did the new system of PA emphasize on

5.1 Introduction**5.2 Performance Contract****5.3 Organizational Support****5.4 Synergy between Performance Contract and Organizational Support****5.5 Objective of the Synergy****5.6 Performance of Contract meaning****5.7 Job Performance****5.8 Perceived Organizational Support****5.9 Psychological contract fulfillment****5.10 Methods of Performance management****5.11 Conclusion****❖ Keywords****❖ Exercise**

5.1 Introduction

Employee performance appraisals are standard practice in most workplaces — and they're critical to helping companies and their employees achieve organizational success and growth.

In the world of HR, there are both traditional and modern methods of performance appraisal. We'll be focusing on the modern methods in this post.

The importance of performance management techniques cannot be overemphasized; they help managers hold their employees accountable for their work. This is especially useful in businesses where the entire company's fate hinges on one department's or individual performance.

Businesses that rely on their teams to perform well need to track everyone's performance to ensure that they work as productively as possible. This will usually involve implementing some type of performance management technique, such as deadlines or pre-determined goals and objectives.

Performance management techniques are important for managers because it helps them keep track of what everyone is doing. Without any formal system, it can be really easy to lose hold of the reins when it comes to who is working hard and who isn't.

When there is no one standing over employees' shoulders to watch what they do all day, it can be hard for managers to find ways of ensuring that people are performing at an optimal level. Business performance management techniques are useful tools for achieving this aim because they allow companies with teams located worldwide to

acquire feedback from their staff about how hard they are working and whether there is anything that they can improve on.

The dynamics of the modern workplace are intricately woven around the concepts of Performance Contracts and Organizational Support, both of which play pivotal roles in shaping the employer-employee relationship. These elements are fundamental pillars influencing employee engagement, satisfaction, and overall organizational success.

5.2 Performance Contract

A Performance Contract establishes a structured framework for outlining expectations, responsibilities, and goals between employers and employees. It serves as a roadmap, delineating the parameters within which individual and collective contributions are evaluated. By setting clear objectives and performance standards, performance contracts provide a foundation for assessing and improving employee performance. This contractual agreement not only aligns individual efforts with organizational goals but also serves as a mechanism for continuous development and feedback.

5.3 Organizational Support

Organizational Support, on the other hand, delves into the intangible yet critical aspect of how employees perceive the level of care, fairness, and encouragement provided by their organization. It extends beyond contractual obligations to create a workplace environment where employees feel valued, supported, and motivated. Organizational Support encompasses policies, communication practices, and initiatives that enhance the overall well-being and satisfaction of employees. A supportive organizational culture contributes significantly to employee engagement, loyalty, and productivity.

5.4 Synergy between Performance Contract and Organizational Support

The synergy between Performance Contracts and Organizational Support is essential for cultivating a positive work environment. A well-structured performance contract, when complemented by a supportive organizational culture, creates a conducive atmosphere for individuals to thrive. Clear communication, opportunities for development, and fair treatment reinforce the psychological contract between employees and the organization, fostering a sense of commitment and loyalty.

5.5 Objective of the Synergy

The ultimate objective of integrating Performance Contracts and Organizational Support is to create a workplace where expectations are transparent, goals are achievable, and individuals feel supported in their professional journey. This integration not only enhances employee satisfaction and engagement but also contributes to organizational success by harnessing the full potential of its human capital.

In this exploration of Performance Contracts and Organizational Support, we will delve deeper into the components, significance, and impact of these concepts on both employees and organizations. Understanding how these elements interconnect is crucial for cultivating a thriving and sustainable work environment in today's dynamic and competitive landscape.

5.6 Performance of Contract Meaning

The performance of a contract is the carrying out of promises made by the parties. It can be done in several ways, including through action or inaction. For a contract to be valid, both parties must perform their obligations as laid out in the contract as agreed. If one party fails to do so, it can lead to disputes and litigation.

Performance management is a systematic process that helps organizations improve the effectiveness of their employees. It typically involves setting clear performance expectations, monitoring progress, providing feedback, and taking actions to enhance performance. Key components include goal setting, regular performance reviews, coaching, and recognition. Effective performance management can lead to increased productivity, employee development, and better alignment with organizational goals.

5.7 Job Performance

Job performance is the net effect of an employee's effort as modified by abilities, role perceptions and results produced.

Job performance means that how effectively an individual perform his/her job assigned by supervisor

Job performance refers to how well an individual fulfills their work-related duties and responsibilities. It can be assessed based on various factors, including the quality and quantity of work, adherence to company policies, meeting deadlines, and overall effectiveness in achieving job-related goals. Effective job performance is essential for an employee's success within an organization and contributes to the company's overall productivity and success. Performance management processes are often used to measure, evaluate, and improve job performance.

5.8 Perceived Organizational Support

Perceived Organizational Support (POS) is a complex concept influenced by various organizational factors that contribute to employees' beliefs about how much the organization values and supports them. Here are detailed aspects of what contributes to perceived organizational support:

1. Fairness and Justice:

- **Equitable Treatment:** Employees perceive fairness in how they are treated compared to their colleagues.
- **Procedural Justice:** Fairness in the processes and procedures used to make decisions.

2. Supervisory Support:

- **Leadership Behavior:** The actions and attitudes of supervisors significantly impact perceived support.
- **Managerial Supportiveness:** A supportive manager fosters a positive perception of organizational support.

3. Organizational Communication:

- **Transparency:** Open and honest communication about organizational goals, changes, and performance.

- Feedback Mechanisms: Regular feedback on performance and opportunities for improvement.
4. **Training and Development Opportunities:**
 - Professional Growth: Providing resources and opportunities for employees to develop their skills and advance in their careers.
 - Learning Culture: An environment that encourages continuous learning and skill enhancement.
 5. **Recognition and Rewards:**
 - Acknowledgment: Recognizing and appreciating employees' contributions.
 - Rewards and Incentives: Providing tangible rewards for exceptional performance.
 6. **Job Security and Stability:**
 - Stability: Assurance of job security and stability within the organization.
 - Career Advancement Opportunities: Clear paths for career progression.
 7. **Work-Life Balance:**
 - Flexibility: Offering flexibility in work schedules or remote work options.
 - Support for Well-being: Policies and practices that promote a healthy work-life balance.
 8. **Employee Involvement and Participation:**
 - Inclusion: Involving employees in decision-making processes.
 - Team Collaboration: Encouraging teamwork and collaboration.
 9. **Organizational Support for Personal Issues:**
 - Support Programs: Employee assistance programs or counseling services.
 - Health and Wellness Initiatives: Promoting employee well-being beyond professional aspects.
 10. **Consistency in Policies and Procedures:**
 - Consistent Application: Ensuring that policies are consistently applied across all levels of the organization.
 - Fairness in Policies: Policies that are perceived as fair and just.
 11. **Social Support at Workplace:**
 - Collegial Relationships: Positive relationships with colleagues.
 - Team Dynamics: A supportive team environment.
 12. **Alignment with Organizational Values:**
 - Cultural Fit: Employees feeling aligned with the organization's values and mission.
 - Ethical Practices: Conducting business in an ethical and socially responsible manner.
 13. **Accessibility of Resources:**
 - Adequate Resources: Ensuring employees have the necessary tools and resources to perform their jobs effectively.
 - Support Systems: Accessible support systems for problem-solving.

The cumulative impact of these factors shapes employees' perceptions of organizational support. When employees feel supported, it can lead to increased job satisfaction, organizational commitment, and overall well-being in the workplace.

5.9 Psychological Contract Fulfillment

Psychological contract fulfillment involves meeting the implicit expectations and perceptions that employees hold regarding their employment relationship with an organization. Here's a more detailed exploration of key aspects:

1. Job Security:

- Fulfillment involves providing a sense of stability and assurance regarding job continuity.
- Clear communication about organizational stability and future plans contributes to fulfilling this expectation.

2. Career Development Opportunities:

- Fulfillment includes offering training, mentoring, and advancement opportunities.
- Clear career paths and development plans contribute to employees feeling that their organization invests in their growth.

3. Recognition and Rewards:

- Acknowledging and rewarding employees for their efforts and achievements.
- Fulfillment occurs when recognition aligns with individual and collective contributions.

4. Compensation and Benefits:

- Fulfillment involves providing fair and competitive compensation packages.
- Comprehensive benefits that meet employees' needs contribute to overall fulfillment.

5. Work-Life Balance:

- Fulfillment is achieved by supporting a healthy balance between work and personal life.
- Flexible work arrangements and policies contribute to meeting this expectation.

6. Promotional Opportunities:

- Fulfillment is achieved by providing a fair chance for career progression.
- Transparent processes for promotions and advancement contribute to meeting this expectation.

7. Managerial Support:

- Fulfillment involves positive relationships with supervisors and supportive leadership.
- Managers who provide guidance, feedback, and a supportive work environment contribute to fulfillment.

8. Autonomy and Control:

- Fulfillment occurs when employees have a degree of autonomy and control over their work.
- Trusting employees with responsibilities and decision-making contributes to meeting this expectation.

9. Alignment with Organizational Values:

- Fulfillment is achieved when employees feel that their personal values align with the organization's values.
- Clear communication of organizational values and a consistent demonstration of them contribute to fulfillment.

10. Training and Development:

- Fulfillment involves investing in employees' learning and skill development.
- Opportunities for ongoing training and professional growth contribute to meeting this expectation.

11. Open Communication:

- Fulfillment is enhanced by transparent and effective communication channels.
- Regular updates, feedback sessions, and a culture of open dialogue contribute to meeting this expectation.

12. Job Content and Challenge:

- Fulfillment occurs when employees find their work meaningful and challenging.
- Job design that aligns with employees' skills and interests contributes to fulfillment.

13. Inclusive Workplace Culture:

- Fulfillment involves fostering an inclusive and diverse workplace.
- Policies and practices that promote diversity and inclusion contribute to meeting this expectation.

14. Health and Wellness Programs:

- Fulfillment includes supporting employees' well-being through health and wellness initiatives.
- Programs addressing physical and mental health contribute to overall fulfillment.

15. Social Responsibility and Ethics:

- Fulfillment is achieved when employees perceive the organization as socially responsible and ethical.
- Engaging in ethical business practices and corporate social responsibility initiatives contributes to meeting this expectation.

Psychological contract fulfillment is dynamic and can be influenced by changes in organizational practices, leadership, and external factors. Organizations that actively work towards meeting these expectations contribute to a positive work environment and foster employee satisfaction, engagement, and loyalty. Conversely, unmet expectations may lead to disillusionment and potential negative consequences for both employees and the organization.

5.10 Methods of Performance Management

Performance management encompasses various methods and processes to evaluate and improve an employee's performance. Here are some common methods:

1. Management by Objectives (MBO):

Management by objectives (MBO) is the appraisal method where managers and employees together identify, plan, organize, and communicate objectives to focus on during a specific appraisal period. After setting clear goals, managers and subordinates periodically discuss the progress made to control and debate on the feasibility of achieving those set objectives.

This performance appraisal method is used to match the overarching organizational goals with objectives of employees effectively while validating objectives using the SMART method to see if the set objective is specific, measurable, achievable, realistic, and time-sensitive.

At the end of the review period (quarterly, half-yearly, or annual), employees are judged by their results. Success is rewarded with promotion and a salary hike whereas failure is dealt with transfer or further training. This process usually lays more stress on tangible goals and intangible aspects like interpersonal skills, commitment, etc. are often brushed under the rug.

Steps to Implement a Successful MBO Program:

1. Every manager must have 5-10 goals expressed in specific, measurable terms
2. Manager can propose their goals in writing, which will be finalized after review
3. Each goal needs to include a description and a clear plan (list of tasks) to accomplish it
4. Determine how progress will be measured and how frequently (minimum quarterly)
5. List down corrective actions that will be taken if progress is not in accordance with plans
6. Ensure that goals at each level are related to the organizational objectives and levels above/below

2. 360-Degree Feedback:

360-degree feedback is a multidimensional performance appraisal method that evaluates an employee using feedback collected from the employee's circle of influence namely managers, peers, customers, and direct reports. This method will not only eliminate bias in performance reviews but also offer a clear understanding of an individual's competence.

This appraisal method has five integral components like:

I. Self-appraisals:

Self-appraisals offer employees a chance to look back at their performance and understand their strengths and weaknesses. However, if self-appraisals are performed without structured forms or formal procedures, it can become lenient, fickle, and biased.

II. Managerial reviews:

Performance reviews done by managers are a part of the traditional and basic form of appraisals. These reviews must include individual employee ratings awarded by supervisors as well as the evaluation of a team or program done by senior managers.

III. Peer reviews:

As hierarchies move out of the organizational picture, co-workers get a unique perspective on the employee's performance making them the most relevant evaluator. These reviews help determine an employee's ability to work well with the team, take up initiatives, and be a reliable contributor. However, friendship or animosity between peers may end up distorting the final evaluation results.

IV. Subordinates Appraising Manager (SAM):

This upward appraisal component of the 360-degree feedback is a delicate and significant step. Reportees tend to have the most unique perspective from a managerial point of view. However, reluctance or fear of retribution can skew appraisal results.

V. Customer or Client Reviews:

The client component of this phase can include either internal customers such as users of the product within the organization or external customers who are not a part of the company but interact with this specific employee on a regular basis.

Customer reviews can evaluate the output of an employee better, however, these external users often do not see the impact of processes or policies on an employee's output.

Advantages of using 360-degree feedback:

- a. Increase the individual's awareness of how they perform and the impact it has on other stakeholders
- b. Serve as a key to initiate coaching, counselling, and career development activities
- c. Encourage employees to invest in self-development and embrace change management
- d. Integrate performance feedback with work culture and promote engagement

3. Assessment Centre Method:

The concept of assessment center was introduced way back in 1930 by the German Army but it has been polished and tailored to fit today's environment. The assessment center method enables employees to get a clear picture of how others observe them and the impact it has on their performance. The main advantage of this method is that it will not only assess the existing performance of an individual but also predict future job performance.

During the assessment, employees are asked to take part in social-simulation exercises like in-basket exercises, informal discussions, fact-finding exercises, decision-making problems, role-play, and other exercises that ensure

success in a role. The major drawback of this approach is that it is a time and cost intensive process that is difficult to manage.

Advantages of the assessment center method:

- a) Enhance a participant's knowledge, boost his/her thought process, and improve employee efficiency.
- b) Can be tailored to fit different roles, competencies, and business needs.
- c) Offer an insight of the employee's personality (ethics, tolerance, problem-solving skill, introversion/extroversion, adaptability, etc.)

4. Behaviorally Anchored Rating Scale (BARS):

Behaviorally anchored rating scales (BARS) bring out both the qualitative and quantitative benefits in a performance appraisal process. BARS compares employee performance with specific behavioral examples that are anchored to numerical ratings.

Each performance level on a BAR scale is anchored by multiple BARS statements which describe common behaviors that an employee routinely exhibits. These statements act as a yardstick to measure an individual's performance against predetermined standards that are applicable to their role and job level.

The first step in BARS creation is generation of critical incidents that depict typical workplace behavior. The next step is editing these critical incidents into a common format and removing any redundancy. After normalization, the critical instances are randomized and assessed for effectiveness. Remaining critical incidents are used to create BARS and evaluate employee performance.

Advantages of using BARS:

- I. Enjoy clear standards, improved feedback, accurate performance analysis, and consistent evaluation
- II. Eliminate construct-irrelevant variance in performance appraisal ratings by emphasis more on specific, concrete, and observable behaviors
- III. Decrease any chance for bias and ensure fairness throughout the appraisal process

5. Psychological Appraisals:

Psychological appraisals come in handy to determine the hidden potential of employees. This method focuses on analyzing an employee's future performance rather than their past work. These appraisals are used to analyze seven major components of an employee's performance such as interpersonal skills, cognitive abilities, intellectual traits, leadership skills, personality traits, emotional quotient, and other related skills.

Qualified psychologists conduct a variety of tests (in-depth interviews, psychological tests, discussions, and more) to assess an employee effectively. However, it is a rather slow and complex process and the quality of results is highly dependent on the psychologist who administers the procedure.

Specific scenarios are taken into account while performing psychological appraisal. For instance, the way in which an employee deals with an aggressive customer can be used to appraise his/her persuasion skills, behavioral response, emotional response, and more.

Advantages of psychological appraisals:

- I. Extract measurable, objective data about not just an employee's performance but also potential
- II. Can be deployed easily when compared with other performance appraisal methods
- III. Offer introverted or shy employees a platform to shine and prove their potential

6. Human-Resource (Cost) Accounting Method:

Human resource (cost) accounting method analyses an employee's performance through the monetary benefits he/she yields to the company. It is obtained by comparing the cost of retaining an employee (cost to company) and the monetary benefits (contributions) an organization has ascertained from that specific employee.

When an employee's performance is evaluated based on cost accounting methods, factors like unit-wise average service value, quality, overhead cost, interpersonal relationships, and more are taken into account. Its high-dependency on the cost and benefit analysis and the memory power of the reviewer is the drawback of human resources accounting method.

Advantages of the human cost accounting method:

- I. Effectively measure the cost and value that an employee brings to the organization
- II. Help identify the financial implications that an employee's performance has on the organization's bottom line

7. Assessment center:

In the assessment center method, an organization tests its employees on both job capabilities and social interaction skills. Written tests help evaluate ability, while situational exercises and role-playing scenarios assist with determining an employee's likelihood of success in carrying out responsibilities that are part of their day-to-day role.

Performance appraisals are critical to the success of any organization. The performance appraisal method you choose will depend on your goals and the structure of your business; the right one can help you improve performance and provide growth opportunities across your organization.

One way to simplify the process is to use Jotform's evaluation forms. Simply start with one of our ready-made forms and customize it with the Jotform Form Builder to create the perfect evaluation for your performance appraisal needs.

The choice of performance management method depends on an organization's culture, industry, and the specific goals it aims to achieve. Many organizations

use a combination of these methods to effectively manage and improve employee performance.

8. Forced Choice Method:

To reduce the personal bias or prejudice of the rater, the forced choice method has been evolved. This method was developed at the close of Second World War by a group of industrial psychologists to evaluate the performance of officers in the United States Army. Since then a number of industrial concerns have adopted this technique. The rating form contains a number of groups, each containing four Statements about the performance of the person. Each group contains two statements that appear favorable and two that appear unfavorable. The rater is asked to pick up the one statement that is most descriptive of the rater and also the least descriptive statement from each group. Here, the rater cannot put ticks before both statements favoring the employee. Secondly, the rater is forced to put a tick before one favorable and unfavorable statement. That is why it is known as forced choice method. Secondly, the rater does not know, how many points are given for a particular statement and thus he does not know exactly how many points he is giving to an employee. An example of such statements is as under:

- Possesses good health and vitality.
- Late for staff meetings.
- Co-operates with top management.
- Somewhat timid and retiring.

