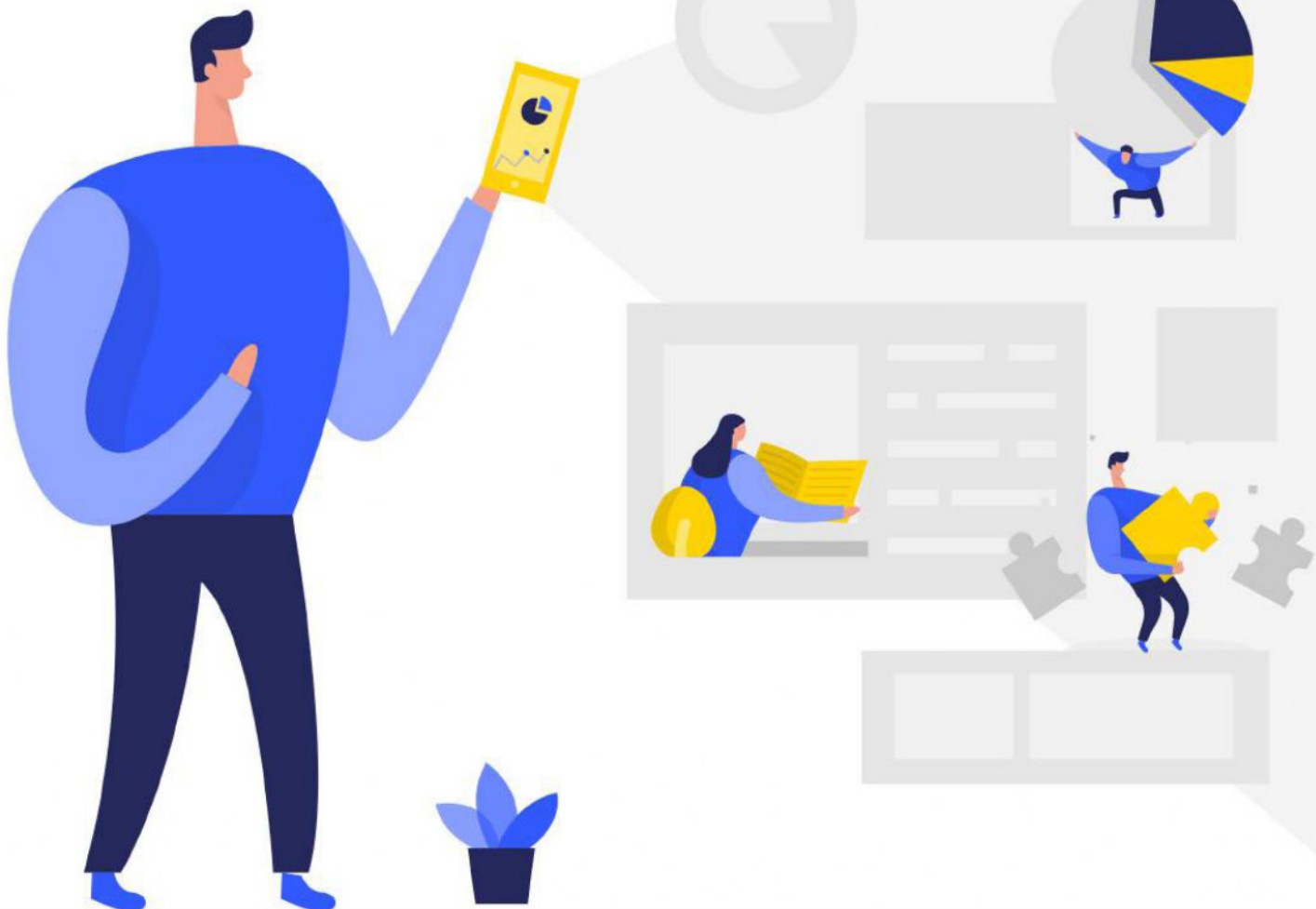




Performance Management System

History, Challenges, and the Ultimate Solution





“In order to build a rewarding employee experience, you need to understand what matters most to your people”