Those who rate employees are forced to choose between the ready made statements and hence, rating is automatically done. It is called force choice method, because the choice of statement is forced on the rater. They have no scope to describe the quality of the worker in their own words Hence, they sometimes oppose this method.

Advantages:

- I. The rater can neither rate an employee at a higher level or at lower level.
- II. The personal prejudices cannot affect the rating. Thus, the rating becomes objective.
- III. It is not necessary to give special training to the rater under this method.
- IV. The rating under this method is dependable.

Demerits:

- I. It takes away the description of rater, because he has to choose a statement, even though he is not prepared to accept it.
- II. It is difficult to prepare groups of four statements for which experts are required.
- III. The success of this system depends on secrecy of the key. But it is not possible to keep strict secrecy.
- IV. The method is expensive. List of no. of independent statements are to be made. Job analysis has to be undertaken, which entails good deal of expenditure.
- V. The results of such evaluation programme are not useful in training or directing employees.

9. Critical Incidents Method:

The critical incidents method was developed by J. C. Flangan and R. K. Burns. Under this method the behavior of each employee on happening of a significant incident is recorded. Only important events or incidents are taken note of. The behavior of employee in such events is noted. (For example, when it was necessary, Mr. X. refused to help his fellow worker)

The incidents during which the behavior of the employee is observed must not be created. Such incidents should be usual occurrences. Incidents elected should be such as would bring out some important characteristic of the behavior of employees. e.g. X became angry when a new instruction was issued as regards performance of his job or co-operated when a new E instruction was given. A list of critical incidents must be prepared and given to the rater, particularly to supervisor who observes the behavior of his worker. Of course, it is difficult to prepare a list of critical incidents and require expert knowledge and a long experience. One firm observed the 'dependability' of its employees with following check list:

- (1) Left work without leave,
- (2) Reported late to work,
- (3) Stopped machine before quitting time etc.

Lists of critical incidents are prepared to evaluate the productivity, accuracy in work, sense of responsibility, ability, willingness to work of the employees and their behavior is noted on the occurrence of such incidents. A list of some such incidents is given below:

- (1) Talked rudely on the telephone.
- (2) Accepted inferior quality goods from a supplier.
- (3) Displayed a courteous behavior to a salesman.
- (4) Helped fellow workers to solve their problems.
- (5) Created disturbance with loud talking.
- (6) Refused to work overtime when asked for.
- (7) Remained punctual in his work.

It is argued in favor of this method that

- (1) It is an objective method of evaluating employees. Personal prejudices of raters do not play any role.
- (2) The supervisor is not required to evaluate an employee, but is asked to note the behavior of workers on occurrence of critical incidents only. This helps personnel department to evaluate employees impartially.

But the limitations of this method are:

- (1) Critical incidents may not take place even once during the year and hence, it may not be possible to evaluate the employee.
- (2) Sometimes, it is difficult for supervisor to decide what is critical incident. Hence, his bias may appear in deciding what is critical incident.

5.11 Conclusion

The performance contract and organizational support are integral aspects of the employer-employee relationship, influencing workplace dynamics and individual contributions. The performance contract outlines mutual expectations, goals, and responsibilities, serving as a framework for evaluating and enhancing employee performance. Organizational support, on the other hand, encompasses the perceived level of care, fairness, and commitment employees feel from their workplace.

Effective performance contracts establish clear expectations, goals, and feedback mechanisms, fostering a culture of accountability and continuous improvement. When aligned with organizational goals, these contracts contribute to individual and collective success.

Organizational support, as perceived by employees, plays a pivotal role in shaping their commitment and job satisfaction. Supportive policies, transparent communication, and opportunities for development contribute to a positive organizational climate, reinforcing the psychological contract and fostering employee well-being.

Together, a well-structured performance contract and a supportive organizational environment create a symbiotic relationship. Clear expectations and support mechanisms empower employees to meet and exceed performance standards, fostering a collaborative and engaged workforce. In essence, the synergy between performance contracts and organizational support cultivates a workplace where individuals thrive, contributing to the overall success and sustainability of the organization.

❖ Keywords

1. **Performance Contract:**

A Performance Contract establishes a structured framework for outlining expectations, responsibilities, and goals between employers and employees.

2. **Organizational Support:**

Organizational Support, delves into the intangible yet critical aspect of how employees perceive the level of care, fairness, and encouragement provided by their organization.

3. **Job Performance:**

Job performance is the net effect of an employee's effort as modified by abilities, role perceptions and results produced.

4. **Perceived Organizational Support:**

Perceived Organizational Support (POS) is a complex concept influenced by various organizational factors that contribute to employees' beliefs about how much the organization values and supports them.

5. **Human-Resource (Cost) Accounting Method:**

Human resource (cost) accounting method analyses an employee's performance through the monetary benefits he/she yields to the company.

6. **Psychological Appraisals:**
Psychological appraisals come in handy to determine the hidden potential of employees.
7. **Behaviorally Anchored Rating Scale (BARS):**
Behaviorally anchored rating scales (BARS) bring out both the qualitative and quantitative benefits in a performance appraisal process.
8. **Assessment Centre Method**
The assessment center method enables employees to get a clear picture of how others observe them and the impact it has on their performance.
9. **360-Degree Feedback:**
360-degree feedback is a multidimensional performance appraisal method that evaluates an employee using feedback collected from the employee's circle of influence namely managers, peers, customers, and direct reports.
10. **Management by Objectives (MBO):**
Management by objectives (MBO) is the appraisal method where managers and employees together identify, plan, organize, and communicate objectives to focus on during a specific appraisal period.

❖ **Exercise:**

1. What is a Performance Contract?
2. Explain Organizational Support.
3. Explain Synergy Between Performance Contract and Organizational Support.
4. Discuss the Objective of the Synergy.
5. What is Performance of Contract.
6. Define Job Performance.
7. Explain in detail Perceived Organizational Support.
8. Discuss Psychological contract fulfillment
9. Explain various methods of Performance management.

• **Multiple Choice Questions (MCQs):**

1. Which performance appraisal method involves setting specific, measurable goals for employees?
 - a. Graphic Rating Scale
 - b. 360-Degree Feedback
 - c. Management by Objectives (MBO)
 - d. Behavioral Observation Scales (BOS)
2. What does the acronym "BARS" stand for in performance appraisal?
 - a. Behavior Analysis and Rating System
 - b. Behaviorally Anchored Rating Scales
 - c. Balanced Assessment and Rating System
 - d. Benchmarking Appraisal and Rating Scale
3. Which performance appraisal method uses critical incidents to evaluate employee performance?
 - a. Forced Ranking

- b. Critical Incident Technique
 - c. Paired Comparison Method
 - d. Essay Appraisal Method
4. What does the Forced Ranking method involve?
 - a. Setting goals collaboratively
 - b. Ranking employees in order of performance
 - c. Collecting feedback from multiple sources
 - d. Rating employees on a numerical scale
 5. Which method compares each employee with every other employee, one at a time?
 - a. Forced Distribution
 - b. Paired Comparison Method
 - c. Essay Appraisal Method
 - d. Graphic Rating Scale
 6. Which appraisal method assesses behaviors and competencies using structured scales?
 - a. Graphic Rating Scale
 - b. Behavioral Observation Scales (BOS)
 - c. 360-Degree Feedback
 - d. Management by Objectives (MBO)
 7. In which method are employees categorized into groups such as top, middle, or bottom performers?
 - a. Forced Ranking
 - b. Paired Comparison Method
 - c. Behaviorally Anchored Rating Scales (BARS)
 - d. Checklists and Weighted Checklist Method
 8. What is the primary focus of the Essay Appraisal Method?
 - a. Ranking employees
 - b. Quantitative assessment
 - c. Descriptive narrative evaluation
 - d. Peer feedback
 9. Which method involves collecting feedback from various sources, including peers, managers, and subordinates?
 - a. Graphic Rating Scale
 - b. Management by Objectives (MBO)
 - c. 360-Degree Feedback
 - d. Behavioral Observation Scales (BOS)
 10. What does the Management by Objectives (MBO) method emphasize?
 - a. Ranking employees against each other
 - b. Employee behaviors
 - c. Setting and achieving specific goals
 - d. Subjective evaluations
 11. What is Psychological Contract Fulfillment?
 - a. A legal document between employer and employee

- b. Fulfilling employee's emotional needs
 - c. Meeting implicit expectations in the employment relationship
 - d. A contract explicitly stated in employment agreements
12. Which of the following is a key aspect of Psychological Contract Fulfillment?
- a. Strict adherence to job descriptions
 - b. Consistent pay raises
 - c. Meeting implicit expectations and perceptions
 - d. Annual performance reviews
13. How does Job Security contribute to Psychological Contract Fulfillment?
- a. By offering job rotations
 - b. By providing a sense of stability and assurance
 - c. Through constant performance evaluations
 - d. By enforcing strict policies
14. In terms of Career Development Opportunities, fulfillment is achieved by:
- a. Restricting access to training programs
 - b. Offering mentorship and advancement opportunities
 - c. Ignoring employees' professional growth
 - d. Providing generic training for all employees
15. Recognition and Rewards in Psychological Contract Fulfillment involve:
- a. Withholding acknowledgment for performance
 - b. Aligning recognition with individual and collective contributions
 - c. Offering financial rewards only
 - d. Focusing solely on individual achievements
16. What does Alignment with Organizational Values contribute to in Psychological Contract Fulfillment?
- a. Employee disengagement
 - b. Fostering a sense of commitment
 - c. Ignoring organizational culture
 - d. Employee turnover
17. How does Open Communication contribute to Psychological Contract Fulfillment?
- a. By limiting information sharing
 - b. Through regular updates and feedback sessions
 - c. Ignoring employee opinions
 - d. Relying solely on top-down communication
18. What is the significance of Inclusive Workplace Culture in Psychological Contract Fulfillment?
- a. Decreasing diversity in the workplace
 - b. Fostering a sense of exclusion
 - c. Creating a positive and diverse work environment
 - d. Ignoring employee well-being
19. How do Health and Wellness Programs contribute to Psychological Contract Fulfillment?
- a. By neglecting employee well-being

- b. Through programs addressing only physical health
 - c. Supporting employees' overall well-being
 - d. Exclusively focusing on mental health initiatives
20. Social Responsibility and Ethics in Psychological Contract Fulfillment involve:
- a. Ignoring ethical business practices
 - b. Demonstrating a commitment to unethical behavior
 - c. Engaging in socially responsible and ethical practices
 - d. Focusing solely on profits

Answers:

- | | |
|-------|-------|
| 1. c | 11. c |
| 2. b | 12. c |
| 3. b | 13. b |
| 4. b | 14. b |
| 5. b | 15. b |
| 6. b | 16. b |
| 7. a | 17. b |
| 8. c | 18. c |
| 9. c | 19. c |
| 10. c | 20. c |

• **State whether the following statements are true or false.**

1. Performance contracts are always explicitly stated in written agreements between employers and employees.: False
2. The primary purpose of a performance contract is to evaluate employee performance retrospectively.: False
3. Performance contracts are commonly used in the context of project-based work but not for ongoing roles.: False
4. Employees are not bound by the terms of a performance contract unless they explicitly sign and agree to it.: False
5. A well-structured performance contract includes vague and ambiguous language to allow for interpretation.: False
6. Performance contracts primarily focus on financial incentives and penalties for employees.: False
7. The terms of a performance contract remain static and do not change over time.: False
8. A performance contract is a one-size-fits-all document applicable to all employees in an organization.: False
9. Performance contracts are only relevant for assessing individual contributions and do not consider team performance.: False
10. If an employee fails to meet the terms of a performance contract, termination is the only possible consequence.: False

**MBA
SEMESTER-3 HR
PERFORMANCE MANAGEMENT
BLOCK: 2**

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6.1 Introduction**6.2 Importance of self-review****6.3 Strengths****6.4 Weaknesses****6.5 Core values****6.6 Accomplishment****6.7 Goals****6.8 Feedback**❖ **Keywords**❖ **Exercise**

6.1 Introduction

Throughout our lives, we are judged by many people, from teachers to employers, and sometimes we may feel that we are not getting our fair share or that we are being judged. But when it comes to self-evaluation, there is no room for conflict and there may be some familiar aspects of our personality. Therefore, it is important to encourage the concept of self-evaluation in institutions so that everyone has a real opportunity to examine themselves.

In many industries, employees may additionally write self-critiques to discuss their performance with a team leader or manager, also referred to as a self-evaluation or self-review, a self-appraisal permit them to assessment of their achievements, productivity and weaknesses. Studying more about these appraisal gear and seeing sample feedback could assist the employees to write an effective self-appraisal at some point of their career. Self-assessment or self-review is an important factor in any study. It is used for various purposes and helps an individual or an organization to reflect on their own performance to work on strengths or weaknesses.

Self-review and self-assessment consist of the following questions:

- Self-evaluation and self-evaluation in your business, where do you excel?
- Which of your achievements are you most proud of?
- Where do you think you need more support?
- What would you like to achieve?
- What will help you achieve these goals?
- What do you like most about your job?
- What do you dislike most about your job?
- What improvements could you make to make your role easier?
- What elements do you remove from your work and why?
- What career goals do you want to achieve in the next three years?

These are the types of questions that are included in the self-review and are questions that make the employees think about their own performance. The purpose of self-assessment is to help the employees know their abilities and improve them. Self-assessment may seem daunting when employees first start, but it will become more natural over time. In response to self-review questions the employees are required to

give their responses by giving their comments. Some self-monitoring comments related to communication, job performance, customer experience, innovation and creativity, reliability and performance improvement are given below:

1. Communication Comments:

The following communication comments give clear idea about the communication skills possessed/developed by the employees:

- I Ensure clear communication of goals and objectives to team members.
- I effectively communicate my message to departments within the organization.
- I offer ideas and suggestions to team members with care.
- I approached sensitive situations, which proved useful in unexpected situations.
- I regularly share relevant information and updates with my colleagues and managers to stay abreast of big and small incidents and stay on the same page.
- I inform stakeholders, colleagues and customers about developments or changes that may affect them.
- I am proud of the achievements of my colleagues and do not hesitate to applaud their victories.
- Although I try to be transparent, I have learned that I am not always clear in my communication. I plan to make a strategy to improve my communication skills.
- I avoid difficult conversations and understand the need to have such conversations with a positive outlook.
- With good communication skills, I have the ability to build good relationships with team members.

2. Job performance comments:

Here are some self-assessment comments the employees can use to showcase their work:

- I appreciate my work and find enjoyment and value in it.
- I often take on more projects than my responsibilities at work.
- This gives me great satisfaction to share that I have exceeded my goals.
- I encourage a team-oriented work environment involving all team members.
- I have found it effective to reduce our site's traffic.
- I am sure to take on new challenging projects.
- I never get tired of answering questions and clearing the doubts of my friends.
- I am open and approachable to my colleagues if they need my help.
- I manage my team effectively and conduct special training to strengthen the team.

3. Customer Experience Comments:

Self-assessment comments related to customer experience are given as under:

- Adept at handling difficult and confrontational clients by persuading and keeping calm.

- I patiently listen to customer complaints before making a decision.
- If I see that a customer does not have knowledge about our products or services, I make sure that their questions are answered and resolved quickly.
- Positive customer feedback has increased by 80% in the past year.
- I make a sincere effort to improve the customer experience by being fast and relevant.
- I think a lot about my relationship with clients and think to better understand their perspective.

4. Innovation and Creativity Comments

Here are some explanations related to innovation and creativity:

- I am looking for new ways to organize my work and fulfill my obligations.
- Commitment to professional development, I have taken special training courses that recognize the need for improvement.
- I always want to work together and learn from others in my field.
- I stay updated with the latest trends, news and developments in my field.
- I made a plan for my future career and took concrete steps to achieve my career goals.
- A fast learner who can adjust work methods to improve efficiency and relationships.
- I value higher education in my personal and professional life and I am always looking for opportunities to learn something new and valuable for my professional work.
- I approach every challenge with originality and always come up with imaginative solutions.

5. Reliability Comments

Here are the tips the employees can use to talk about their credibility and work ethic:

- I follow my responsibilities and dedication to complete tasks on time under all circumstances.
- To avoid putting pressure on my team, I schedule my leaves in advance so that my supervisor can take appropriate action.
- I admire punctuality in life and thus appear on time.
- I quickly respond to emails and phone calls from clients and colleagues.

6. Performance improvement comments

Here are some descriptive comments the employees can use to improve their productivity:

- My goal is to improve my interpersonal skills and the calmness that diffuses misunderstandings between me and my colleagues.
- I would like to create a personal communication plan for my team members to foster an open and honest work environment.
- Sometimes I struggle when managing multiple deadlines at once. I constantly strive to keep things organized by managing my time and priorities effectively.

- I admit that I have a tendency towards written communication, but at the same time I try to pay more attention and focus on verbal communication.
- I know how much I depend on team effort. To improve this, I am working on how I can deliver more and add my strengths to my team.
- I understand the importance of communication in managing a team and always work to prevent miscommunication situations inside or outside the team. I am working on improving my tracking to improve my sales performance.
- My self-awareness has made me realize that I can use feedback as motivation to achieve goals.
- I believe I can improve my customer service skills. I am going to take a seminar course to strengthen these skills.
- I imagine things for myself and work hard to get comfortable with people who help me as quickly as possible.
- Although I can speak concisely and clearly to small groups, I often fail to put my ideas into action when presenting information to large groups. I plan to do some public speaking to help me grow in this field.
- I tend to try new and different approaches to what works best for me.
- I'm comfortable sharing ideas with people close to me, but I want to bring these ideas to the whole team.

6.2 Importance of Self-Review

Self-review and more regular discussions are a new and meaningful way to manage employee reviews. In recent years, many companies have abandoned annual reviews in favor of more regular and ongoing feedback. The evolution of self-assessment is a big part of this change. And now, self-assessments are far more successful than the dreaded annual reviews. Self-review and self-assessment are very important for both employees and employers/managers.

6.2.1 Importance of self-review for managers:

Personnel management introduces self-review in an organization because it is important to the organization in general and personnel manager in particular. With the help of self-review, it helps the management to get an idea about the employees' attitude towards the job assigned to them. Self-review is also significant in getting an idea about employees' satisfaction level as well. It is also possible to know the useful solutions of the organizational problems by conducting self-review. Importance of self-review for managers and organization is under:

1. **To know Employees' Feelings:** Employee self-review is very important to managers and employers. Managers can learn about an employee's feelings about their work and how well they fit into the team when they ask them to self-evaluate. They are able to truly understand how workers feel about their jobs. It draws attention to misconceptions and gives staff members a chance to tell management what inspires them.
2. **To find solutions:** There will inevitably be some variances between an employee's perspective and that of their management; this allows business owners and managers a much larger perspective to work with and enables them to see the employees' side of the story. But staff can often come up with some really creative solutions for productivity problems.

3. **To fulfill mutual objectives:** Employees' objectives are fixed by the organization in such a way to fulfill organizational objectives. Hence, it is important to know whether they achieve the objectives assigned to them or not. Self-review is vital to the Supervisors in possessing a thorough understanding of the drives their team members with a view to provide personalized incentives to help each member reach their own objectives. It implies that supervisors can assign future duties that capitalize on an employee's strengths and make sure that resources like training and support are available to rectify inadequacies.
4. **To develop self-confidence:** The confidence that self-review instills in workers is the largest advantage for businesses. Employees' ongoing process of self-evaluation and consequent personal development is incredibly beneficial to the employees as well as organization.
5. **To develop trust:** The cornerstone of a successful business is a culture of trust and involvement, which is greatly enhanced by self-evaluation and ongoing feedback.

6.2.2 Importance of self -review for employees:

From the above discussion, it has been very clear that the self-review has been invariably significant to the managers and organizations. Self-review has equally been important to employees of the organization also with a view to:

- Be more active in the review process
- Gain deeper insight and set future improvement goals
- Have more confidence in their abilities
- Increase capacity development (learn to make corrections quickly)
- Choose the training program that best suits their needs
- Cultivate an inquisitive mind for problem solving
- Be more responsible
- Be feel more valuable
- Increase motivation to learn new skills

6.3 Strengths

Finding areas of strengths and weaknesses is a crucial part of self-evaluation. Strengths include things like the capacity for effective communication, adaptability, creativity, and problem-solving. We may succeed in both our personal and professional life by utilizing these strengths. For instance, having good communication skills can help us forge close bonds with our coworkers, and having problem-solving skills can help us take on challenging assignments.

Self-review of the employees improves employees' self-awareness and enables them to create performance-enhancing tactics. Acknowledging their strengths helps them feel more confident and inspires to reach their objectives. Conversely, recognizing their shortcomings can assist them in pinpointing areas that need work and creating a strategy to address them. In this section of the chapter, how self-review helps in identification of the Strengths inherent in the employees and utilize them in overall development of the employees in such way that it results into achievement of employees' goals and thereby achievements of organizational goals.

1. **Robust work ethic:** Self-review helps in increasing dedication of the employees in producing work of the highest caliber and possess a robust work ethic so that

the assignments are finished on time and to the best of their abilities. As a result, they are prepared to go above and beyond.

2. **Ability to communicate:** Self-review is important for the employees in developing their communication skills and develop their self-confidence to interact with coworkers, clients, and stakeholders in a clear and effective manner. As a result, they have the ability to respectfully and constructively offer criticism while also listening intently.
3. **Attention to detail:** Self-review helps the employees to immediately identify their mistakes and discrepancies because it pays close attention to each and every detail about their job. As a result, they have the ability to guarantee that assignments are finished precisely and to a great degree.
4. **Capacity to function effectively under pressure:** Self-review is vital in identifying whether the employees are able to operate effectively under duress and maintain composure and concentration under pressure. As a result, they are capable of setting priorities for my work and doing it on time, even under tight deadlines.
5. **Strong problem-solving abilities:** Through self-review, it is also possible for the employees to recognize problems and swiftly and efficiently come up with solutions. As a result, they develop the ability to think creatively and unconventionally to come up with original answers to challenging issues.
6. **Positivity in perspective and attitude:** Self-review helps the employees to be optimistic and have a can-do attitude even when faced with difficult circumstances. As a result, they have the ability to inspire themselves and other employees to reach their objectives and maintain optimism in the face of difficulty.
7. **Strong leadership abilities:** Self-review is important in development of leadership quality among the employees and as a result the employees are able to encourage and inspire people to reach their objectives. The strong leadership abilities in the employees leads their co-workers by example and give team members direction and advice to fulfill their individual goals.
8. **The capacity to adjust to changes:** If the organization has introduced the self-review, it makes the employees adjust with the times and do so with efficiency. When faced with new obstacles, they are able to maintain their flexibility and open-mindedness and modify their strategy as necessary to succeed.
9. **Outstanding ability to handle time:** Due to self-review, the employees develop the ability to handle time and be able to do time management. Hence, they become good at managing their time and can set priorities wisely to finish projects by the deadline. They are able to make sure that they can do things quickly and effectively by using time-blocking strategies and other productivity tools.
10. **Strong organizational abilities:** self-review make the organization aware about the employee's abilities to manage several jobs and projects at once and possess strong organizational abilities. They can make sure that things are finished on time and to the best of their ability by using project management tools and other organizational strategies.
11. **Capacity to function effectively in a group setting:** Self-review is vital in knowing whether the employees have the ability to work well in a group setting

and efficiently cooperate with others to accomplish shared objectives. As a result, they can share their skills and expertise to help the team succeed by communicating with them in a kind and clear manner.

12. Creative and inventive thinking: By conducting self-review, it is possible for the organization to know employees' approach towards problem-solving. It is possible to know whether the employees are able to solve the problems in a creative and innovative way, and they can think beyond the box to come up with fresh ideas. To succeed, they may also question presumptions and use critical thinking.

6.4 Weaknesses

Understanding our shortcomings and the areas in which we still need to improve is a crucial component of both personal and professional development. When it comes to recognizing our weaknesses, we must be honest with ourselves. Being honest enables us to acknowledge our shortcomings and make the required corrections. It's crucial to ask for input from others, like teammates, in order to obtain a fresh viewpoint on our areas of weakness. There are various methods for determining our shortcomings. Thinking back on our past experiences and identifying our weak points is one method. You might need to practise your communication skills if, for instance, you were unable to have a productive conversation with a team member during a project. Similar: How Do I Pick a Style for Handling Conflict? To find more weaknesses, ask other people for their opinions. Seeking constructive criticism from team members can assist us in determining areas that require enhancement. Even though some criticism may be hard to hear, it's crucial to keep an open mind and be responsive to it.

Following are the Weaknesses which can be identified in Self-review:

- 1. Delaying:** If Self-review is implemented in an organization, it will be possible for the employees to identify whether they tend to put things off, which can result in rushed work and stress at the last minute or not. It also makes them aware about procrastination as one of their weaknesses. Hence, self-review is important for the employees to be better at managing their time and complete their task without delay.
- 2. Difficulty in Task delegation:** Sometimes employees face difficulty in delegation of the task and as a result they frequently feel as though they have to handle everything themselves to make sure it's done right, which can ultimately result in inefficiency and burnout. With the help of self-review, employees become aware that task delegation is a crucial component of being a team player and hence it becomes important to them in focusing on developing greater trust between their colleagues and improving their task delegation skills and completing the task in time.
- 3. Lack of confidence:** Some employees have trouble speaking in front of groups of people and frequently feel nervous or anxious. Self-review is an important tool which makes them aware that this is one of their weaknesses. Hence, it helps them in gaining confidence by practicing and getting input from others to help me get better at public speaking.
- 4. Incapacity to efficiently multitask:** Some employees perform good if only one task is assigned to them but when multitasking comes, their performance may adversely be affected. Self-review system helps them in identifying whether they frequently catch themselves attempting to multitask, which can

result in errors and a lack of concentration. Hence, it becomes useful tool to increase their productivity and efficiency, by prioritizing their tasks and pay attention to one at a time.

5. **Difficulty adjusting to change:** Some employees find it difficult to adjust to new circumstances or adjustments at work. Self-review system helps them in identifying their such weakness so that they can overcome it by being more adaptable to change, open-minded, and willing to ask for help when I need it.
6. **Propensity to overanalyze or overthink circumstances:** Some employees tend to overthink or overanalyze situations, which can cause undue stress or paralysis when making decisions. With the help of self-review, organization take actions to make them more self-assured and follow their guts more.
7. **Difficulty providing and accepting feedback:** Some employees have trouble giving and getting feedback sometimes, which can cause miscommunication and stunt their progress. Self-review system is an important tool for the management in identifying such weakness of the employees and take positive actions to overcome such weakness of the employees so that they will be more understanding and open to criticism while also giving others constructive criticism in an understandable and polite way.
8. **Tendency to become easily distracted:** Sometimes some employees catch themselves easily sidetracked by outside distractions like social media or household chores. Self-review helps in identifying this weakness and helps the management to overcome it by using strategies like time blocking and reducing distractions and makes them better at focusing and concentrating.
9. **Problems collaborating in a group setting:** Some employees have occasionally trouble collaborating in a group setting, which can result in miscommunication and a lack of teamwork. Self-review system introduced in the organization helps in identifying such weakness among employees and by employing proper strategies make them more open-minded and sensitive to the opinions and ideas of others while also strengthening their interpersonal and communication abilities.
10. **Decision-making difficulty:** Some employees find difficulty in decision, particularly when there are a lot of options or aspects to take into account. Self-review system helps in improving their decision-making abilities by using strategies like balancing benefits and drawbacks, getting advice from others, and following their guts.
11. **Unable to perform adequately under pressure or stress:** Some employees have trouble managing pressure or stress at work sometimes, which might result in burnout and low output. Self-review helps the management in introducing strategies to get better at managing their stress by practicing mindfulness and self-care.
12. **Issues with planning and organization:** Some employees occasionally have trouble in efficiently planning and organizing their task, which can result in missed deadlines and low productivity. Self-review helps the management in employing strategies like making to-do lists and project management software and as a result they are trying to get better at being organised.

13. Inclination to steer clear of confrontation or dispute: Some employees occasionally have a propensity to shy away from confrontation or conflict, which can result in unsolved problems and a breakdown in communication. Self-review helps the management in introducing methods like active listening, direct communication, and looking for common ground to reach a win-win solution and as a result they are trying to get better at resolving conflicts.

14. Maintaining a healthy work-life balance: It can be difficult at times, which can result in burnout and a lack of fulfilment in both the areas. This is something that the employees occasionally battle with. Self-review system helps the employees to be aware of their workload and obligations at work and hence it is important in trying to establish clear boundaries and prioritize self-care and personal time.

Hence, Self-review systems is very much important for the management in identifying weaknesses of the employees and introduce the appropriate and adequate strategies so that such weaknesses can be removed and help the employees to complete the tasks assigned to them efficiently and effectively in time and thereby to accomplish organizational goals as well.

6.5 Core Values

A person's core values are a collection of principles that guide their behaviour in both their personal and professional spheres. Companies are able to establish and uphold basic values. These can support an organization's growth, decision-making, and resource allocation. Individuals and organizations often prioritize under ten distinct principles, according to a limited set of basic beliefs. These principles might guide interpersonal interactions (humbleness, respect, honesty), a person's or company's professional focus (ingenuity, innovation, data-driven), or a person's personal obligations (consistency, quality, dependability). Determining your own or a company's fundamental principles can give you direction and structure, particularly when handling a particular choice or disagreement. For example, if honesty is one of your basic principles, you would consider it before deciding whether or not to keep a certain piece of information confidential. Hence, as an employee it could be beneficial to take some time to consider your priorities if you're not sure what your basic values are.

6.5.1 Determination of Core Values

As an employee, finding your basic beliefs may need several moments of introspection over time, so exercise patience and pay attention to what inspires and guides your ideas and choices. Take into consideration your responses to the following questions to obtain a sense of what your core values might be:

1. Which kind of workplace culture are you looking for?
2. What conditions, environments, or tools must you have in order to perform at your best?
3. What characteristics, in your opinion, define solid, wholesome relationships?
4. Which traits most appeal to you in your role models?
5. What spurs you on?
6. What personal and professional traits do you hope to cultivate in yourself?
7. What are your plans for the future? What characteristics are necessary to reach them?

These and other questions could help employees decide which important values to prioritize in their life, career, and job hunt. They can serve as guidelines for them while they strive towards their objectives and develop professionally.

6.5.2 Core Values List

This is a list of fundamental principles that apply to both private and professional settings. This list can serve as a source of inspiration to the employees for choosing their core values, preparing responses to interview questions, and figuring out what other people would choose as their core beliefs.

- Acceptance
- Success
- Adventure
- Courage
- Collective
- Originality
- Inquisitiveness
- kin
- companionship
- Expanding
- Joy
- laborious effort
- Sincerity
- Embrace humility
- Creativity
- Creativity
- Honesty
- Goodwill
- Understanding
- Clear and concise communication
- Hope
- Be patient.
- Harmony
- Popularity
- Strength
- superiority
- courtesy
- Accountability
- Spirituality
- Consistency
- Achievement
- tenacity
- Time management
- Riches
- Knowledge
- Balance between work and life

6.5.3 Making Use of Core Values

Once the employees have determined which values to prioritize, there are following several ways you might use them:

1. **Highlight resume's main values:** Listing the core values in relation to the position applying for on the resume, whether it be updated or created from scratch, may be helpful. Employers may find it useful to know your preferred method of working, particularly if you are a recent hire or lack professional experience. If the employees do have experience, they might incorporate examples of specific accomplishments from their past employment into their fundamental principles.
2. **Matching core values:** Applicants should look for positions at organisations whose goals, culture, and work style correspond with their own desired outcomes. They should look closely at the job description to see how their fundamental values apply to and support the position. To make sure the organisation's objective and basic values coincide with their own, they should also conduct company research. Hence, knowing core values is significant in searching appropriate job.
3. **Make aware interviewer about core values:** During interviews, a lot of employers will particularly ask the candidates about the qualities that are most important to them. These could include inquiries such as "What drives you?", "What kind of worker are you?", or "Why did you decide to apply here?" The applicants should answers to these queries and the background information about the most significant achievements can be found in their core values. For instance, they may justify their strong regard for accountability with time and resources if they assisted their former employer in increasing productivity by 15%. Hence, awareness about the core values would be helpful to the employees in changing their jobs.

- 4. Application of core values:** After landing a job or pursuing a career for a while, the employees can keep progressing in their positions by adhering to their core values. They may make critical decisions about their career, such as what industry they want to work in or what short- and long-term goals to set, by clearly identifying their goals.

6.6 Accomplishments

At the end, accomplishments are the goods or services produced by the employees as a result of carrying out their work. Typically, nouns are used to indicate accomplishments, which are the "things" (i.e., goods or services) that are the outcome of their own labour activities and efforts. Their successes are their part in realizing the agency's vision, mission, and objectives if they fulfil the tasks and obligations that have been delegated to them. Their rating official should have outlined their organization's goals and objectives as well as how their work fits into or advances those objectives.

Effective self-review writing does not need to be long, even though it does require some work. Supervisor should be able to clearly see the employees' performance and contributions from their self-evaluation. The self-review is not a writing exercise in style. Instead, it's a chance for the employees to highlight their most significant contributions and how their work satisfies or surpasses performance standards. It is not expected that they will document everything they do during the appraisal period. It is recommended that they maintain a journal, notes, or file during the evaluation period in order to document noteworthy events as they happen. This facilitates the completion of the self-assessment task and maintains its relevance and specificity to the elements and standards in the performance plan.

6.6.1 Successful Accomplishment Claims

Employees should cover the following points so as to compose successful accomplishment claims.

- 1. Shift perspective from the activity:** Which is usually expressed with verbs—which is the action that produces the result, to the accomplishment—which is usually expressed with nouns—which is the good or service that comes from your activity.
- 2. Brief and Bulleted:** Employees should try to keep their accomplishments to no more than two pages though the temptation is to write more because more is better. It should be brief written in plain in English with the bullets rather than long paragraphs.
- 3. Sorting:** The accomplishments should be sorted according to the performance element. So that the supervisor can more easily connect the achievements to each component.
- 4. Roadmap:** The employees should make use of their accomplishments plan as a roadmap. Reporting their successes in terms of standards can be useful in some situations such as timeliness (Reach the deadline); quantity (production affected); Quality (production without any wastage); and Cost-effectiveness (Within the allocated spending).
- 5. Avoid using "I" expressions:** The employees should avoid using "I" expressions in their accomplishments. Instead, they should employ action verbs like "managed," "reviewed," "launched," "conducted," "revised," "issued," or "drafted" to express the particular involvement in the accomplishment.
- 6. Error free:** The employees should Check their report for errors and make use of Grammar and Spell Check.

7. **Individual accomplishments:** If employees work on a project or in a team, they should describe their individual contribution that went into the overall team effort and in the event that the project was not finished, describe the milestones they reached as part of the project.
8. **Compliments:** The employees should add any compliments or words of gratitude from their clients i.e. external clients (managers or employees in other bureaus) or internal clients (fellow staff members).

6.7 Goals

It's critical to have well-written, lucid goals for the self-performance evaluation. The SMART technique can help the employees develop effective self-performance goals by breaking their objectives down into manageable tasks and allowing them to track their progress towards them.

6.7.1 Methods for Goal Creation:

The employees can create goals by using the following method:

- 1) **Particular:** The objectives ought to be precise, limited, comprehensible, and easily interpreted. In order to make the aim clearer, it's critical to provide pertinent facts.
- 2) **Measurable:** Objectives have to include precise measurements that make tracking advancement simple. This might assist in figuring out when a goal is accomplished.
- 3) **Attainable:** In order to prevent burnout and maintain motivation, goals must be reachable. Objectives ought to be attainable with the tools at disposal, and they ought to be reasonable.
- 4) **Relevant:** The objectives must to be pertinent to the overarching professional and personal objectives as well as the objectives of the business.
- 5) **Time-based:** To keep the employees on track, goals should have a defined deadline and be based on a specific amount of time.

6.7.2 Establishment of Standard Goals

Employees often establish the following common goals in their self-reviews:

- 1) **Goals for productivity:** For their self-performance appraisals, employees frequently decide to set productivity objectives. Tasks and results that they wish to achieve at work are included in productivity goals. To demonstrate to their employer how they support the team, try to come up with productivity targets that will enhance both their job and the business as a whole.
- 2) **Goals for skills:** A lot of people also decide to make skill goals. The employees can make goals for themselves to gain new abilities that will help them perform better at work. They can establish goals to build transferable skills, such as problem-solving, communication, public speaking, analytical abilities, and more, or industry-specific talents that are unique to your business.
- 3) **Goals for education and training:** Setting goals to finish new training or educational courses is another option. The employees can pick up new abilities and information from this and improve at work. They can finish training courses tailored to their business or take part in transferrable courses like leadership courses.

- 4) **Goals based on accomplishments:** The employees can also build their goals on significant accomplishments inside their organisation. Achievement-based goals can work well for the employees if they are driven by accolades or acclaim. To create these kinds of objectives, decide which corporate milestone the employees wish to reach and come up with a list of things you may do to get there.