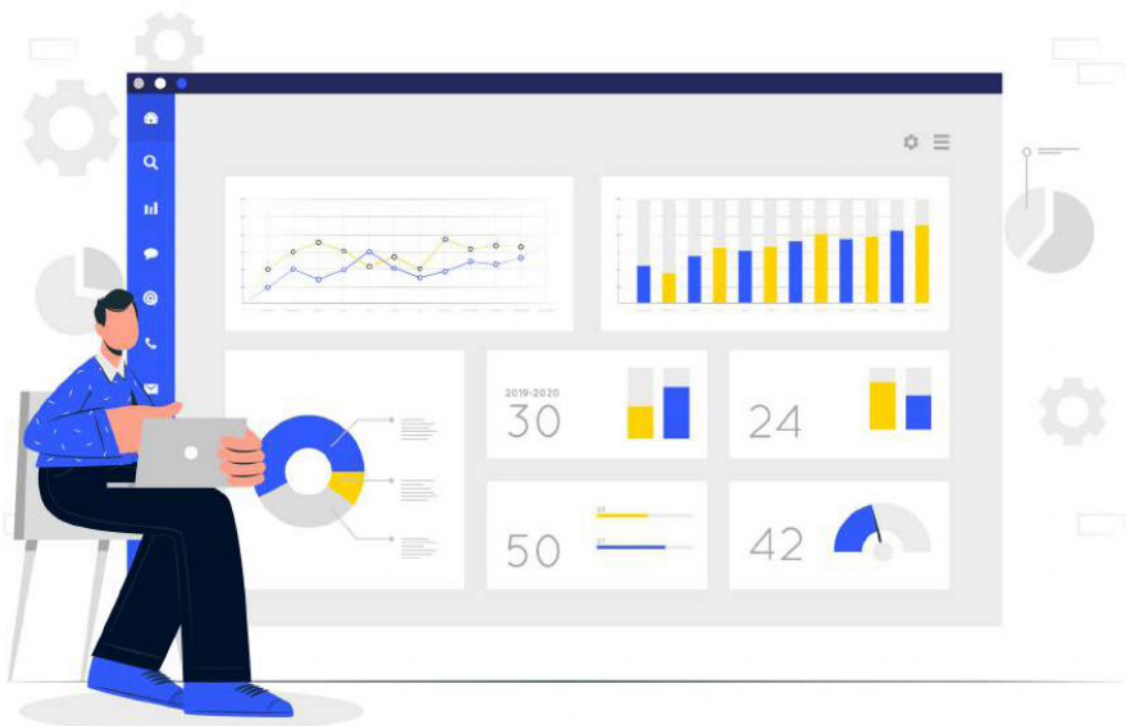
-Julie Bevacqua





Introduction

When organizations begin to realize the importance of this fundamental need of every employee in their workforce, they tend to succeed faster than others. In this era of extreme competition, one of the strategies to be a successful organization is to attract potential candidates for any particular post and retain the key employees to have a better and highly motivated workforce. So what actually is the requirement of an organization and managers to attract, retain and motivate a talented workforce? Now a days, In any industry whether small or big, human resource management not just play its traditional role as such but it has expanded its dimensions to assess its employees' performance and manage it with a new system which has evolved due to new developments in the field of HRM known as Performance Management System (PMS). It elaborates how the organization aligns the performance management system with the organizational system and articulates the company business objectives to the individual goals.





Performance has been the key focus of an achiever, but in this competitive scenario and era of LPG Model, competitive advantage has become more critical for any organization. This has forced them to review and revise their old strategies and develop new and unique ways and means to enhance employee's performance. The Performance Management system is a solution to the respected scenario. Human Resource remains neglected in the traditional scheme of management system, but it has gained its due share in the Performance Management System, because of its infinite potential for managing and improving performance. It was realized that all other resources are equally available to all such competitors.

HR is the only resource which, if made committed, can make the difference and help an organization to gain a competitive edge over others. Many companies rely on a performance management system to remain ahead in the race. Because the performance management system helps employees to know what exactly is expected out of them and assure line managers and strategic planners that employee behaviors will be aligned with the organization's goals. In order to create an effective Performance Management System, it is required that each employee should be fully aware of his role in the organization. By understanding what type of output is expected of them and what fundamental roles they play in achieving the vision, mission and strategy, the employees' contribution can be maximized. Under the global economic crisis, continuously improved performance has become a major challenge for every organization, in one way or the other.



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Chapter 01

History of
Performance Management





No one knows precisely when formal methods of reviewing performance were first introduced. According to Koontz (1971), the emperors of the Wei Dynasty (AD 221-265) in China had an 'Imperial Rater' whose task was to evaluate the performance of the official family. Centuries later, Ignatius Loyola (1491-1556) established a system for formal rating of the members of the Society of Jesus. A revised form of results-oriented performance appraisal emerged in the 1970s, which still exists today. The term **performance management was first used in the 1970s**, but it was not known as a recognized process until the latter half of 1980s. According to Radnor and McGuire (2004), there has been a revolution in performance management and measurements over the past 20 years.





Performance management Systems are not new, and researchers have found reference to performance management during the third century A.D. in China, which has been confirmed by Furnham (2004). He further indicates that in both America and Britain in the eighteenth and nineteenth centuries there was already evidence of early forms of performance management, whilst most Western armies did performance management in the last century. Literature further indicates that performance management during the industrial revolution was simple and crude. According to Furnham (2004) two thirds of big companies had performance appraisal systems during the 1950s in America and the same happened in the 1960s in Europe.



Companies were compelled to adopt some sort of system through legislation in Britain (1980s/1990s) and in America (1970s). He further notes that performance management systems were used to try to bring about change in the public service culture and ethos in the 1980s and 1990.



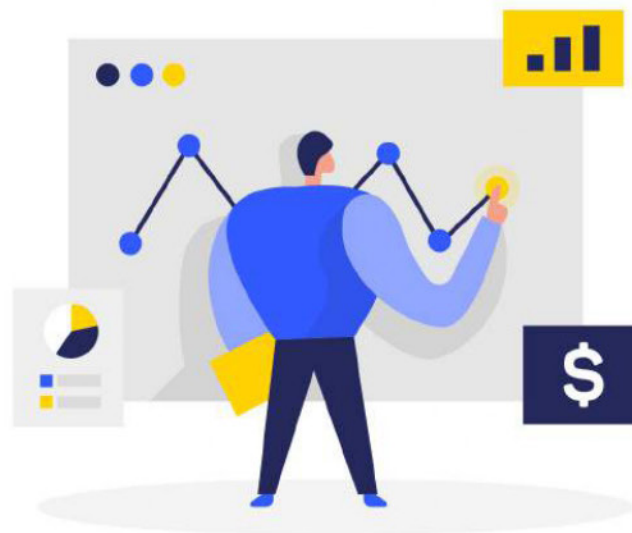
Chapter 02

Current Scenario of Performance Management System

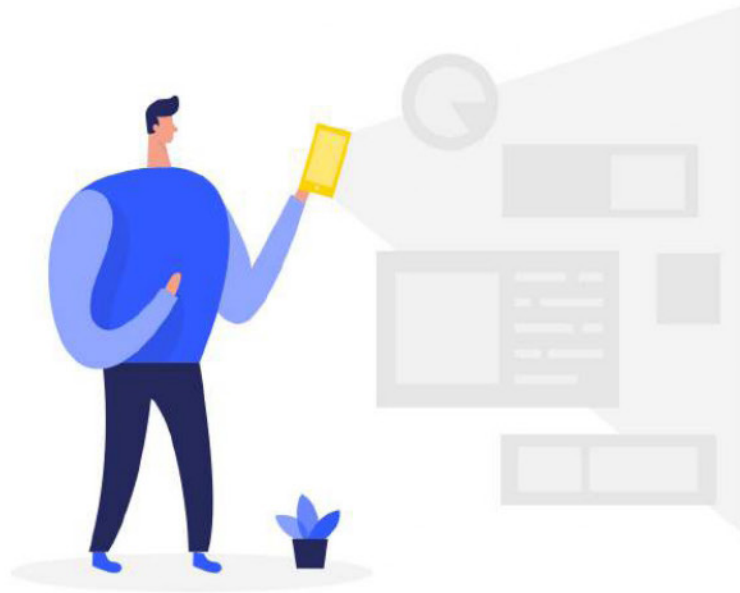




Historically, the concept of performance management was limited only to determine the wages and salaries of their employees. Organizations traditionally used performance management to shape the behaviors of employees so that specific outcomes can be achieved. However, such a rewards-driven approach to performance management is not sustainable for most of the organizations. Moreover, traditional organizations have also started becoming knowledge intensive for technology-intensive manufacturing processes.



The focus of performance management has gradually shifted towards promoting the learning and development of the work environment. Such perceptive change in performance management was more evident in organizations worldwide from the 1980s.



At this point of time the organizational performance became a major challenge for achieving productivity and it became necessary to think in the direction of optimum utilization of human resources. In recent decades, however, the process of managing people has become more formalized and specialized. Many of the old performance appraisal methods have been absorbed into the concept of Performance Management is considered to be a comprehensive process of management. Performance Management developments in recent years are talent management, management by objectives and continuous monitoring and review. Its development was accelerated by the various factors.



Chapter 03

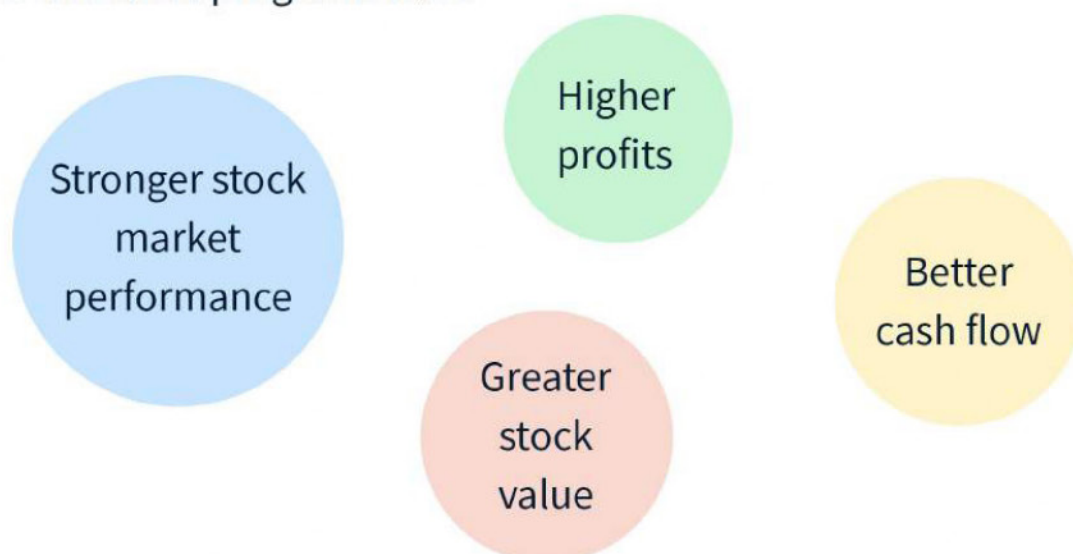
Researches in the field of
Performance Management
System