6.7.3 Advantages of goal-setting

Several advantages can result from setting goals, such as:

- 1) **Motivation:** The ability to stay motivated at work is one of the main advantages of goal-setting. Having their objectives in mind helps motivate the employees to put forth their best effort to reach them, especially if they are goals they are passionate about.
- 2) **Responsible:** Establishing objectives for the self-evaluation might also aid in keeping the employees responsible. The employees can stay on track to reach their goals by communicating them to the manager and other team members.
- 3) **Growth:** Establishing goals for the self-performance review also helps the employees demonstrate to their employer their commitment to improvement, which is an important characteristic in the employees. Employers are more likely to promote them to other roles and give them greater responsibility if they demonstrate to them that they are eager to learn and grow.

6.8 Feedback

Together with external feedback, goal-setting strategies are strengthened by self-reflection. Self-evaluation or self-review encourages the employees to question themselves whether their present plan of action is actually helping them achieve their goals and assists them in setting realistic goals.

6.8.1 Benefits of self-feedback

- 1) **Self-improvement:** It promotes honest reflection and promotes self-improvement. It's simpler for the employees to see their shortcomings as chances to get better if they are honest with themselves about them.
- 2) **Self-Awareness:** Self-Awareness can be improved through the practise of self-feedback. being able to recognise their own behaviour and how it could affect others is known as self-awareness. It has been shown that self-aware managers are superior leaders and employers. They are more likely to make wise decisions and communicate well. Self-feedback makes the employees more self-aware by making them assess their overall performance, flaws, and strengths. The ability to accurately perceive oneself, including understanding one's values, behaviours, strengths, and limitations, as well as how one affects others, is known as internal self-awareness. To be externally self-conscious means to be aware of how other people see us.
- 3) **Productive:** Managers may make sure that every worker feels comfortable and productive in their workplace by using employee feedback.
- 4) **Leadership:** Self-aware people are excellent leaders and workers because they are frequently skilled communicators. A healthier work atmosphere and higher employee performance are the results of management and staff communicating more positively.
- 5) **Reliability:** Reliability among team members promotes client satisfaction and retention.

- 6) **Monitoring:** Whether the employees' goal is something real, like increasing sales or retention, or something abstract, like improving their mood, formative self-feedback is a great tool for monitoring their progress over the course of the quarter.
- 7) **Communication skills:** The employees improve their communication skills by setting up weekly one-on-one meetings with the other employees," is an example of formative self-feedback. Similarly, Summative self-feedback is an excellent instrument for providing an overview of strengths and areas requiring development. Metrics like sales volume, percentage growth, retention and turnover rates, and more are frequently included.
- 8) **Improvement in work-flow:** Self-feedback is a useful tool for improving workflow inside the organization and guiding managers in the proper direction when dealing with inefficient teams or inappropriate behavior.

6.8.2 Benefits of Employee feedback

Employee feedback are also beneficial as under:

- 1) **Team Building:** Self-feedback enables staff members to candidly share their observations on their team dynamics with supervisors. Building a team is crucial, and it cannot be done without the right equipment.
- 2) **Cohesive Team:** Receiving feedback from employees is essential to creating a cohesive team. Additionally, it promotes worker responsibility.
- 3) **Team assessment:** Assessing employees' perceptions of their own role within the team can aid managers in assessing the team as a whole.
- 4) **Effective:** Employee self-feedback alone, meanwhile, is not nearly as effective as it is when paired with helpful boss criticism.
- 5) **Growth:** The self-assessment motive theory is particularly pertinent to workers who aspire to advance within their company. They look to their superiors and other coworkers for approval.
- 6) **Knowledge Gap:** Utilising employee feedback can help managers close knowledge gaps within their company. They are able to use the knowledge of their employees to decide on various aspects of the workplace, such as task delegation and the creation of reasonable deadlines.
- 7) **Communication Skills:** Both managers and employees can enhance their communication skills through the process of gathering and analysing employee feedback.

❖ Exercise

- **Give the answers of following questions:**
 1. Explain the concept of self-review consisting of questions.
 2. Discuss self-monitoring comments in detail.
 3. Write importance of self-review.
 4. Discuss strength of employees regarding self-review.
 5. Discuss weaknesses of employees regarding self-review
 6. Give the meaning of core values and explain how it is determined?
 7. Write successful accomplishments claims.
 8. Write a note on goals of employees under self-review.
 9. What are the advantages of goal setting?
 10. Discuss advantage of conducting feedback.

Choose the correct option from the following questions.

1. "I am proud of the achievements of my colleagues and do not hesitate to applaud their victories." This type of comment is known as _____.
 - a. Job performance comments
 - b. Communication Comments**
 - c. Innovation and Creativity Comments
 - d. Customer Experience Comments

Ans: **b. Communication Comments**
2. What is not the strength of employee from the following?
 - a. Ability to communicate
 - b. Incapacity to efficiently multitask**
 - c. Capacity to function effectively under pressure
 - d. Strong problem-solving abilities

ANS: **b. incapacity to efficiently multitask**
3. What is not the weakness of employee from the following?
 - a. Delaying
 - b. Lack of confidence
 - c. Incapacity to efficiently multitask
 - d. Strong problem-solving abilities**

ANS: **d. Strong problem-solving abilities**
4. A person's ----- are a collection of principles that guide their behaviour in both their personal and professional spheres.
 - a. core values**
 - b. habit
 - c. habit and core values
 - d. none of the above

ANS: **a. core values**
5. What is not the successful accomplishment of employee from the following?
 - a. Avoid using "I" expressions
 - b. Errorfree:
 - c. Individual accomplishments
 - d. Uses of 'I' expressions
 - e. ANS.: d. Uses of 'I' expressions**
6. Particular, measurable, attainable, relevant, time-based are the methods of _____.
 - a. Goal creation**
 - b. Feedback
 - c. Core values
 - d. Judgement

ANS: **a. Goal creation**
7. What is not the benefit of feedback from the following?
 - a. Team Building
 - b. Cohesive Team
 - c. Team assessment
 - d. None of the above**

ANS: **d. None of the above**

8. Self -review is important for Employees because ____
- a. **They have more confidence in their abilities**
 - b. Employer knows Employees' Feelings
 - c. Employer finds solutions
 - d. It is possible to fulfill mutual objectives
- ANS: a. **They have more confidence in their abilities**

9. ____ is not a benefit of self-feedback.
- a. Self-improvement
 - b. Self-Awareness
 - c. Leadership
 - d. **Cohesive Team**
- ANS: d. **Cohesive Team**

10. ____ is a benefit of self-feedback.
- a. **Self-improvement**
 - b. Team Building
 - c. Cohesive Team
 - d. Team assessment
- ANS. a. **Self-improvement**

7.1 Introduction**7.2 Meaning, Concept, Importance****7.3 Understanding Performance Management****7.4 Elements of the Performance Management****7.5 Performance Planning Setting Objectives**❖ **Keywords**❖ **Exercise**

7.1 Introduction

Performance management planning and documentation are crucial components of organizational success, providing a systematic approach to enhance employee performance, aligning individual goals with organizational objectives, and fostering a culture of continuous improvement. This multifaceted process involves setting clear expectations, monitoring progress, providing feedback, and documenting achievements and areas for development. Performance management planning begins with the establishment of SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) goals. This ensures that objectives are clear and attainable, providing employees with a roadmap for success. For example, a sales team might set a goal to increase quarterly revenue by 15%, providing a specific target that can be measured and achieved within a defined time frame.

Monitoring performance is an ongoing process that involves regular check-ins, assessments, and feedback sessions. Managers play a key role in observing employee progress, identifying strengths, and addressing any challenges. For instance, a project manager may use key performance indicators (KPIs) to track project milestones, allowing for real-time adjustments and interventions if necessary. Feedback is an integral part of the performance management cycle, providing employees with insights into their strengths and areas for improvement. Constructive feedback fosters a culture of continuous learning and development. An example could be a software developer receiving feedback on their coding skills, enabling them to refine their abilities and contribute more effectively to the team. Documentation is the final but equally essential step in performance management. It involves recording achievements, feedback, and development plans. This documentation serves as a valuable resource during performance appraisals and aids in identifying patterns and trends over time. For example, a human resources professional might maintain records of employee achievements and areas for improvement to inform decisions related to promotions or training opportunities.

In essence, effective performance management planning and documentation contribute to organizational success by aligning individual and team efforts with strategic objectives, fostering employee development, and creating a culture of accountability and continuous improvement. This process ensures that organizations can adapt to changing circumstances while maximizing the potential of their workforce.

7.2 Meaning, Concept, Importance

Meaning

Performance Management:

Performance management refers to the systematic process of planning, monitoring, developing, appraising, and recognizing the performance of individuals, teams, and the overall organization. The primary goal of performance management is to ensure that employees' efforts align with the organization's strategic objectives and contribute to its success.

Performance Management Planning:

Performance management planning involves the strategic development of a framework to ensure the attainment of both organizational and individual goals within a company. This process entails establishing specific performance expectations and objectives for employees, followed by the formulation of a comprehensive plan to effectively meet and exceed these goals. In essence, it is the deliberate and systematic approach of defining performance targets, outlining expectations, and crafting a roadmap to guide employees towards successful goal achievement.

Performance Management Documentation:

Documentation provides a chronological record detailing an employee's progression or lack thereof in enhancing performance over time. It offers a precise and sequential account of the employee's actions, the corresponding managerial responses, and the occurrence of events as they unfold. This historical documentation serves as a comprehensive record of the employee's performance journey, capturing the nuances of improvement or challenges and facilitating a detailed analysis of the overall performance trajectory.

Concept

A formal performance management program is like a guide that helps managers and employees understand each other's expectations, goals, and career progress. It ensures that an individual's work aligns with the company's overall vision, and it's a way to manage the money allocated for performance in the company's budget. Instead of just looking at individual performance in isolation, performance management considers the broader workplace system. Though reaching the absolute performance standard may be challenging, the program uses tools like setting and measuring goals to evaluate performance regularly. Unlike the traditional once-a-year reviews, performance management turns every interaction with an employee into a learning opportunity.

Managers use these tools to adjust workflows, suggest new actions, and make decisions that help employees achieve their goals, contributing to the overall success of the company. This approach fosters continuous accountability, creating a transparent work environment. Regular meetings and clear expectations reduce stress, as employees know what is expected, and managers can address performance concerns without surprises. In a well-functioning system, everyone is aware of their performance, making the workplace more effective and less stressful.

Importance

Performance management is increasingly recognized as a crucial aspect of human resource management, shifting towards a more employee-centric culture. The significance of performance management can be outlined in several key points:

a) Financial Impact: Efficient performance management directly contributes to an organization's financial success. When employees operate at optimal capacity, it positively impacts profits by achieving targets and fostering growth opportunities.

b) Motivation through Recognition: Performance management encourages employees by recognizing and rewarding their contributions. This recognition motivates individuals at all levels, from executives to support staff, creating a desire to excel.

c) Role Clarity and Collaboration: Preventing overlapping roles, performance management ensures that each employee understands their objectives, fostering a defined and cooperative work environment. Clear goals reduce conflicts and provide a sense of purpose.

d) Increased Engagement and Productivity: A well-implemented performance management system enhances employee engagement and productivity. Regular feedback and involvement in the process make employees more connected to the company's vision, leading to increased outcomes and ROI.

e) Idea Generation: Performance management opens avenues for idea generation throughout the organization. It encourages a continuous flow of creative suggestions, not only in product development but also in improving work systems and processes.

f) Employee Development: It serves as a platform for employee development by analyzing roles, past performance, and individual strengths and weaknesses. This enables targeted training, optimizing employee potential for mutual benefit.

g) Documentation and Record-Keeping: The shift to digital performance management solutions allows efficient documentation and record-keeping. These tools offer a transparent process for tracking HR aspects, ensuring timely promotions, and rewards, and maintaining a comprehensive history of employee performance.

7.3 Understanding Performance Management

Performance management is a critical aspect of leveraging human resources optimally to achieve targets with maximum effectiveness and efficiency. Its primary role is to oversee the overall performance of employees, ensuring that they contribute effectively to the organization's success. In the competitive landscape of today, organizational survival, stability, growth, and excellence are contingent upon achieving superior results. Performance management plays a pivotal role in maintaining, developing, and motivating individuals within the workforce, thereby enhancing overall outcomes.

In the context of self-learning material, performance management becomes a key tool for individuals to understand and navigate their roles within the organization. By actively engaging in performance management practices, individuals can evaluate their own contributions, identify areas for improvement, and strategically align their efforts with organizational objectives. This process not only enhances personal development but also contributes significantly to the broader success of the organization.

In this self-learning framework, performance management encompasses a range of activities aimed at ensuring consistent goal achievement at various levels, whether it be at the organizational, departmental, or individual employee level. The focus extends beyond just individual performance to include the performance of entire

departments, specific processes involved in product or service development, and the collective efforts of the workforce. This comprehensive approach fosters a culture of continuous improvement and aligns individual goals with the overarching objectives of the organization, creating a dynamic and thriving work environment.

Let us discuss a few definitions given by management authors:

According to Dr. T. V. Rao, “Performance management involves thinking through various facets of performance, identifying critical dimensions of performance, planning, reviewing and developing and enhancing performance and related competencies.”

Armstrong and Baron defined performance management as, “A strategic and integrated approach to increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors”.

According to Lockett, “Performance management aims at developing individuals with the required commitment and competencies for working towards the shared meaningful objectives within an organizational framework.”

According to Walter, “Performance Management is the process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization.”

7.4 Elements of the Performance Management

Performance management is a comprehensive process that involves activities and strategies aimed at improving individual, team, and organizational performance. The elements of performance management typically include:

1. Planning and Goal Setting
2. Monitoring
3. Developing
4. Reviewing
5. Rating
6. Rewarding



1) Planning and Goal Setting:

The first step in performance management involves planning and setting achievable goals aligned with the company's mission. Imagine a project launch as an example. Managers identify specific objectives, communicate them to the team, and guide employees on how to surpass expectations. Clear directions enable employees to easily accomplish their tasks and contribute to overall project success. For example, if a company aims to increase customer satisfaction, a goal could be to improve response times to customer inquiries.

2) Monitoring:

Monitoring is about overseeing an employee's progress towards the established goals. Think of it like a GPS tracking system for work. Managers consistently track employees' performance using performance management systems and key performance indicators (KPIs). For instance, a sales manager's success might be measured by the revenue generated by their team. Different KPIs would apply to employees in finance, accounting, or IT roles.

3) Developing:

This phase focuses on enhancing employees' skills and capacities through training and development opportunities. Picture a scenario where employees receive specialized training to improve their skills. This not only boosts job-related competencies but also ensures they are equipped to handle changes within the workplace effectively.

4) Reviewing:

After monitoring, managers provide feedback during performance reviews. These reviews highlight areas of excellence and areas for improvement. It's like a report card for work. Managers might discuss opportunities for promotions or salary increases during these sessions, fostering open communication and addressing any challenges that may impact work quality.

5) Rating:

Managers compare employee performance over time and against others to identify top performers. This is akin to ranking students based on academic achievements. Employees receive individual ratings that contribute to decisions on appraisals, raises, or additional benefits. Ratings provide a clear understanding of each employee's contributions and help set standards for future projects.

6) Rewarding:

To motivate and encourage employees, managers reward outstanding performance. Think of it as receiving a gold star for exceptional effort. Rewards can include extra holiday time, public acknowledgment during company events, featured spotlights in newsletters or blogs, and certificates of excellence. Recognizing and rewarding employees not only boosts morale but also establishes workplace standards for future projects.

In simple terms, performance management is like guiding a team in a game. You set goals, watch how each player is doing, help them improve, give feedback, identify the stars, and celebrate everyone's successes.

7.5 Performance Planning Setting Objectives

Creating a plan for how employees will be evaluated is important for making sure a performance management system works well. This plan, called a performance plan, lays out the main tasks, responsibilities, and important goals that a development researcher needs to accomplish or do during a certain time. It's something both the employee and their supervisor work on together during a planning meeting. This plan is based on what the job involves and the specific details of the employee's role. The key objective of performance planning is given below:

Defining Organizational Purpose and Realistic Goals:

Performance planning helps articulate the organization's purpose and sets achievable goals within a defined timeframe. For instance, a non-profit organization focused on

education might set a goal to improve literacy rates in a specific region over the next academic year.

Communicating Goals to Constituents:

The goals established through performance planning need to be communicated effectively to everyone in the organization. For example, a software development company might communicate the goal of launching a new product within the next six months to all team members.

Effective Resource Utilization:

Performance planning ensures that organizational resources are directed towards key priorities. If a manufacturing company aims to reduce waste, the performance plan might emphasize investing in eco-friendly technologies or employee training to minimize production errors.

Establishing a Measurable Base for Progress:

The performance plan provides a baseline for measuring progress. For instance, a sales team may set a goal to increase revenue by 15% in the next quarter, providing a clear metric to track against.

Building Consensus through Inclusive Decision-Making:

Performance planning involves listening to diverse opinions to build consensus. In a healthcare organization, input from medical staff, administrators, and support staff can be gathered to determine common goals, such as improving patient care.

Enhancing Organizational Focus for Efficiency:

Clarity from performance planning helps organizations become more efficient. For instance, a customer service department might streamline its processes to improve response times, aligning to enhance customer satisfaction.

Identifying Performance Metrics:

Clear identification of performance metrics is crucial. For a customer support team, metrics might include response time, customer satisfaction scores, and issue resolution rates to measure success in meeting targets.

Creating Satisfaction:

Performance planning creates a sense of satisfaction and purpose. An environmental organization focused on conservation might derive satisfaction from achieving goals like planting a certain number of trees or reducing carbon emissions.

Increasing Productivity through Efficiency and Effectiveness:

Efficiency and effectiveness lead to increased productivity. For example, a project management team might set a goal to reduce project timelines by improving coordination and communication, ultimately boosting overall productivity.

Solving Major Organizational Problems:

Performance planning can address and solve significant challenges. If a manufacturing company is facing quality issues, the performance plan might include initiatives for improving quality control processes.

Providing Ongoing On-the-Job Feedback:

Performance planning establishes a mechanism for continuous feedback. In a technology company, regular feedback sessions can be incorporated into the plan to address any challenges or make adjustments promptly.