Various researches have been conducted in the field of performance management system. Few are discussed in the present study. Johnson and Kaplan (1987) elaborated that there is a necessity to have a new management approach to manage the performance of organizations as the traditional ways have lost their importance and relevance. Therefore, the Performance Management System was developed for managing the performance within the organizations. The PMS must be able to produce relevant, specific and timely information for planning and decision making purposes. According to the study conducted by Hewitt Associates (1994), the impact of performance management on organizational success substantiates that the performance management system can have a significant impact on financial performance and productivity of an organization. The study used the BCG Matrix to track the financial performance of 437 publicly held U.S. companies.

The results of the study showed that the companies with performance programs have



than companies without performance management.



Productivity in firms which are not using performance management is far below the industry average, while productivity in firms using performance management is on par with the industry average. This shows that the companies with performance management significantly improved their financial performance and productivity after implementing performance management. Simons (2000) states that a PMS cannot be effectively designed and implemented without considering human behaviour. Holloway et al. (1995) also emphasized that the successful implementation of a PMS depends on understanding the behavioral factors of performance management. It is considered that behaviour and culture need to be incorporated into the design and implementation in order to get an effective PMS.

According to Roberts (2001), performance management involves steps which are generally as follows:-

- 1** Setting up of various objectives like organizational, individuals etc, the use of performance appraisal systems,
- 2** Appropriate reward strategies and schemes;
- 3** Training and development strategies and plans
- 4** Feedback, communication and coaching;
- 5** Individual career planning; mechanisms for monitoring the effectiveness of performance management system; and
- 6** Interventions and even culture management.



Armstrong and Baron (2004) emphasized that Performance Management is a tool to ensure that the managers are managing effectively. This means that they ensure the people or teams they manage know and understand what is expected of them, have the skills and ability to deliver on these expectations, are supported by the organization to develop the capacity to meet these expectations are given feedback on their performance, and have the opportunity to discuss and contribute to individual and team aims and objectives.

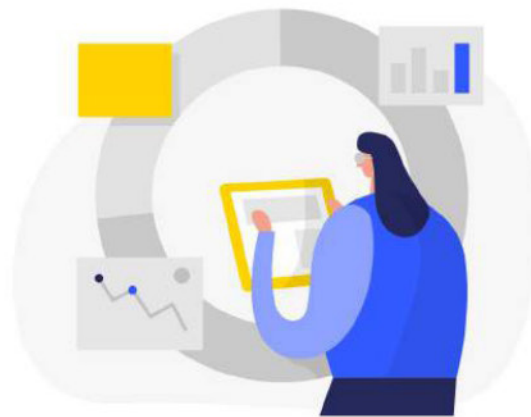
Watkins (2007) says that most public sector business organizations like those in Delta State of Nigeria have not given adequate attention to performance management review as a tool for improving performance even when recent studies suggest that performance management is essential for improving organizational performance in both public & private sectors.

Helm et al. (2007) have noted that PMS is vital to an organization's performance for various reasons such as: it facilitates the organization to achieve its vision and business objective. It is a prerequisite to develop a performance oriented culture within the organization. It aligns the employees' performance goals with the organization's strategic goals. It ensures that the individual has clarity regarding performance expectations. It improves the employee performance and identifies talented individuals for promotion and it also reinforces linkage between pay and performance.





According to Du Plessis (2007), the implementation of performance management systems encounters resistance at various points throughout the organization. But in order to overcome the resistance, one has to focus on the implementation of its sub projects which includes the cultural and environmental issues in concern so that PMS can be carefully implemented.

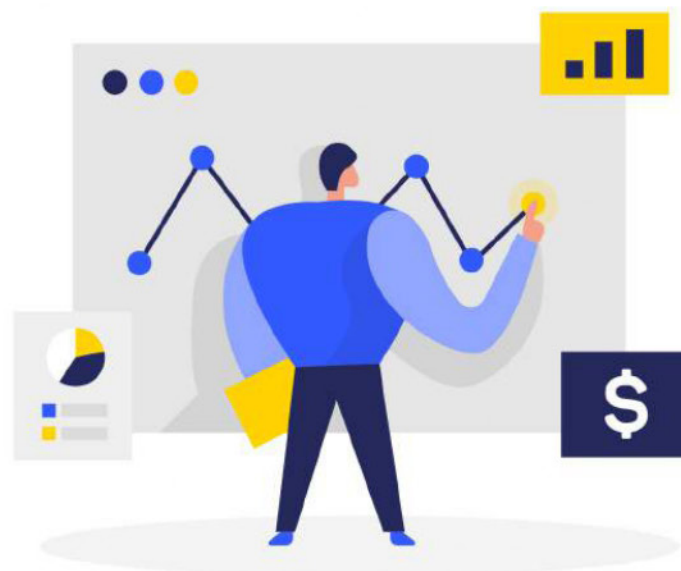


Sole (2009) explained that there are two factors which can influence performance management systems in a public organization. Those are internal factors and external factors. Internal factors include internal management commitment, internal resources, performance-oriented culture, leadership employee engagement and maturity of PMS. External factors include elected officials, citizens, legal requirements and labour unions. In particular, employees view that performance-monitoring systems is such a system which is intended to force them to work harder, and managers see such systems as efforts to put increased pressure on them to produce added results. All these elements sustain the role of a performance-oriented culture as a factor influencing the implementation of performance measurement and management systems in public organizations. In terms of time limitation and cost, the important variables for implementation of PMS are the internal factors.



Bhattacharjee and Sengupta (2011) emphasized in their study that employees are the most crucial and valuable assets for an organization. If an organisation wants to gain speedy growth, it is very important to manage the Human resource of the organisation well. It is a challenging task to identify the gap between the actual competence of human resource working in the organisation and the desired competence expected out of them and then bridge the gap. Since the time an employee enters the organisation till the time they leave the organisation, it becomes essential to identify the entire cycle of what competency is expected and what do they actually possess so that their performance can be managed and strategic advantage can be achieved.

According to Toppo and Prusty (2012) Performance Appraisal and Performance Management were considered to be one of the most emerging issues since the last decade. They emphasized on the critical areas of the appraisal system and defined how the Performance Management System is a better tool than Performance Appraisal System as it overcomes the limitations of the latter.





Chapter 04

Findings

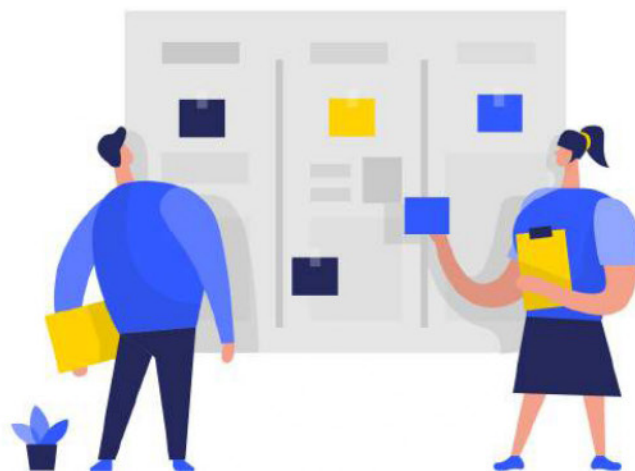




The dominant findings indicate that there are enterprises which are generally less likely to adopt formal PMS practices, including goal setting, assessing performance and performance evaluation practices. Similarly, they usually pursue traditional means of basic Human Resource functions such as employee recruitment, selection, training and compensation etc.

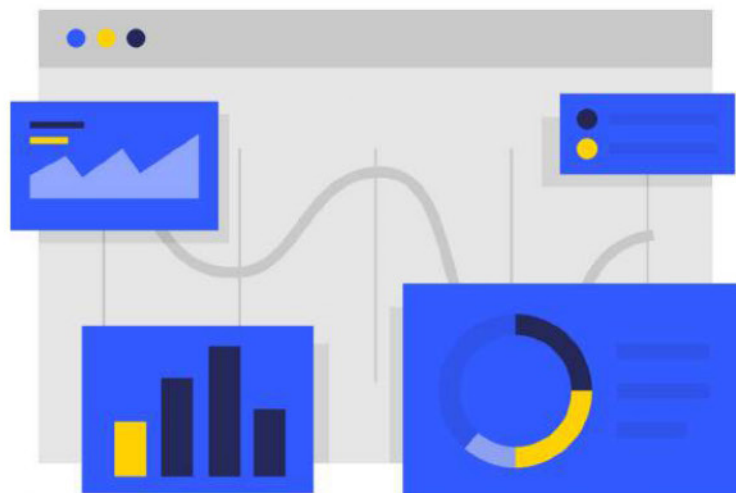
However it has also been analyzed that employees do not have a clear understanding of what performance management systems aim to achieve. A similarly large number of employees believe that performance management is not associated with organizational objectives as it has no functionality in employee's career planning or development. It has also been identified that organizations have realized the significance of adopting strategic HR practices for gaining a competitive edge over the competitors.

A well designed effective performance management system can play a vital role in aligning the actions of the employees in an organization for recognizing the crucial corporate goals. Performance management is a useful tool for aligning all the major organizational functions and sub functions so that the focus is directed towards attainment of the organizational goal. By clearly explaining both the individual and team responsibilities in the form of Key Responsibility Areas (KRAs) as well as by creating an understanding of shared responsibilities, a good performance management system smoothen the progress and development of employees.