❖ **Keywords**

Performance Management	Documentation	Employee Development	Financial Impact
Key Performance Indicators	SMART Goals	Performance Appraisals	Monitoring
Continuous Improvement	Individual Goals	Employee Engagement	Role Clarity
Organizational Objectives	Collaboration	Idea Generation	Communicating Goals

❖ **Exercise**

• **Self-Assessment Questions:**

- 1) What is the primary goal of performance management?
 - a) Ensuring financial success
 - b) Recognizing and rewarding employees
 - c) Enhancing employee engagement
 - d) Aligning employees' efforts with organizational objectives
- 2) What is the significance of performance management in human resource management?
 - a) Financial Impact
 - b) Motivation through Recognition
 - c) Role Clarity and Collaboration
 - d) All of the above
- 3) Which of the following is a part of the performance management cycle?
 - a) Setting SMART goals
 - b) Monitoring performance
 - c) Providing feedback
 - d) All of the above
- 4) What does the concept of performance management focus on?
 - a) Individual performance only
 - b) Broader workplace system
 - c) Once-a-year reviews
 - d) Strictly financial impact
- 5) What does performance management documentation include?
 - a) Employee's favorite achievements
 - b) Employee's daily tasks
 - c) Achievements, feedback, and development plans
 - d) Employee's personal life details
- 6) According to Dr. T. V. Rao, what does performance management involve?
 - a) Identifying critical dimensions of performance
 - b) Planning, reviewing, and developing performance
 - c) Enhancing performance and related competencies
 - d) All of the above
- 7) What is the first step in the elements of performance management?
 - a) Reviewing
 - b) Planning and Goal Setting
 - c) Developing
 - d) Rewarding

- 8) What is the purpose of performance planning?
 - a) Providing a baseline for measuring progress
 - b) Solving major organizational problems
 - c) Defining organizational purpose and realistic goals
 - d) Rating employees
- 9) What does monitor in performance management involve?
 - a) Providing feedback
 - b) Overseeing an employee's progress towards goals
 - c) Developing employee skills
 - d) Reviewing employee performance
- 10) Why is effective performance management planning essential for organizations?
 - a) To make employees work longer hours
 - b) To align individual and team efforts with strategic objectives
 - c) To decrease employee engagement
 - d) To discourage continuous improvement

- **Solutions:**

(1) D (2) D (3) D (4) B (5) C
 (6) D (7) B (8) C (9) B (10) B

- **Practical Questions:**

- 1) What is the significance of setting SMART goals in performance management planning?
- 2) How does documentation in performance management contribute to decision-making related to promotions or training opportunities?
- 3) Explain the concept of performance management and its role in fostering a culture of continuous improvement.
- 4) Discuss the importance of performance management in terms of financial impact, motivation through recognition, and employee development.
- 5) What are the key elements of performance management, and how do they contribute to improving individual, team, and organizational performance?

- 8.1 Introduction**
- 8.2 Meaning**
- 8.3 Definition**
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- 8.12 Advantages and disadvantages of Performance Appraisal**
- 8.13 Performance Management Versus Performance Appraisal**
- 8.14 Potential Problems in Performance Appraisal**

❖ **Exercise**

8.1 Introduction

A Performance Appraisal is the periodic assessment of an employee's job performance as measured by the competency expectations set out by the organization. The performance assessment often includes both the core competencies required by the organization and also the competencies specific to the employee's job. Performance appraisal is a periodic, systematic review of an employee's overall performance and their contribution to an organization. It evaluates employee skills, development, and growth according to organization standards and expectations. Through an effective performance appraisal process, organizations provide employees with constructive feedback, recognize their achievements, and validate termination decisions. Employers get a clear picture of their workforce, and underperforming employees get the guidance they need to improve and excel at their job.

A formal system called performance appraisal assesses how well a worker performs. The appraisal measures abilities and feats with an acceptable degree of uniformity and accuracy. It offers a means of assisting with performance improvement and aiding in the advancement of one's career. However, it shouldn't be viewed as the supervisor's only means of communication. Throughout the year, keep the lines of communication open to foster productive working relationships. The process of evaluating an employee's performance and advancement on a specific job for his future development is known as performance appraisal, and it primarily consists of formal procedures. Every employee is entitled to a thorough and thoughtful evaluation. The employee's cooperation and the supervisor's willingness to conduct an honest and constructive evaluation are both necessary for the process to be successful.

8.2 Meaning

Performance appraisal is a formal system that evaluates the quality of a worker's performance. The appraisal measures skills and accomplishments with reasonable accuracy and uniformity. It provides a way to help identify areas for performance enhancement and to help promote professional growth. It should not, however, be considered the supervisor's only communication tool. The focus of performance appraisal is as much on the measuring and improving of the actual performance as on the future potential of the employee. This activity is performed annually by a supervisor for his/her subordinates designed to help employees understand their roles, objectives, expectations, and performance success. Performance appraisal can be used for developmental as well as administrative purposes. It is a powerful tool to calibrate, refine, and enhance the capabilities of the employee.

8.3 Definition

Below are the different definitions of Performance Appraisal given by different authors.

According to Gomej-Mejia – “Performance Appraisal involves the identification, measurement and management of human performance in organisation.”

According to Slabbert and Swanepoel – “Performance Appraisal is a formal and systematic process by means of which the relevant strengths and weaknesses of the employees are identified, measured, recorded and developed.

According to Beach – “Performance Appraisal evaluates systematically performance of individual with regard to his or her performance on the job and his potential for development.

According to Spriegel and others, “Performance Appraisal is the process of evaluating the employee's performance on the job in terms of requirements of the job.”

According to Edwin. B. Flippo, “Performance Appraisal is the systematic, periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job.”

According to Alford and Beatty– “The evaluation or appraisal of the relative worth to the company of a man's services on his job”.

Thus, Performance Appraisal refers to the task of rating or assessing the individual's performance and abilities at work.

8.4 Concept of Performance Appraisal

The evaluation of value, quality, or merit is called an appraisal. A systematic evaluation of employees' performance by superiors or other people familiar with their work is known as a performance appraisal. One way to think of performance evaluation is as a merit rating, where one person is rated better or worse than others. The main goal of this merit rating is to determine a worker's promotion eligibility.

However, because its application goes beyond determining eligibility for promotion, performance appraisal is a more comprehensive term for such activities. In addition to promotion, these actions could include training and development, pay raises, transfers, and discharges.

Key Elements of Performance Management

Key elements of performance management include the following:

- **Goal setting:** Establishing specific, measurable, attainable, relevant, and time-bound (SMART) goals that align with organizational objectives.
- **Ongoing feedback:** Regularly providing constructive feedback to employees, focusing on strengths, areas for improvement, and performance expectations.
- **Performance measurement:** Assessing employee performance through various methods such as self-assessments, peer evaluations, and objective metrics.
- **Development planning:** Identifying areas for improvement and creating personalized development plans to enhance skills and competencies.
- **Performance discussions:** Conducting periodic performance discussions to review progress, address challenges, and set new goals.
- **Rewards and recognition:** Recognizing and rewarding high performers to reinforce positive behaviours and motivate continued excellence.

Main Objectives of Performance Management

Below are the three key objectives of performance management:

- 1. Aligning goals**
- 2. Improving Performance**
- 3. Employee Development**

1. Aligning goals

Performance management aims to align individual goals with larger organizational objectives and aims to set clear, measurable goals for employees that are in tune with the organization's objectives and help achieve these goals in order to achieve organizational success in the long-run.

2. Improving Performance

Performance management is aimed at improving the performance of employees by providing regular feedback, coaching, and support to help individuals enhance their skills, overcome challenges, and achieve their full potential.

3. Employee Development

Performance management also focuses on employee development and involves identifying areas for improvement and creating personalized development plans to enhance skills, knowledge, and competencies of employees. By investing in employee growth, organizations can build a talented and capable workforce.

8.5 Evolution of Performance Appraisal

The history of Performance Appraisal is quite brief. Its roots in the early 20th century can be traced to Taylor's pioneering Time and Motion studies. But it is not very helpful, for the same may be said about almost everything in the field of modern human resources management. As a distinct and formal management procedure used in the evaluation of work performance, appraisal really dates from the time of the Second World War – not more than 60 years ago. Yet in a broader sense, the practice of appraisal is a very ancient art.

There is a basic human tendency to make judgments about those one is working with, as well as about oneself. Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily.

In the workplace, the propensity for judgment can lead to significant motivational, ethical, and legal issues. Without a structured appraisal system, there is little chance of guaranteeing that the decisions made within the organization will be morally righteous, just, and tenable in court. Initial versions of performance appraisal systems were straightforward ways to justify pay. In other words, appraisal was used to determine whether a particular employee's salary or wage was appropriate. The process was closely related to tangible results. A pay reduction would occur if an employee's performance was deemed to be less than satisfactory. On the other hand, a pay raise was necessary if their performance exceeded.

Little consideration was given to the developmental possibilities of appraisal and a cut in pay or a rise should provide the only required impetus for an employee to either improve or continue to perform well. Sometimes this basic system succeeded in getting the results that were intended; but more often it failed. Early motivational researchers were aware that different people with roughly equal work abilities could be paid the same amount of money and yet have quite different levels of motivation and performance.

These observations were confirmed in empirical studies. Pay rates were important but they were not the only element that had an impact on employee performance. It was found that other issues such as morale and self-esteem could also have a major influence. As a result, the traditional emphasis on reward outcomes was progressively rejected. In the 1950s in the United States, the potential usefulness of appraisal as tool for motivation and development was gradually recognized and the general model of performance appraisal began from that time.

8.6 Purpose of Performance Appraisal

1. Motivating employees through acknowledging their achievement and sharing feedback.
2. Guiding employees towards achieving their aims and targets.
3. Identifying training needs and learning desires.
4. Identification of personal strengths including hidden strengths and weaknesses.
5. Career and succession planning which can include personal and organizational.
6. Team roles clarification and team building.
7. Appraisee and appraiser mutual awareness, understanding, and relationship.
8. Resolving confusions and misunderstandings.
9. Reinforcing and cascading organizational philosophies, values, aims, objectives, goals, strategies, priorities, etc.
10. Delegating additional responsibilities, employee growth, and development.
11. Coaching, mentoring, counselling, and feedback.
12. The advancement of managers enables them to carry out evaluations objectively.

8.7 Importance of Performance Appraisal

The Performance Appraisal has its significant in many ways which are as follows:

1. Employees should be apprised of expected standards and level of performance articulated specifically, both quantitatively and qualitatively, in terms of goals, targets, behaviour, etc., expected at their particular levels. This helps them match personal contributions to expected output.
2. Personal equation of trust and compatibility is important for good informal interface between the employer and the employee. There should also be broad agreement over criteria to be adopted for appraisal.
3. Employees should be encouraged to express themselves freely about performance reports.
4. The organisation should ensure that the appraisal system is job-related, performance-based, uniform, consistent, fair, just and equitable and that appraisers are honest, rational and objective in their approach and judgment and have the desirable behavioural orientation for ethical judgment.
5. Supervisors responsible for performance appraisal should be well trained in the art and science of performance appraisal to ensure uniformity, consistency and reliability of the process. Success of the evaluation ultimately depends on the evaluator and not on any system however perfect a support it may provide.
6. Performance appraisal reports should be examined meticulously, before any action, positive or negative, is proposed to be initiated.
7. To promote consistency and uniformity regarding performance standards, line and staff co-ordination is vital.
8. There should be provision for appeals against appraisals to ensure confidence of the employees and their associations and unions.
9. Performance appraisal is a continuous activity which also evolves over time. Continuous study and review are therefore a must.
10. If an appraisal system is to achieve objectives academically delineated 'ideal,' the content should include both work- related and trait- related components.
11. It should highlight significant achievements or any special traits exhibited at work with due emphasis on ethical behaviour; spirit of humanism and enquiry, demonstrated learning capability and enthusiasm for work shown by the employee.

There should be an equal emphasis on the process of performance appraisal. As Procedural justice is a recognised factor in job satisfaction at the work place so, The process should stimulate two way communication of appraisal content between superiors and subordinates and emphasise on institution of feedback and follow-up action to ensure that appraisal results are taken into account in administrative decision-making relating to placements, and career planning and development and finally, appraisal systems should be evaluated from time to time to ensure desired stipulations (both theoretical and practical) are duly properly followed in practice every time.

8.8 Types of Performance Appraisal

Performance Appraisals can be divided into four types as follows:

- 1. 360-Degree Appraisal**
- 2. Negotiated Appraisal**

3. Peer Assessment

4. Self-assessment

1. 360-Degree Appraisal

360-Degree Appraisal means the manager gathers information on the employee's performance. This information typically gathered by questionnaire, from supervisors, co-workers, group members, and self-assessment. The idea is to increase the sources of feedback in order to get a more accurate and holistic view of employee performance. 360 feedback will often be open-ended or thematic with the employee's manager reviewing and aggregating the feedback into a single more cohesive picture of performance.

2. Negotiated Appraisal

This type of appraisal uses a mediator to help evaluate the employee's performance, with a greater emphasis on the better parts of the employee's performance. Negotiating performance appraisal with manager can be a challenging and stressful process, especially when they have different expectations or opinions about work performance. It can be possible by approaching it with the right mind set and skills and can turn it into a constructive and rewarding conversation that benefits both employees and organization.

3. Peer Assessment

The team members, workgroup, and co-workers who are responsible for rating the employee's performance. Feedback from different sources, such as mentors, tutors or lecturers can greatly enhance the student learning process. Fellow students, peers, are another source of feedback and peer assessment, the formative or summative feedback provided by peers can offer a number of educational benefits. Peer assessment involves students giving feedback to each other to grade their work or performance using relevant criteria. A learning activity involving peer assessment may take a number of forms. At its simplest, peer assessment may involve peers providing formative feedback to one another. With large numbers of students, where peers are working in groups, this feedback may be formative (e.g. informal feedback) or summative, whereby each group member provides marks or grades for their fellow peers, and may be one-to-one or many-to-many.

4. Self-Assessment

It is also known as a self-assessment or performance review which begins with a series of notes from employer or employers on how you have conducted yourself at work. They typically end with a self-assessment, where you share how much progress you believe you have made during a certain amount of time on the job. The employees rate themselves in categories such as work behaviour, attitude, and job performance. From above types some organizations use several appraisal types during the same review. For example, a manager could consult with the employee's peers and assign a self-assessment to the employee.

8.9 Methods of Performance Appraisals

Performance appraisals can be done in many ways. Commonly, Managers and human resources staff responsible for these appraisals need to choose the best methods based on the size of their organization and what sorts of responsibilities the employees fulfil.

1. 720-Degree Feedback
2. The Assessment Center Method
3. Behaviourally Anchored Rating Scale (BARS)
4. Checklist Method
5. Critical Incidents Method
6. Customer/Client Reviews
7. Field Review Method
8. Forced Choice Method
9. General Performance Appraisal
10. Human Resource Accounting Method

1. 720-Degree Feedback

720 Degree Feedback method means it doubles what you would get from the 360-degree feedback! The 720-degree feedback method collects information not only from within the organization but also from the outside, from customers, investors, suppliers, and other financial-related groups. 720 Degree Feedback is more holistic and comprehensive feedback which leads to a better understanding of performance. Hearing from customers, teammates, managers, and other stakeholders can help identify any performance gaps or places of improvement. It is a Multi-dimensional feedback which helps employees better cooperate and communicate more consistently. There are many advantages of it like it can greatly reduce appraisal barriers such as prejudice, bias, and discrimination. These are much more common when employee reviews are conducted as feedback between employers and managers only.

2. The Assessment Center Method

An assessment center is a method that many organizations use to identify management potential and determine candidate's suitability for higher functional positions. This method consists of exercises conducted at the company's designated assessment center, including computer simulations, discussions, role-playing, and other methods. Employees are evaluated based on communication skills, confidence, emotional intelligence, mental alertness, and administrative abilities. The rater observes the proceedings and then evaluates the employee's performance at the end. The process is done under standardized conditions and puts candidates through a combination of group and individual exercises which simulate the conditions of a given job. The assessors judge candidate's behavior which can then serve as the basis for valuable predictions of a candidate's potential.

3. Behaviorally Anchored Rating Scale (BARS)

This appraisal measures the employee's performance by comparing it with specific established behaviour examples. Each example has a rating to help collect the data. Behaviorally Anchored Rating Scale (BARS) is a scale used to rate the performance of employees. It is an appraisal mechanism that seeks to combine the benefits of narratives, critical incidents and quantified ratings by anchoring a quantified scale with specific narratives of performance ranging from good, satisfactory and poor performance. BARS is designed to bring the benefits of both quantitative and qualitative data to employee appraisal process. It compares an individual's performance against specific examples of behavior that are tied to numerical ratings of 5 to 9. Behaviorally Anchored Rating Scale (BARS) is usually represented as a vertical rating graph. These behavioral anchor points are collected using Critical Incident Techniques (CIT), which are procedures used for documenting human behavior that are of significance in a particular arena.

4. Checklist Method

This simple method consists of a checklist with a series of questions that have yes/no answers for different traits. A checklist method for performance evaluations lessens the subjectivity, although subjectivity will still be present in this type of rating system. With a checklist scale, a series of questions is asked and the manager simply responds yes or no to the questions, which can fall into either the behavioral or the trait method, or both. Another variation to this scale is a check mark in the criteria the employee meets, and a blank in the areas the employee does not meet. The challenge with this format is that it doesn't allow more detailed answers and analysis of the performance criteria, unless combined with another method, such as essay ratings.

5. Critical Incidents Method

Critical incidents could be good or bad. In either case, the supervisor takes the employee's critical behavior into account. This method of appraisal is more time-consuming for the manager and it can be effective at providing specific examples of behaviour. With a critical incident appraisal, the manager records examples of the employee's effective and ineffective behavior during the time period between evaluations, which is in the behavioural category. When it is time for the employee to be reviewed, the manager will pull out this file and formally record the incidents that occurred over the time period. The disadvantage of this method is the tendency to record only negative incidents instead of positive ones. However, this method can work well if the manager has the proper training to record incidents (perhaps by keeping a weekly diary) in a fair manner. This approach can also work well when specific jobs vary greatly from week to week, unlike, for example, a factory worker who routinely performs the same weekly tasks.

6. Customer/Client Reviews

This method is best for employees who offer goods and services to customers. The manager asks clients and customers for feedback. It is especially for how they perceive the employee and the business.

7. Field Review Method

An HR department or corporate office representative conducts the employee's performance evaluation means an employee is not appraised by his direct superior but by another person usually from the HR department. This is an appraisal by someone outside the assessee's own department, usually someone from the corporate office or the HR department.

8. Forced Choice Method

This method is usually a series of prepared True/False questions. Forced Choice Appraisal is a method of performance appraisal in which the rater has to make a forced choice between the available characteristics, about the employees. It is in the form of a survey questionnaire. In this method, different categories of performances are set; the proportion in each category need not be symmetrical. All the employees are places under any one of these categories.

The raters are given a set of multiple choice questions, from which they are to select one option and rate the employees. This list contains only positive or only negative set of choices of behaviors to choose from. This leads the employer to be in a situation in which, he/she is forced to choose only the negative or only the positive traits to attribute to the performance of an employee. Thus the supervisor, himself doesn't know which is the best answer among the choices available.