The post-liberalization period has observed significant changes in the structure and functions of the organizations. Arrival of foreign and multinational organizations has given a cause to existing organizations to be more effective, competitive, and innovative in their approach. There arises a need to introduce a system of performance management during the period when the traditional performance appraisal mechanism started failing and its limitations were evolving up. The performance appraisal system which the organizations were using in the earlier time period was lacking in objectivity as the criteria for measuring performance were not clearly defined and the focus was on traits rather than on behaviors or measurable targets. Due to an absence of a transparent feedback mechanism and lack of employee involvement in the entire process of appraisal, the morale of employees decreases. A Performance Management System overcomes the faults of the traditional performance appraisal system by maintaining a revolutionary approach.





Chapter 05

Challenges with Traditional
Performance Management

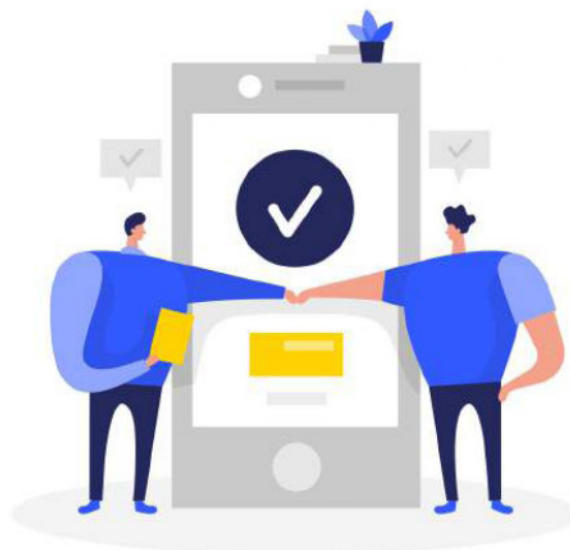




Before we discuss the benefits of adopting a more modern, iterative approach to performance management, it's worth taking a moment to look at some of the key problems with the traditional methodology. There's a certain irony to the fact that traditional performance management practises can actually harm the very performance they're trying to quantify. Here are some of the most common problems with what is sometimes referred to as the 'rank and yank' approach to performance management, so named for its focus on rating employees and removing – or punishing – those who are underperforming.

Employee Engagement

As we've seen, the primary focus of traditional performance management centres on rating employee performance across teams and departments. It's rather like a giant examination that lasts the whole year, with the results impacting pay reviews and promotion conversations. The problem is, there's no surer way to damage employee morale than to pit colleagues against one another in an 'every man for themselves' dash to achieve the best rating. Teamwork and employee engagement inevitably suffer.





Problems, not Solutions

Traditional performance management can be effective in identifying both strong and weak performance in the long term. The problem is, it does very little (if anything at all) to either encourage or address these behaviours. At the same time, employees who perform reasonably well but are not considered 'top performers' are often disappointed and demotivated to receive an average rating every year. Without timely feedback, problem behaviours that might have been remedied with targeted coaching are likely to proceed unchecked, which is damaging to both the employee and the organisation.



Slow Reactions

The modern workplace is a fast-paced, dynamic environment where things can change very quickly. But traditional performance management practises are not built to absorb short-term variation. As a result, objectives set twelve months ago are often irrelevant by the time the yearly appraisal meeting rolls around, and justifying a given 'rating' can be next to impossible against targets that have been rendered obsolete.





Chapter 06

Benefits of Adopting a Continuous Performance Management Model

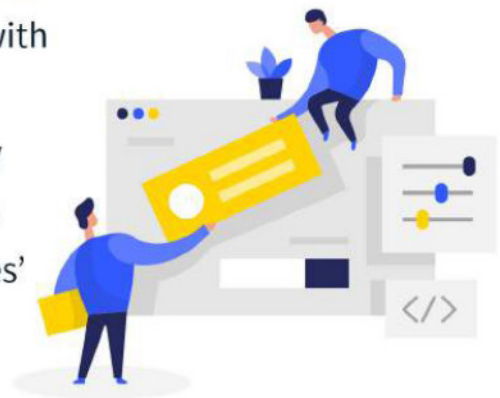




The real power of the continuous performance management model lies in the additional value it generates over more traditional methods. This holistic, agile approach to performance management results in something of a paradigm shift for organisations that implement it, with the benefits felt in numerous different ways.

Development, not Measurement:

As we've seen, the primary focus of traditional performance management centres on rating employee performance across teams and departments. It's rather like a giant examination that lasts the whole year, with the results impacting pay reviews and promotion conversations. The problem is, there's no surer way to damage employee morale than to pit colleagues against one another in an 'every man for themselves' dash to achieve the best rating. Teamwork and employee engagement inevitably suffer.

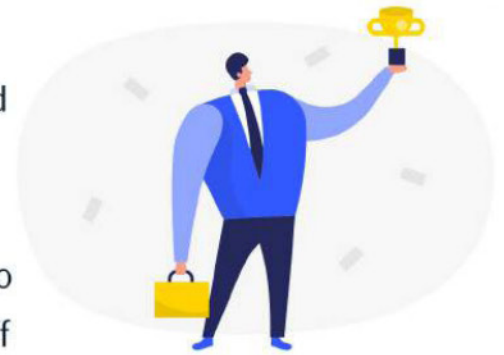


Even better, this is a two-way street, with regular pulse-surveys throughout the year providing employees at all levels of the business with a platform to voice their feedback on management tiers, adding another dimension to performance data.