9. General Performance Appraisal

This method involves continuous interaction between the manager and the employee, including setting goals and seeing how they are met. It's a subjective evaluation of the employee's strengths and weaknesses, relative worth to the organization, and future development potential. Performance appraisals are also called performance evaluations, performance reviews, development discussions, or employee appraisals

10. Human Resource Accounting Method

Alternately called the "Accounting method" or "Cost accounting method," this method looks at the monetary value the employee brings to the company. It also includes the company's cost to retain the employee. In this method the performance appraisal of the employees is judged in terms of cost and contribution of the employees. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc.

11. Management by Objective (MBO)

This process involves the employee and manager working as a team to identify goals for the former to work on. Once the goals are established, both parties discuss the progress the employee is making to meet those goals. This process concludes with the manager evaluating whether the employee achieved the goal. Using an MBO can give the benefits like improve employee performance in the workplace, a greater sense of identity with the company by highlighting their contributions and lastly the career growth and career focus.

12. Performance Tests and Observations

This method consists of an oral test that measures employees' skills and knowledge in their respective fields. Sometimes, the tester poses a challenge to the employee and has them demonstrate their skills in solving the problem.

13. Project Evaluation Review

This method involves appraising team members at the end of every project, not the end of the business year. It is a procedure through which activities of a project are represented in its appropriate sequence and timing. It is a scheduling technique used to schedule, organize and integrate tasks within a project.

14. Rating Scales

These ratings measure dependability, initiative, attitude, etc., ranging from Excellent to Poor or some similar scale. These results are used to calculate the employee's overall performance.

8.10 Approaches of Performance Appraisal

Performance Appraisal has been significant activity since ancient times. Earlier, performance appraisal was perceived primarily in the negative sense of punishing employees and was restricted to formal remarks used for promotions. Today, performance appraisal is viewed as a positive management development tool intended to help employees develop to their full potential.

The trend has changed significantly so much so that almost a paradigm shift is discernable. The main purpose of performance appraisal, as per modern understanding of the concept, is to promote individual excellence in order that employees function better as a collective and elevate the general level of

organisational performance, while in the process re-energising them and manifesting and rediscovering their latent potentials as partners in collective endeavour.

Establishment of conducive climate of mutual trust between the two ‘opposing poles’ of organisational effort, employees and employer, is absolutely imperative for the efficacy of the process. There are both formal and informal aspects to the process of performance appraisal in the sense that formal observations and mutual discussions are involved in developing parameters through positive deployment of social capital and de-emphasis of hierarchy. The main purpose is to develop and refine human capital with more emphasis on intent and less on process.

8.11 Performance Appraisal Process

Organizations often customize the performance appraisal process according to their specific needs. Smaller organizations conduct performance appraisal on an informal basis, observing employees and providing feedback. Large-scale businesses opt for a more formal and structured approach. A typical performance appraisal process usually involves the following steps:

1) Defining Performance Standards

The fundamental step of an employee appraisal process is defining performance standards against which an employee’s performance is measured. Managers set standards according to the skills and competencies required for a particular position. This also helps establish an organization’s long-term goals and objectives. The standards should be clear, to-the-point and easy to understand to avoid confusion.

2) Communicating Expectations

Once performance standards have been established, the next step is communicating these standards to employees. This gives them a clear picture of what’s expected of them and ensures the organization and its workforce are on the same page and working toward the same goals. However, communication is a two-way process. Managers must take into account any feedback or questions employees might have on the standards communicated to them and make necessary adjustments.

3) Assessing Performance

Central to an employee appraisal process is assessment and review of an employee’s performance over a set period of time. Supervising managers use a combination of observation, statistics and written or oral reports to evaluate an employee, keeping aside personal feelings and bias. Check-ins and meetings are held with precise, targeted questions that offer an insight into employee pain points, motivations and goals.

4) Comparing Performance With Standards

The next step in a performance appraisal process is comparing an employee’s performance with a set of predetermined standards. It tells managers where an employee stands, highlighting achievements as well as gaps between actual and expected performance. This step sets the base for the rest of the evaluation process.

5) Appraisal Discussion

The fifth step in an employee appraisal process revolves around that often-dreaded word—results! Managers discuss the outcome of the entire appraisal process with their employees and offer actionable feedback. Constructive criticism helps

employees identify their strengths and weaknesses, work on their problem areas and improve future performance. Positive feedback boosts confidence.

6) **Post-Appraisal Strategy**

Performance appraisal doesn't end with employee evaluation. For long-term growth, an organization must devise an appropriate strategy and take the necessary actions based on appraisal outcome. Such actions may include rewarding high-performing employees, training underperformers and identifying factors that hamper employee performance.

Performance appraisal is a continuous process involving thorough planning, monitoring and review. When executed effectively, it builds trust, promotes transparency and boosts employee morale.

8.12 Advantages and disadvantages of Performance Appraisal

➤ Advantages of the performance appraisal are as follows:

1. Right Placement:

Performance appraisal is beneficial for assessing strengths and weaknesses of an employee. It enables to find out areas / tasks in which the employee is competent. Basically, the process is useful for identifying true potential and interests of the employees. Such analysis helps HR Department to assign right jobs according to the skill and competencies of employees.

2. Assistance to Improve Performance:

The manager / team head shares evaluation result with the respective employees. Such feedback is useful as it enables employees to focus on improving their strengths. The managers also suggest ideas and methods through which employees can overcome their weaknesses. Thus, the process helps in personal & career development of employees.

3. Acts as a Motivator:

The process involves recognizing & rewarding employee's efforts and performance. It boosts their morale and confidence. Further, greater awareness of one's true potential motivates employees to give their best performance. The organization acknowledges efforts of employees by giving higher salary, higher responsibilities, certificates and other monetary and non-monetary benefits. These benefits and recognition also motivates other employees to perform better at their job.

4. Planning and Designing Training Programmes:

The assessment of strengths and weaknesses of employees is useful for HR department to plan and design training programmes. The employees are provided with right training at right time to overcome their weaknesses and to develop their strengths. The content and method of training can be modified according to the human resource requirements.

5. Improves Employee and Management Relationship:

Performance appraisal is also an opportunity for the employees to discuss work related problems with their superiors & to find out ways to resolve them. Promotions and transfers are done on the basis of performance of employees. The fair promotion and transfer policies improve relationship between employees &

management. It also facilitates good work atmosphere which directly benefits the final output.

6. Human Resource Planning and Development:

Performance appraisal is useful for taking inventory of quality of human resources available in the organization. This information helps in future planning and development of human resources. As per the assessment, the HRD can plan to recruit new employees or develop the quality of existing workforce in the organization. This ensures that organization has required quality and quantity of manpower to carry out its activities.

7. Improves Employee Communication with Managers:

Performance appraisal is also an opportunity for the employees to convey their needs and expectations to superiors. Further, employee can seek guidance of their managers to improve performance and also for career advancement. In short, the process gives a platform to improve employee communication.

8. Personal Development:

Appraisal facilitates acknowledgement of employee's efforts and achievements. This motivates employees to learn and acquire new skills that aid them in personal and career development. This process boosts employees' confidence and encourages them to take challenging tasks. During appraisal, managers also suggest ideas and methods to improve their attitude, behaviour, mental ability, emotional stability and so on.

9. Promotion and Transfers:

Performance appraisal is beneficial for identifying talented employees in the organization. This information helps the organization in grooming and developing competent employees. The organization acknowledges the efforts and achievement of employees through promotion, deputation, transfer etc. Performance appraisal ensures that promotion and transfer is only offered to employees based on merit and experience, not on the basis of seniority and favouritism.

➤ **Disadvantages of Performance Appraisal**

Disadvantages of the performance appraisal are as follows:

1. Time Consuming Process

Every manager or supervisor is responsible for preparing performance report for his team members. He is required to fill up an appraisal form for every team member and note down strengths, achievements, weaknesses and other observations of his team members. The process includes lot of procedures and is a time consuming process.

2. Inexperienced Evaluators:

Sometimes, appraisal may not be conducted by skilled or trained managers. The evaluation process may not be carried out properly owing to lack of knowledge and experience of evaluator.

3. Defective Rating or Personal Bias:

Managers avoid giving negative remarks or poor ratings as employees may not always view feedback in a positive manner. The managers try to avoid possible

future conflicts or arguments with employees. Moreover, they also fear non-cooperation from employees in future.

It results in managers giving favourable ratings, so that work environment and relationships are not affected. Moreover, the evaluator's personal relation with the employee also affects the process. Sometimes, managers may give higher ratings to favorite's employees. They may also give low rating to deserving employees due to jealousy or fear that such employees might replace them.

4. Difficulty in Selection of Appraisal Method:

There are number of techniques to evaluate performance of employees. The appraisal technique must be selected on basis of the nature of organization, number of employees, work policies, budget etc. However, evaluators may not always select appraisal method that is suitable for the organization. They select appraisal method that is simple, less time consuming in order to reduce workload.

5. Central Tendency:

Managers have the tendency to give average rating to employees irrespective of their actual performance. It means average rating is given to both, the underperformers as well as the over performers. Generally, managers resort to this kind of behaviour in order to avoid displeasing other employees, future conflicts, jealousy and tension in the team. However, it is unfair for those employees who actually deserve high ratings but are given average score.

6. Horn/ Halo Effect:

The behaviour to look only on negative aspects and ignore the positive aspects of a person is called as horn effect. It occurs when an appraiser makes his decision only on the basis of employee's negative attributes. For instance, the appraiser gives overall low rating to an employee because he is overly focused on employee's lack of communication and presentation skills.

7. Lack of Participation from Employees:

Employees resist performance appraisal system because they consider that the whole process of appraisal is only for pointing out their mistakes and criticizing their performance. Thus, they may not be actively involved in the evaluation process.

8. Spill Over Effect:

The behaviour to ignore employee's current performance and to make decision on the basis of past performance and overall impression of the employee is termed as spillover effect. For instance, if the employee had a good performance during the last year, the supervisor by default rates him high even in the current year without considering his actual performance.

9. Attitude of Evaluator:

Mind set of manager also affects the evaluation process. The managers who are strict and have high expectations from his employees may give low ratings to all employees in spite, of good performance from employees. The lenient managers give high rating to all employees irrespective of their performance. Such evaluations are not valuable to the organization or the employees.

10. Inadequate Attention to Human Resource Development:

The main aim of appraisal system is to assess the performance of employees at current job so that they can be motivated and developed further. However, the performance reports may not be actually used by the managers to achieve this goal. The managers prepare these reports only to fulfil their duties and obligation of company policy. They may not always find time to evaluate actual performances of employees and to develop their abilities.

11. Expensive:

The organization has to allot huge funds for setting up assessment centres. Further, technical experts are to be hired to plan and design evaluation techniques. Sometimes, organizations also have to hire professional experts from outside to conduct the evaluation process.

8.13 Performance Management versus Performance Appraisal

Performance management and performance appraisal share some similarities in their overall objective and their impact on employee development. There are some areas where they are similar which are as follows.

1. Performance Improvement

Both performance management and performance appraisal aim to improve employee performance. They provide opportunities for feedback, goal setting, and identifying areas for development. Both processes seek to enhance employee capabilities and contribute to organizational success.

2. Goal Alignment

Both approaches involve aligning individual goals with organizational objectives. They ensure that employees' efforts are directed towards achieving the strategic goals and priorities of the organization. By setting clear expectations, performance management and performance appraisal help employees understand their role in contributing to the broader organizational goals.

3. Feedback and Communication

Both processes involve feedback and communication between managers and employees. Whether through ongoing discussions in performance management or formal evaluations in performance appraisal, feedback plays a vital role in informing employees about their performance, strengths, and areas for improvement. Effective communication facilitates understanding, clarity, and collaboration between managers and employees.

4. Employee Development

Performance management and performance appraisal emphasize employee development. They provide opportunities for identifying training needs, skill enhancement, and career advancement. By identifying strengths and areas for improvement, both processes contribute to creating developmental plans that support employees in reaching their full potential.

These two distinct concepts that differ in their purpose, timeframe, focus, feedback orientation, and use of data.

Performance management is a holistic and on-going process aimed at improving employee performance, engagement, and development. It emphasizes continuous

feedback, goal setting, skill development, and aligning individual goals with organizational objectives.

It is a proactive strategy that encourages a culture focused on performance. However, performance appraisal is a particular aspect of performance management that typically takes place once a year or at predetermined intervals. Its main objective is to evaluate and assess an employee's performance in relation to predetermined standards or objectives. It typically has a more formal and structured feedback process, with the employee frequently receiving it from the manager. Performance appraisal relies more on a snapshot of performance during a specific period, frequently using rating scales or predefined criteria, as opposed to performance management, which uses a wider range of data and inputs, including ongoing performance discussions and real-time feedback.

In conclusion, it is critical to comprehend the distinctions between performance management and performance appraisal. Performance appraisal is a particular event within that process, evaluating performance at a particular time. Performance management is a comprehensive, ongoing process focused on continuous improvement and employee development. Organizations can promote growth, engagement, and goal alignment by putting in place effective performance management procedures and strategically using performance appraisal.

8.14 Potential Problems in Performance Appraisal

Below mentioned are the most common errors that occurs in performance appraisal process.

1. Bias

We all have our biases, whether they come out as generally positive or negative feeling about something or someone. The trick, of course, is to not let those biases cloud your approach to the performance appraisal process. Remind yourself that you're trying to be as objective as possible about reviewing an employee's performance, and your biases can steer the process into a highly subjective direction. They can also make your appraisal efforts inconsistent across different employees, and being consistent is a key feature of a process that is fair. Just because you may not like a person doesn't mean the evaluation of their performance must reflect that. Keep it as objective as possible.

2. Stereotyping

This one is similar like bias, but it's a little bit different. It's not so much about liking or disliking someone as just assuming a person fits a certain mold, whether that stems from the person's race, gender, ethnic background, religious beliefs, political views or a host of other characteristics. When you start applying labels based on a person's membership in some kind of group, you're engaging in stereotyping. Like biases, stereotypes can also be either positive or negative. What you have to do is look past the labels and really get to know the person whose performance you're evaluating.

3. The Halo (or Horns) Effect

Sometimes you'll have a generally positive or negative overall feel about an employee, and it's all too easy to let that general feeling color your appraisal of specific performance aspects. It's important to take each criterion and judge it on the evidence related to that specific criterion. If all the specific performance aspects are coming out with similar appraisals, stop and check yourself for the halo or horns

effect. Any given employee will probably display areas of weakness as well as areas of strength, so keep that in mind to avoid coloring the entire appraisal by an overall impression.

4. **Leniency, Central and Severity Tendencies**

These three mistakes are all about distribution errors, meaning the overall distribution of appraisals doesn't match up to the classic bell curve. Some appraisers are lenient and score everyone as above average, while others might score everyone as average, while still others might tend to score everyone as below average. More than likely, there should be a range of evaluations where there are some standouts, some poor performers, and some average performers as well. If all your appraisals are coming out the same, make sure you're giving the full range of performance measures adequate consideration.

5. **Similarity Error**

Birds of a feather do tend to flock together, which is the root of this mistake. Some managers will automatically give higher scores to employees that are more like themselves and lower scores to those who are different. Keep in mind that you're evaluating their performance and results, not how much they are or are not like you. Objectivity and respect for diversity are the ways to keep from making this appraisal error.

6. **The Recency Effect**

Another common error is when appraisers focus in only on a short period of time right before an appraisal takes place. If performance appraisals happen once or twice a year at your organization, it's important to remember that you're evaluating performance over the entire period, not just a small part of it. Otherwise, you're not being fair to someone who has done a great job but only recently begun to falter, or vice versa. Avoiding this error entails having a good process in place to capture performance information throughout the period being reviewed.

7. **Compare/Contrast Error**

It's also important to keep in mind that you're not comparing or contrasting employees against each other. You should be appraising each individual's performance against a set of standards and criteria. Contrast error can bring down scores of good performers because if they are compared against high performers, the contrast makes them seem less than average when in fact they are good if they fulfil the specific criteria of what is good.

8. **Attribution Error**

This is a tricky one because it involves allowing your subjective opinion on what might have caused certain behaviour or outcomes, and allowing that to cloud your judgment. Never assume you understand why an employee behaved a certain way, and don't let that into your appraisal process. Stick to the objective criteria that have been laid out and how the employee's performance compares to them.

Thus, the performance appraisal process contains many places where mistakes and errors can occur. This is why it so important to train your managers and supervisors on how to engage in a fair and objective appraisal process.

❖ **Exercise**

• **Choose the correct answers from the following:**

- 1) Performance appraisal is a _____ of an employee's overall performance.
(A) periodic
(B) systematic review
(C) **Both A and B**
(D) None of the Above
- 2) Performance appraisal can be used for _____ purpose/s.
(A) **Developmental as well as administrative**
(B) Only development
(C) Only administrative
(D) None of these
- 3) This Definition is given by: "Performance appraisal evaluates systematically performance of individual with regard to his or her performance on the job and his potential for development.
A) Spriegel
B) Beach
C) Alford and Beatty
D) None of these
- 4) In SMART, M Stands for , _____
A) Measurable
B) Money
C) Mission
D) None of these
- 5) From the following which can be the purpose of Performance appraisal?
A) Coaching
B) Mentoring
C) Counselling
D) All of these

• **Provide detailed answers to the following questions.**

- 1) Explain the Concept and Evolution of Performance Appraisal
- 2) Which are the Purposes and needs of Conducting Performance Appraisal in workplace?
- 3) Describe Role and Importance of Performance Appraisal.
- 4) List out and explain Types of Performance Appraisal.
- 5) Describe different Methods of Performance Appraisal.
- 6) Which Approaches of Performance Appraisal are effective?
- 7) Explain in detail the Performance Appraisal Process.
- 8) Distinguish between Performance Management Versus Performance Appraisal.
- 9) What are the Potential Problems in Performance appraisal?

- **Answers the following questions briefly:**

- 1) What is Stereotyping?
- 2) What do you mean by Horn & Halo Effect?
- 3) Define: Management By Objective (MBO).
- 4) Write any two Purposes of Performance Appraisal.
- 5) Give full form of SMART and explain in short.
- 6) What is 360-Degree Appraisal?

9.1. Introduction**9.2 Meaning, Concept, Procedure****9.3 Opposition to evaluation****9.4 System designed and operating problems****9.5 Rater problem**❖ **Exercise**

9.1 Introduction

Successful performance management is as essential to organisational success as talent acquisition and retention. It is a fundamental component of the employee life cycle. Monitoring and assessing worker's productivity and efficiency is all part of performance management. Continuous performance improvement is necessary to support organisational growth.

Time is the most precious resource in a business that is expanding quickly. In order to measure production levels in terms of both quantity and quality, it becomes imperative to have an efficient performance management system. To make the most of the limited bandwidth, every employee needs to be able to deliver and increase efficiency.

The performance of an employee can be monitored at the workplace in a number of ways. In the event that issues emerge, it is critical that human resources handle them quickly and effectively. When all pertinent information has been obtained, it may be discussed with the employee to highlight areas for growth and help them create and accomplish goals that will help them succeed.

9.1.1 Issues in performance management:

The following performance concerns and roadblocks to efficient performance management that frequently arise in rapidly expanding businesses:

- 1. The vision and objectives are unclear:** Lack of clarity about goals is one of the primary performance difficulties that impedes effective performance management. Employees are left in situations where they are unsure of what is expected of them and where the leadership is unable to establish performance criteria because of a vague vision and unclear objectives. The definition of effective performance will never be clear in the absence of clear objectives.
- 2. Inadequately stated work procedures:** The next problem with employee performance that organisations encounter is a lack of understanding about how the goals and vision are to be accomplished. This challenge is particularly acute for rapidly expanding companies that lack well-defined procedures and frameworks to accomplish a certain objective. Many times, employees struggle with performance because they lack an institutional baseline for a given task.
- 3. A lack of congruence between staff and leadership perspectives:** A further problem with performance is when staff and leadership ideas are not in sync. This is especially true for rapidly expanding businesses, as divergent viewpoints among staff members and executives are caused by a dynamic vision and best practises.

They might have various ideas about what makes for effective performance, so there will be distinct evaluation criteria and paths for accomplishing the same.

- 4. Inadequate evaluation instruments and metrics:** Mapping and measuring productivity and performance is necessary for both effective performance management and the resolution of performance-related challenges. But most rapidly expanding businesses lack the tools and KPIs needed to measure the same. They frequently take an impromptu approach and have a non-uniform, uninspired notion of what makes for successful performance.
- 5. Lack of the necessary resources, abilities, and talent:** Nearly all organisations struggle with this performance issue since there is a general lack of trained, skilled workers with the correct work ethic and attitude. But it's more noticeable for hyper-growth companies, whose relatively unknown brand name goes hand in hand with budgetary restraints and spending caps. Ineffective performance and other problems with employee performance are caused by a lack of qualified personnel and resources.
- 6. Insufficient acknowledgment and incentives:** When staff members believe their efforts are not being acknowledged, performance problems might occur. Fast developing organisations frequently overlook rewarding, recognising, and appreciating what their people do, even when they go above and beyond, in the rush of expanding their businesses and a thousand other tasks. Many growing firms believe that their limited resources make it impossible for them to recognise and recognise outstanding achievement. But this results in a lack of drive, which lowers performance levels.
- 7. Ignoring the opinions and voices of employees:** Ignoring employee input is inextricably connected to problems with employee performance. The majority of workers who join rapidly expanding organisations do so because they are passionate about what they do and want to change the world. Organisations must listen to their employees in order to achieve this; otherwise, there is a performance gap.
- 8. Insufficient dedication to leadership:** It is extremely difficult to make a difference unless the leadership is dedicated to resolving performance concerns and eliminating the barriers to efficient performance management. Executives at rapidly expanding organisations frequently have a lot on their plate and are pressed for time. They are always unable to identify the root causes of performance issues and, as a result, are unable to address them.
- 9. Unable to offer mentorship and coaching:** An essential component of efficient performance management is mentoring and coaching. Employees who are not mentored and guided often get lost along the way, which affects their performance. Due to time constraints, managers and leaders frequently fail to understand the financial benefits of coaching and mentoring.
- 10. Ineffective communication and isolated work:** Problems with employee performance are frequently caused by a segregated workplace culture and a lack of open communication. Communicating with all members of the team becomes challenging for employees in hybrid organisations as they adjust to new working methods, particularly in the new normal. This keeps people from communicating clearly and keeps them from being in agreement. As a consequence, performance suffers as a result of these obstacles to collaboration.

11. Not being able to provide criticism: Lastly, a lot of quickly expanding businesses lack the tolerance to let their staff members make errors and provide constructive criticism so they can get better. This frequently leads to poor performance or high employee turnover. In either case, it stands in the way of efficient performance management.

9.2. Meaning, Concept, Procedure

9.2.1 Meaning:

“When an employee fails to achieve job-related requirements, such as attendance requirements, policy objectives, and standards to sustain an organization's culture, it can be considered an employee performance issue.”

“Performance problems are typically reported by a worker's manager in person, and then human resources documents them. Human resources, on the other hand, can be in charge of alerting a worker to a performance problem and recording it.”

9.2.2 Concept:

Documenting performance-related concerns is essential because it preserves a documented record of an employee's employment history, their interactions with managers and coworkers, and their history of policy compliance as stated in the employee handbook. Overall, keeping track of employee performance allows the management to examine employee behaviour in the workplace objectively and fairly during the investigation process. Supervisors ought to maintain a record of each employee to monitor their performance at work. This could be carried out every week, every month, or every year.

9.2.3 Procedure:

The procedures listed below should be used to record performance issues.

1. Remain factual and emphasise what is expected of you.
2. Place a focus on behaviour.
3. Align historical performance records.
4. Describe the evidence of wrongdoing.
5. Determine and list the repercussions.
6. Get a signature in person by meeting there.

Example of Employee Performance Issues Template

This template might assist the management in recording concerns about employee's performance:

- The following started the performance review: [Name and title of supervisor]
- Date of meeting: [Supervisor and employee meeting date]
- Meeting place: [Supervisor and employee meeting venue]
- Start time: [Time of the meeting]
- End time: [Time of the meeting]
- Attendees of the meeting: [Names and titles of the supervisor(s) and employees]
- The goal of the meeting is to [briefly describe the problem or issue]

Discussion points:

- [Performance issue 1]
- [Performance issue 2]
- [Performance issue 3]
- [Performance issue 4]
- [Performance issue 5]

Action items: [One item for each discussion point]

- [Item 1]
- [Item 2]
- [Item 3]
- [Item 4]
- [Item 5]

Human Resources Representative:	Manager:	Employee:
[Signature] [Name], [Title]	[Signature] [Name], [Title]	[Signature] [Name], [Title]

9.3 Opposition to Evaluation

The performance appraisal is a crucial tool for business owners and HR professionals to evaluate employee performance and offer constructive criticism. The team's general performance and well-being can have an impact on group health insurance prices, among other business issues that could be directly impacted by this feedback.

9.3.1 Performance Appraisal's Limitations

Though it might be a helpful procedure, performance appraisal has the following several drawbacks that should be taken into account:

- 1. Prejudice in Performance Evaluation:** The potential for bias in performance reviews is one of the biggest problems and restrictions. Evaluative factors may include age, gender, race, or personal biases. Unfair treatment, low morale, and a bad work environment might arise from this.
- 2. Restricted Viewpoint:** A manager or supervisor is an example of a single person who is often evaluated for performance. Other elements, such team dynamics or outside influences on performance, might not be taken into account by this constrained viewpoint.
- 3. Inaccurate Evaluation:** Inaccurate performance reviews might result from unclear standards or arbitrary measurements. This could lead to misconceptions and confusion as well as an inaccurate assessment of the performance of the employee.
- 4. Concentrating on the Negative:** The inclination to highlight the shortcomings of employee performance is another drawback of performance reviews. Anxiety, demotivation, and a bad work atmosphere may result from this.

5. **Time-consuming:** Assessing employee performance may be a laborious task that demands managers to commit a substantial amount of time to the process. This can be a hassle, particularly for big businesses with lots of staff members.
6. **Uncertain Standards:** Another potential drawback of performance appraisals is vague standards. Supervisors may apply various criteria to different employees if the rules are unclear.
7. **Favouritism of Similar Features:** Another typical performance rating constraint is Bias towards Similar Traits. A subordinate who exhibits features comparable to the evaluator's own may be given preference. People who display these qualities are frequently rated higher.
8. **Effect of Position:** Highly paying roles tend to receive higher scores from respondents. As a result, a younger coworker may earn a lower appraisal than a senior employee.
9. **Problem with Rating Averages:** When giving very low or high ratings, senior managers often have to provide an explanation, which makes it normal for all employees to obtain average scores in performance reviews. Low scores might also lead to unhappy subordinates.
10. **Absence of a thorough evaluation:** Even if an employee has a bad reputation within their own department, they could still earn a favourable review if they are really good at making an impression on their superior. In these cases, the performance review could be flimsy and inaccurately represent the employee's actual talents.

9.3.2 Overcoming Performance Appraisal's Limitations

Establishing an equitable and efficient mechanism for performance evaluation is crucial to overcoming these constraints.

1. **Accurate Evaluation:** With a view to overcome limitations in performance appraisal, evaluators should be taught how to accurately assess performance, minimise biases, and conduct assessments that are objective.
2. **Combination of viewpoints:** To remove drawbacks of performance appraisal, the evaluators should combine many viewpoints to provide a more complete picture of worker performance.
3. **Establishment of standards:** The evaluators should establish precise and impartial standards for assessing employee performance so that the problems in performance appraisal should be removed.
4. **Comprehensive evaluation:** The performance evaluation should be comprehensive and hence it should pay attention to both the good and bad parts of the performance and offer helpful criticism.
5. **Automation:** Finally, to overcome drawbacks of performance evaluation, technology to automate should be employed and the performance review process should be expedited. In this way, automation in evaluation of performance would relieve managers of some of their workload.

It's critical to recognise the limitations of performance appraisals even though they can be a useful tool for evaluating employee performance. The manager may design a fair and efficient performance review system that helps the company and its employees by being aware of these constraints and taking action to get over them.

9.4 System Designed and Operating Problems

9.4.1 Designing System for Performance Evaluation

Traditionally, it used to take a lot of time and effort on the side of the managers to oversee employee performance. At present, the majority of businesses think that evaluating an employee's performance through annual reviews and evaluations is a good concept, which is why they are dissatisfied with the traditional performance management method. Nevertheless, year-end reports are biased by reviewing managers and always present a behind-the-scenes picture of an employee's performance. In order to improve compliance and thoroughness in their performance review, organisations are required to implement a number of performance management systems and strategic plans.

Performance management is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization. Hence, it is clear that performance management is a constant process that involves communication between managers and employees on both ends. A corporation should prioritise implementing a continuous system for contact throughout the year with a strategic focus on accomplishing corporate objectives over year-end reviews and communication. Second, any organisation should have a performance management system for the reasons listed below:

1. improves understanding of both personal and professional objectives
2. Clearly define expectations for performance.
3. removes needless labour
4. saves the company money, time, and effort
5. boosts worker productivity

An organisation will be better equipped to assess the efficacy of its performance management system when it comprehends the context of having one. The five steps that will assist in determining how effective your performance management system is are listed below.

1. Establish benchmarks: The organization must be aware of the characteristics of an efficient performance management system in order to recognise the areas in which its present system is lacking. Analysing the components of a good performance management system requires extensive research. Reading case studies of companies that have effectively redesigned their performance management techniques would help in Setting standards for what should be included in an efficient performance management system. Moreover, designing of performance appraisal system can also be facilitated by examining leading trends in the market and the performance management practises already used in the industry.

2. Defining the business objectives and goals: Establishing precise goals and objectives for the organization's performance management system is essential. Among the shared objectives are:

1. Boost the effectiveness of the organisation
2. Sync up personal and organisational goals
3. Create a culture of performance among staff members
4. Boost personal output
5. Adapt personal conduct to the culture and ideals of the company
6. Determine your needs for personal growth.

7. Connect compensation to performance

3. Determine Success Metrics: The organization has to choose what metrics will be used to determine whether or not goals are effectively attained. Organisations must also come to an agreement on metrics to evaluate the efficacy of the techniques and equipment used in performance management, such as an automated system.

4. Assessment: Once the goals, standards, and success metrics have been established, it's time to gather information. Once the data has been gathered, it's time to evaluate the outcomes in light of the success metrics you specified and the desired benchmarks. Then, these outcomes should be compared to benchmarks set by the industry. This will assist the management in determining where the performance management system needs to be improved and how effective it is currently. Never forget that an organization's performance management system should be regularly monitored and adjusted to reflect shifting market standards and times. This will assist in addressing the dynamic needs of the workforce.

5. Action: At this point, the organization should have assessed the performance management system's actual capabilities, contrasted them with the benchmarks it had established, and identified any gaps or areas for improvement. It's time to act on the findings the organization discovered and implement the necessary changes to the performance management system as it is. Employees, managers, and senior management are among the stakeholders who will be directly touched by it; hence it is crucial to involve them in this process. Those who must put the system into place and participate regularly will feel more accountable as a result of this.

9.4.2 Operating problems:

Developing and enhancing team members' performance effectiveness is the main goal of performance management. Together, the manager and the team member plan, monitor, assess, and evaluate the latter's job goals and overall impact on accomplishing the organization's objectives. This approach makes use of a variety of tools, from trait- or behavior-based to result-based. In order to provide feedback, communications can be formal or casual. Feedback may come in random or regular patterns. It takes a lot of time and effort to ensure that the objectives and metrics are met, as well as to evaluate and assess performance. But things can go wrong and employee performance may not be as effective as needed. Some of the major challenges in managing performance could be as follows:

1. Inappropriate Design: The instruments and system for performance management must be appropriate for the particular requirements of the company. It cannot be a copy of a system that was created and put into place in another company, not even one that belongs to the same business group or industry. Thorough consultation with a range of stakeholders and system users is required. User trust is absolutely essential to the system's success. Before the design is implemented for the entire organisation, it ought to be tested in a pilot programme. All paperwork and forms need to be completed. The structure need to be just and equal. It is important to see performance management as an ongoing effort rather than a one- or two-yearly endeavour. The design should also include mechanisms for rewarding performance and handling poor performers.

2. Lack of Coherence: The organisational culture, structure, and all other significant systems and procedures must be integrated with the performance management system, as well as with the strategic planning and human resource management systems.

3. Absence of Dedication to Leadership: The dedication and support of the leadership are essential for the system to be implemented smoothly. It is the responsibility of leaders to spearhead the process and integrate performance management into the company's overall management. In addition to establishing the strategic direction and performance metrics, leaders also monitor and assess performance throughout the entire company. By praising and rewarding achievement, they also serve to reinforce the performance cycle.

4. Disregarding Change Management When Implementing a System: An essential component of system implementation is changing management strategy. It is overseen by upper management and entails cautious handling of opposition. One important action and instrument for managing the transition would be communication. Schedules and milestones for implementation must be adhered to. The right paperwork needs to be in place.

5. Incapacity: To guarantee the system's seamless implementation, users must be proficient in using the performance management system. Among the essential abilities would be:

1. Establishing core competencies, performance contracts, performance indicators, and strategic objectives
2. Establishing performance metrics in line with the KPIs
3. Active listening, conducting appraisal interviews, and providing and receiving feedback
4. Coaching for performance

The emphasis would be on creating and putting into practise interventions for training and development that would support the enhancement of the competency of diverse job holders. A particular focus would be on developing the performance's behavioural aspects.

9.5 Rater Problem

Rater bias is characterised as a mistake in judgement made during the performance review of employees. Perceptions and personal ideas may have contributed to the inaccuracy. Most of the time, the biases are irrational, stereotypical, and unique to each person. Due to human fallibility, biases may also originate from the unconscious mind. Rater biases are ubiquitous and present in all organisations, regardless of size. It is a crucial component of the system for performance management. It is not a good habit that frequently taints the workplace.

9.5.1 Types of Rater Bias

Several Rater Biases include the following:

1. **HORN and HALO Impact:** This is a phenomenon where a management would often base an employee's evaluation on a number of incidents, either favourable or negative. For instance, the manager will raise the ratings across the board if he discovers one positive quality of an employee. This is referred as the HALO effect. In a similar vein, if a manager discovers one thing that is wrong with an employee, he will disregard his recent performance and lower the ratings in every area. We refer to this as the HORN effect.
2. **Severity and Leniency Effect:** The manager has a tendency to rate leniently, as the name implies, according to the leniency effect. Positive ratings are given to the

staff members regardless of their work output. When rating employees in the Severity impact, the management is quite strict. Therefore, even if workers do reasonably well and eventually demonstrate improvements, there's a potential they'll receive bad ratings.

3. **The central tendency:** In this scenario, regardless of an employee's performance in the past or present, the management assigns an average rating to each of them. It's possible that the boss is lazy and assigns average ratings to every employee rather than evaluating each one individually. In this instance, low achievers gain an unfair advantage despite their lack of effort, while high performers suffer.
4. **Recency:** This occurs when a management evaluates a worker based only on recent performance, ignoring the worker's overall performance. Certain employees have a tendency to deceive the rater by delivering excellent work before the review period and taking time off during the year.
5. **Affinity Bias:** This effect states that the rater favours ranking highly employees who share some characteristics with them, such as hometown, experiences, attitudes, perceptions, and educational backgrounds.
6. **Bias in Alienation:** As the term implies, the rater tends to become enraged with the employee, even if he may not share any interests. This practise is completely irrational because, when reviewing personnel, performance ought to be the main focus.
7. **Bias Comparative:** In this effect, rather than evaluating each employee's performance individually, the rater compares the workers within the organisation. Employee morale suffers as a result.
8. **Negative Event:** Even in the face of recent positive developments, the rater would typically provide a lower rating to an employee if a negative incident is linked to their work. A single unfavourable experience consumes the rater, making it impossible for them to see the good parts.
9. **First Impression Error:** This mistake occurs when the rater has an early opinion about an employee. The early assessment could be favourable or unfavourable. In the upcoming review period, the rater evaluates the employee based on that hasty judgement.
10. **Experience Bias:** In this kind, the rater exaggerates or understates an employee's rating according to variables that are out of the employee's control.
11. **Dispositional Bias:** Instead of evaluating each employee's performance in-person in this instance, the rater asks the employees' managers for their thoughts.
12. **Identity Bias:** Employees are being discriminated against by the rater in this instance based on their sex, age, religion, caste, creed, social class, educational background, etc. The employees' performance is not taken into account.

9.5.2 Getting Rid of Rater Bias

Rater bias is a scourge that ruins the culture of the company. To combat rater bias at work, use the advice listed below.

1. **Records in Writing:** In order to mitigate rater bias, managers ought to implement document trails, which entail daily written performance reviews of each staff member. For example, following every meeting, the management ought to briefly record each employee's performance. This method will assist managers in making long-term decisions about employees based on written records. Since mistakes are

inevitable in human performance, accurate documentation will help prevent these biases by providing a clear picture of the workers' work.