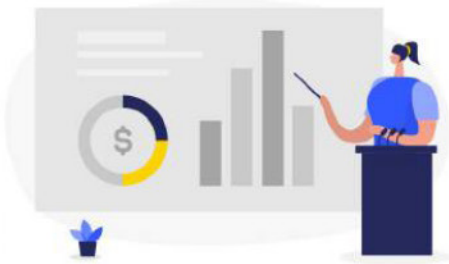
Reinforce Good Behaviour:

On the other side of the coin, achievements can be recognised in real time, ensuring employees feel valued for their hard work. After all, there's no better way to reinforce strong performance than to reward it. Regular check-ins give line managers the opportunity to provide relevant, timely feedback and praise, ticking off objectives as they're completed.



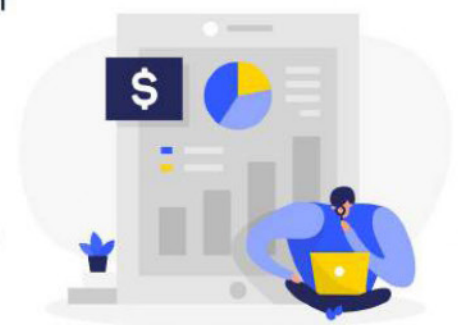
Improve Engagement:

As we saw in the previous section, poor performance management practices can be very damaging for employee morale. That's why 'appraisal time' can be a very stressful period for many businesses. Treating performance management as a development tool instead of a ranking tool flips this on its head, demonstrating a commitment to the workforce by providing coaching instead of punitive measures when problems are identified.



Increased Scope for Agility:

The common thread that ties all these benefits together is the ability to react quickly. Traditional appraisal cycles set twelve months apart are simply not fit for purpose in the modern workplace where things change so rapidly. Regular check-ins keep the focus on goals, while allowing for course-correction through adjustment of objectives when things change.





Chapter 07

Taking Continuous
Performance Management Online





In many organisations, performance management is still carried out entirely offline, or sometimes using cumbersome spreadsheets that are stored locally and often neglected for months on end. But the increased sophistication of the continuous model greatly benefits from a more seamless solution in order to operate efficiently.

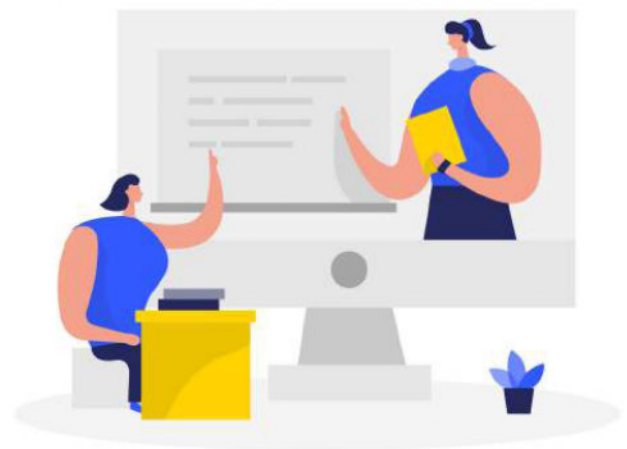
It's Here That HR Software Comes In

In fact, the recent performance management revolution has been made possible – at least in part – by the increased capability of the technology that supports it. The ability to actively work with objectives and share feedback in real time is critical to the success of any continuous performance implementation.

When looking to purchase a software solution to underpin your continuous performance management process, it's important to keep in mind the following key functionality:

Feedback

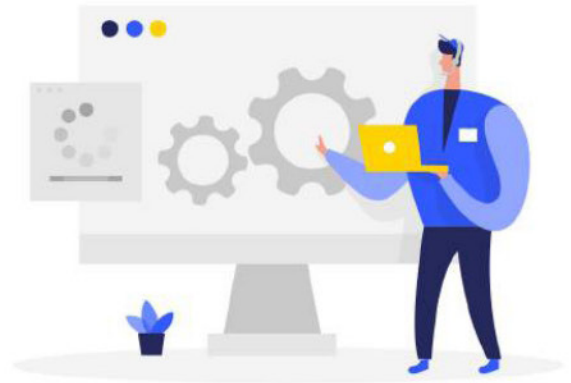
- Support for fast, convenient feedback across teams, departments and office sites that can be linked directly to relevant objectives
- Pulse survey functionality allows employees to provide feedback on management tiers





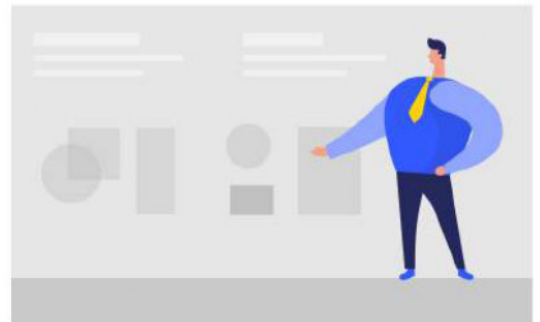
Efficiency

- Manage multiple employees in one place
- View progress against objectives at any time
- Cloud connectivity and support for mobile devices give users access on the go