2. **Regular Feedback:** An organization's senior managers ought to be approachable to staff members. An organisation can create a feedback form and send it to every employee. Receiving feedback from all places within the hierarchy will be facilitated by these feedback forms. An anonymous feedback tool may encourage employees to share their true feelings without holding back.
3. **Clearly Defined Goals:** The senior management should first break down into each individual department and then clearly set the goals and targets for each department. Every member of an organisation should be informed of the goals. They should all be aware of the job's needs. Additionally, managers need to explain and disclose the steps involved in evaluating each employee's performance. Every employee needs to be up to date on the objectives and their evaluation.
4. **Part of the Moderator:** In the performance review procedure, senior management have to take on a moderating role. They should check to make sure the evaluation process is balanced and that no employee is the subject of favouritism. The moderator is responsible for making sure that each employee's rating is accurate and sincere.
5. **HR's Role:** HR ought to be the employees' saviour. HR is responsible for making sure that every employee's issues are resolved as quickly as feasible. A positive employee-employer connection should be started by HR. It is important to plan team building activities, competitions, excursions, and other events to foster a positive work atmosphere. Top managers shouldn't treat staff members in a too strict manner. It should be easy for staff members to talk to their managers about any issues they are having.
6. **Workplace Culture:** The organization's culture of trust should be upheld by the senior manager. Within an organisation, all employees have a tendency to emulate their superiors and supervisors. Top management should thus make sure that there is no favouritism or nepotism within the company and that everyone is treated fairly. To help people feel like they belong at work, low performers should receive training while top achievers should be rewarded.

❖ Exercise

• Theoretical Questions

1. Discuss in detail various Issues in performance management.
2. What do you know about the concept of the issues in performance management? Also outline the various issues in performance management.
3. What do you know about the concept of the issues in performance management? Also outline the Example of Employee Performance Issues Template.
4. “Though performance appraisal might be a helpful procedure, it has the several drawbacks” – Do you agree with the statement? Give your comments in detail.
5. Describe the drawbacks of performance appraisal and also discuss the ways to overcome these drawbacks.
6. Discuss the steps that assist in designing of effective the performance management system.

7. What are the Operating problems faced by the management in performance evaluation? Outline in detail.
8. What do you know about the Rater Bias? Discuss the various types of Rater Bias.
9. What do you know about the Rater Bias? Discuss the various types of Rater Bias and also suggest the ways and means for getting Rid of Rater Bias.

- **Short Notes**

1. Issues in Performance Management
2. Drawbacks of Performance Appraisal
3. Overcoming Performance Appraisal's Limitations
4. Designing System for Performance Evaluation
5. Operating problems
6. Types of Rater Bias
7. Ways and means for getting Rid of Rater Bias

- **MCQs**

1. _____ of clarity about goals is one of the primary performance difficulties that impedes effective performance management.
 - a. Lack
 - b. Awareness
 - c. Knowledge
 - d. Idea
2. “If a manager discovers one thing that is wrong with an employee, he will disregard his recent performance and lower the ratings in every area.” – It is referred as _____.
 - a. HORN effect
 - b. HALO effect
 - c. Severity effect
 - d. Leniency Effect
3. _____ occurs when the rater has an early opinion about an employee.
 - a. First Impression Error
 - b. Last impression error
 - c. Experience bias
 - d. Dispositional Bias
4. When an employee fails to achieve job-related requirements, such as attendance requirements, policy objectives, and standards____, it can be considered ____ .
 - a. to sustain an organization's culture, employee performance issue
 - b. to regain an organization's culture, employee performance issue
 - c. to develop an organization's culture, employee performance issue
 - d. to grow an organization's culture, employee performance issue
5. The five steps that will assist in determining how effective the performance management system is are:
 - a. Establish benchmarks, Defining the business objectives and goals, Determine Success Metrics, Assessment, Action

- b. Establish benchmarks, Assessment, Action, Defining the business objectives and goals, Determine Success Metrics
 - c. Determine Success Metrics, Assessment, Action, Establish benchmarks, Defining the business objectives and goals,
 - d. Defining the business objectives and goals, Determine Success Metrics, Establish benchmarks, Assessment, Action
6. Rater bias is characterised as a mistake in judgement made during the ___ of employees.
 - a. Performance management
 - b. Performance review
 - c. Performance based compensation
 - d. Compensation management
 7. The performance evaluation should be ___ and hence it should pay attention to both the good and bad parts of the performance and offer helpful criticism.
 - a. Comprehensive
 - b. Automatic
 - c. Accurate
 - d. Precise and impartial
 8. ___ effect states that the rater favours ranking highly employees who share some characteristics with them, such as hometown, experiences, attitudes, perceptions, and educational backgrounds.
 - a. Affinity
 - b. Recency
 - c. HORN
 - d. HALO
 9. Performance problems are typically reported by a ___ in person, and then ___ documents them.
 - a. worker's manager, human resources
 - b. human resources, worker's manager,
 - c. worker, manger
 - d. manager, worker
 10. Issues in performance management arises when there is ___
 - a. Unclear vision and objectives
 - b. Inadequate evaluation instruments and metrics
 - c. A lack of congruence between staff and leadership perspectives
 - d. All of the above

Answer Key of MCQs

Que No	Answers
1.	a
2.	a
3.	a
4.	a
5.	a
6.	b
7.	a
8.	a
9.	a
10.	d

10.1 Definition**10.2 Concept of ethics****10.3 Principles of ethics in performance management****10.4 Ethical issue and management****10.5 Developing code of ethics**

❖ Exercise

10.1 Definition

An organization's ethical behaviour is crucial for conducting business in the cutthroat market of today.

“Ethics is the process by which we make decisions between conflicting moral and/or financial values.”

"A corporate ethics programme is made up of values, policies, and activities which impact the propriety of organisation behaviour." This kind of behaviour is crucial to the success of the organisation as a whole.

10.1.1 Elements

The following six elements make up the organisations' complete ethical and compliance programme:

1. Written guidelines for moral behaviour at work
2. A way for workers to report ethical standards infractions in confidence
3. Training or orientation on moral behaviour at work
4. An office, phone number, email address, or website where staff members can seek guidance on matters pertaining to ethics
5. Ethical behaviour is assessed as part of routine performance reviews.
6. Taking disciplinary action against staff members who violate ethics.

10.2 Concept of Ethics

Ethics are a set of moral principles adhered to by a specific individual, organisation, or vocation. They can be characterised as the steps a person takes to protect himself throughout the dynamics.

Ethics is the process of determining what is good for humans and also of rational thinking aimed at establishing "what values to hold and when to hold them" because ethics deal with whether to perform certain kinds of actions or not in line with what is acceptable to society as a whole.

10.3 Principles of Ethics in Performance Management

Ethical performance management is based on the following fundamental principles:

1. **Comfortable Workplace:** An ethical performance management system instructs staff members to uphold the organization's fundamental principles because the organization's ethical standards align with its surroundings. Conversely, the company values its workers and offers a comfortable workplace so that they can perform to the best of their abilities.

2. **Transparency:** All parties involved in the performance management system respect each other's needs, values, and concerns, and the system is designed to be transparent in how it operates.
3. **Accountability:** Instead, then emphasising group responsibility, it places more emphasis on individual accountability for one's own behaviour, decisions, and actions.
4. **Stakeholders:** Rather than concentrating only on shareholders, this strategy placed emphasis on employees respecting and actively considering the ethical concerns and issues of all stakeholders.
5. **Culture:** This aims to create or alter culture such that the organization's goal encompasses its customers, workers, and the community at large. The organisational principles and norms facilitate employees' decision-making, conduct, and actions that align with a "ethical" perspective.
6. **Free and Fair:** This method offers its workers a free and fair work environment, giving them the chance to carefully examine the criteria used to make critical decisions.

10.4 Ethical Issue and Management

There are several obstacles to overcome when navigating the performance management ethics landscape. Some ethical issues include the following:

10.4.1 Ethical issue

1. **Discrimination and Bias:** The existence of prejudice and discrimination in performance management is one of the biggest ethical problems. This happens when biases, whether conscious or unconscious, influence the way in which employees are assessed. Unfair treatment based on gender, age, race, or other personal traits may ensue from it. Unconsciously favouring workers based on same interests or background, for instance, can result in biased assessments where worthy workers are passed over and others are given unfair advantages. Fair and equitable treatment of employees is ensured by the identification and elimination of evaluation bias through ethical performance management.
2. **Subjectivity:** When subjective criteria are used in performance evaluations instead of objective ones, it is said to be subjective. Evaluations can become unfair and inconsistent when they place a significant emphasis on subjective judgements. For example, disparate assessments for comparable performance levels may result from a manager basing their evaluation of an employee's work mostly on their personal relationship or feelings towards that person. The objective of ethical performance management is to reduce subjectivity by implementing transparent, objective standards and assessment procedures, guaranteeing impartial and uniform evaluations.
3. **Distortion of Goals:** Organisations that establish excessive performance standards for their staff members are guilty of goal distortion. When these objectives are unachievable, moral quandaries may arise. Workers might turn to dishonest methods, such fabricating information or taking short cuts, in order to reach these improbable goals. This jeopardises the integrity of the performance management procedure and may have negative effects on the company and its workers. Setting attainable and reasonable goals for

employees to strive for without pressuring them to act unethically is the goal of ethical performance management.

4. **Insufficient feedback:** Giving constructive criticism in a timely manner is another ethical dilemma in performance management. Employees can grow by understanding their strengths and limitations through feedback. This breakdown in communication can cause irritation, lower morale, and impede one's ability to advance professionally. Regular and insightful feedback is crucial for ethical performance management because it guarantees that workers receive the direction and encouragement they require to grow.
5. **Information Misuse:** Using performance data improperly is a serious ethical problem. Ethical norms are broken when performance data is utilised to settle scores or for personal grudges. For example, when a management targets or unfairly undermines a worker based on their performance statistics, it harms the worker's reputation and erodes faith in the company. Ethical performance management mandates that performance data be used only for the purpose of assessing and enhancing employee performance, all the while upholding human privacy and dignity.

10.4.2 Handling Ethical Performance Evaluation

There are various ways that organisations can implement to guarantee ethical performance management:

1. **Defining and communicating performance standards:** Establishing precise and well-defined performance criteria that spell out the requirements and standards for workers' job performance is important for organisations. All staff members should be informed of these requirements in a clear and open manner. Clear expectations ensure that staff members are aware of what is expected of them, which clears up any confusion or ambiguity in the review process.
2. **Identification and Reduction of Bias:** Employers can address biases in performance reviews by providing managers with training programmes. The identification and correction of unconscious biases in the assessment process ought to be the main goals of these programmes. Managers can make more objective and fair decisions by using bias awareness and mitigation training, which lowers the possibility of discriminatory treatment based on age, gender, or ethnicity.
3. **360-Degree Feedback:** A thorough assessment method known as "360-degree feedback" solicits comments from peers, subordinates, and supervisors among other people. This approach offers a comprehensive view of a worker's performance. By ensuring that assessments are based on a wider range of viewpoints, the use of 360-degree feedback helps mitigate subjectivity and makes evaluations more ethical and dependable.
4. **Honest Communication:** An essential component of moral performance management is open communication. Companies should promote an environment where workers feel comfortable talking to their supervisors about their worries, obstacles, and career goals. Frequent communication fosters understanding, trust, and goal alignment between managers and staff. It also makes it possible to quickly and effectively identify and address performance-related problems.

5. **Improvement in Process of Performance Evaluation:** Performance management ethics are a dynamic field. In order to comply with evolving ethical norms, organisations should routinely assess and improve their performance evaluation procedures. This continuous assessment makes sure that the evaluation procedure is still impartial, current, and devoid of any procedures that can jeopardise ethics. In conclusion, proactive continual improvement is necessary for ethical performance management. By putting these tactics into practise, businesses can maintain moral principles and promote an environment of justice, growth, and trust while navigating the challenging field of performance management.

10.5 Developing Code of Ethics

1. **Professional Ethics:** The moral guidelines that control the professional environment are referred to as professional ethics. Put another way, they are the moral principles that direct the decision-making of corporations and other businesses. Professional ethics are norms or codes of behaviour established by members of that particular profession. Codes of ethics and behaviour delineate the moral principles that a group, such as employees or professional associations, must adhere to in order to maintain their membership. Usually expressed in formal terms, members must accept them as a condition of their membership. Values differ throughout people and civilizations. Long-term vs short-term values impact many elements of organisational life, and Hofstede's four value dimensions—individual right, distributive justice, utilitarianism, and egalitarianism—help us comprehend cultural value clashes.
2. **Justice and Fairness:** It is our ethical duty as human resource experts to support and nurture justice and fairness for each and every employee as well as their organisations. To establish and maintain an atmosphere that motivates every person and organisation to realise their greatest potential in a constructive and fruitful way.
3. **Professional Responsibility:** We accept professional responsibility for our individual decisions and actions. We are also advocates for the profession by participating in activities that raise the legitimacy and value of HRM. As HR professionals, we are accountable for bringing value to the organisations we serve and helping those organisations achieve ethical success. To build respect, credibility and strategic importance for the HR profession within our organizations, the business community, and the communities in which we work.
 - To support the organisations in accomplishing their aims and objectives.
 - To disseminate information about values and practises that support the profession to the general public, organisations we support, and present and future practitioners.
 - To have a favourable impact on hiring and working conditions.
 - To promote social accountability.
4. **Conflicts of interest:** It is imperative that we uphold a high degree of confidence with our stakeholders as HR experts. Our professional integrity and the interests of our stakeholders must be upheld, and we shouldn't take part in any actions that could lead to actual, perceived, or possible conflicts of interest. To curb from actions that would seem to violate any of the rules in this code of ethics and professional standards for human resource

management, as well as one's obligations and duties as an employee of any organisation or as a member of the human resource profession.

5. **Information use:** Human resources professionals ensure that information is used truthfully, support well-informed decision-making, and take into account and safeguard persons' rights, particularly while gathering and sharing information. To eliminate concerns about improper and/or erroneous information acquisition and sharing while optimising the open exchange of information in order to foster confidence among all organisation participants.
6. **Ethical leadership:** HR specialists should demonstrate personal leadership as an example of upholding the highest moral standards.
 - To lead by example and establish the bar high.
 - To gain each person's esteem and strengthen our reputation with the people we assist.
7. **Career advancement:** As professionals, we have an obligation to continuously improve our competencies and aim to attain the highest standards of competence.
 - To increase our comprehension of human resource management in order to better comprehend how our organisations operate.
 - To deepen our comprehension of the functioning of organisations

❖ Exercise

• Theoretical Questions

1. Define ethics in performance management and also discuss its various principles.
2. What do you know about “ethics in performance management”. Also discuss the ethical issues in performance management.
3. Highlight the ethical issues in performance management and also discuss the ways for Handling Ethical Performance Evaluation.
4. Discuss the points to be taken care of while developing code of ethics.

• Short Notes

1. Principles of Ethics in performance management
2. Ethical issues in performance management
3. Handling Ethical Performance Evaluation
4. Code of Ethics

• MCQs

1. Ethics is the process by which we make decisions between conflicting ___ and/or ___ values
 - a. moral, financial
 - b. immoral, financial
 - c. moral, non-financial
 - d. immoral, non-financial
2. ___ is not a principle of ethics in performance management.
 - a. Comfortable Workplace
 - b. Transparency
 - c. Accountability
 - d. Discrimination and Bias

3. ___ is not an ethical issue in performance management.
 - a. Comfortable Workplace
 - b. Discrimination and Bias
 - c. Subjectivity
 - d. Distortion of Goals
4. “Using performance data improperly is a serious ethical problem” – It is ____
 - a. Information Misuse
 - b. Insufficient feedback
 - c. Distortion of Goals
 - d. Discrimination and Bias
5. Organisations that establish excessive performance standards for their staff members are guilty _____.
 - a. Information Misuse
 - b. Insufficient feedback
 - c. Distortion of Goals
 - d. Discrimination and Bias
6. Employees can grow by understanding their strengths and limitations through _____.
 - a) feedback
 - b) goals
 - c) appropriate use of information
 - d) avoidance of discrimination
7. A thorough assessment method known as "___" solicits comments from peers, subordinates, and supervisors among other people.
 - a) Honest Communication
 - b) 360-degree feedback
 - c) Identification of Bias
 - d) Reduction of Bias
8. “To establish and maintain an atmosphere that motivates every person and organisation to realise their greatest potential in a constructive and fruitful way.” – Hence, the code of ethics should consist of _____.
 - a) Professional Responsibility
 - b) Conflicts of interest
 - c) Justice and Fairness
 - d) Ethical leadership
9. “Companies should promote an environment where workers feel comfortable talking to their supervisors about their worries, obstacles, and career goals.” It is _____.
 - a) Honest Communication
 - b) 360-degree feedback
 - c) Identification of Bias
 - d) Reduction of Bias
10. All parties involved in the performance management system respect each other's needs, values, and concerns, and the system is designed to be ___ in how it operates.
 - a) Transparent
 - b) Accountable
 - c) Free and Fair

d) Comfortable

Answer Key of MCQs

Que No	Answers
1.	a
2.	d
3.	a
4.	a
5.	C
6.	a
7.	b
8.	c
9.	a
10.	a

યુનિવર્સિટી ગીત

સ્વાધ્યાય: પરમં તપ:

સ્વાધ્યાય: પરમં તપ:

સ્વાધ્યાય: પરમં તપ:

શિક્ષણ, સંસ્કૃતિ, સદ્ભાવ, દિવ્યબોધનું ધામ
ડૉ. બાબાસાહેબ આંબેડકર ઓપન યુનિવર્સિટી નામ;
સૌને સૌની પાંખ મળે, ને સૌને સૌનું આભ,
દશે દિશામાં સ્મિત વહે હો દશે દિશે શુભ-લાભ.

અભણ રહી અજ્ઞાનના શાને, અંધકારને પીવો ?
કહે બુદ્ધ આંબેડકર કહે, તું થા તારો દીવો;
શારદીય અજવાળા પહોંચ્યાં ગુર્જર ગામે ગામ
ધ્રુવ તારકની જેમ ઝળહળે એકલવ્યની શાન.

સરસ્વતીના મયૂર તમારે ફળિયે આવી ગહેકે
અંધકારને હડસેલીને ઉજાસના ફૂલ મહેંકે;
બંધન નહીં કો સ્થાન સમયના જવું ન ઘરથી દૂર
ઘર આવી મા હરે શારદા દૈન્ય તિમિરના પૂર.

સંસ્કારોની સુગંધ મહેંકે, મન મંદિરને ધામે
સુખની ટપાલ પહોંચે સૌને પોતાને સરનામે;
સમાજ કેરે દરિયે હાંકી શિક્ષણ કેરું વહાણ,
આવો કરીયે આપણ સૌ
ભવ્ય રાષ્ટ્ર નિર્માણ...
દિવ્ય રાષ્ટ્ર નિર્માણ...
ભવ્ય રાષ્ટ્ર નિર્માણ