Meaningful Dashboards

- Intuitive, customisable dashboards that represent performance data clearly
- Visual representations of feedback and performance data



Flexibility

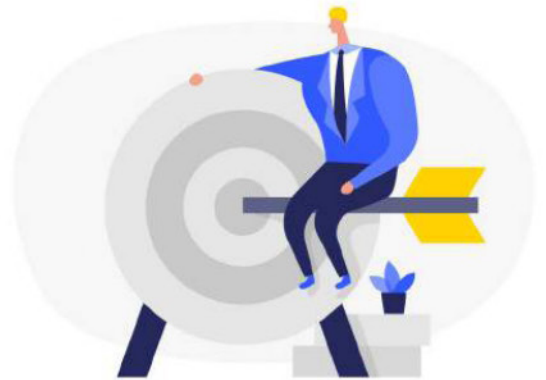
- Easily amenable performance and development plans
- Objectives that can be altered to meet changing business needs





Goal-setting

- Simple, transparent goal-setting



Collaboration


- Managers and employees should be able to set, track and share objectives collaboratively
- Cloud connectivity provides a single source of truth - no more locally stored development plans





Conclusion





It can be said that the Performance Management System is the vital key in Human Resource Management (HRM). In other words, PMS is a crucial business driver that helps to achieve business results. An efficient PMS can boost the firms to maximize the employee performance. An effective system should be such that it can encourage an organizational climate of trust, autonomy, collaboration, communication and teamwork etc. It is important for an organization to have such a system that not only identifies and recognizes the top performers rather helps the employees and organization to achieve sustainable growth.

Most of the modern day organizations identify this need and are spending a huge amount of money to develop and implement an effective Performance Management System still a huge amount of variation can still be noticed in the employees' performance. In order to gain the competitive advantage, the organization's performance management system should be designed in such a way that it can connect the employees' performance expectations to that of the organization's goals.

Performance management has long been neglected by many organisations. Yearly appraisals with poor follow-up have eroded the value of the function to the point where, for many, performance management has actually become a hindrance, rather than a positive process.



Pioneers such as Adobe and Microsoft have, in recent years, begun to reap the benefits of a more forward-thinking approach to performance management. Refinement of this approach, along with improved support from specialist software, has seen the continuous model of performance management develop into an incredibly powerful tool to help businesses better understand their workforce, improve employee engagement, and develop their people.

As such, it's becoming an ever more critical process for many organisations, requiring a close collaboration between HR, IT, and a trusted supplier in order to best extract maximum value from the process as a whole. When continuous performance management is done well, it can completely overhaul the culture and effectiveness of your organisation, shifting the focus firmly onto performance development, with the benefits felt right across the business.





Let's debunk a few myths around performance reviews!
One of the reasons Perf Reviews are still around in most companies is clearly not because of its great efficiency (See my previous post)...
It is because myths are persistent!

MYTH #1:
Perf Review are necessary for feedback

WRONG: Feedback is on-going, NOT once a year! On top of that, employees who disagree with the outcome will respond by denying and disagreeing. Feedback in this context is totally useless.

MYTH #2:
Perf Review motivate people

WRONG: Only a small portion of the employees will get something that matches up to their expectations. Besides the happy few who will benefit from the system and really feel strongly valued by the company (15-20%), the large majority of employees (at least 80%) will at best think they get just what is owed to them, or at worse feel frustrated and betrayed.

MYTH #3:
Perf Review boosts performance

WRONG: Feedback is on-going, NOT once a year! On top of that, employees who disagree with the outcome will respond by denying and disagreeing. Feedback in this context is totally useless.



Author Bio



Sahiba Sharma
Content Specialist



Back in 2016 when I stumbled upon my first (meagerly paid) content writing internship, I had no idea I'd be here. *sigh of accomplishment*

Enrolling for an Honours in English Literature for my undergraduate education in 2016 was nothing short of ballsy for a girl who found it difficult to put her thoughts into words all her teenage life.

But surprisingly, I spent the three years of my Bachelor's coursework balancing the nuanced study of literary texts and learning the technical art of writing content!

The only thing that kept me going was the desire to learn.

I have evolved greatly as a writer in all these years. Having worked with two companies which have been niche startups, I have explored and understood the essence of content writing as a profession.

It is the versatility of my work that empowers me to write multiple types of content, right from a uniquely narrated statement of purpose to a compelling website copy.



Reference Links:

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- 2.) <https://www.pavestep.com/post/history-of-performance-management#:~:text=A%20Brief%20History%20of%20Performance%20Management,-Performance%20management%20became&text=In%20the%201950s%2C%20personality%2Dbased,appraisal%20systems%20started%20gaining%20adoption.&text=In%20addition%2C%20there%20was%20more,management%20by%20objectives'%20became%20popularized>
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