3.5 PERFORMANCE MANAGEMENT

Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization.

A performance management system includes the following actions.

- Developing clear job descriptions and employee performance plans which includes the key result areas (KRA') and performance indicators.
- Selection of right set of people by implementing an appropriate selection process.
- Negotiating requirements and performance standards for measuring the outcome and overall productivity against the predefined benchmarks.
- Providing continuous coaching and feedback during the period of delivery of performance.
- Identifying the training and development needs by measuring the outcomes achieved against the set standards and implementing effective development programs for improvement.
- Holding quarterly performance development discussions and evaluating employee performance on the basis of performance plans.
- Designing effective compensation and reward systems for recognizing those employees who excel in their jobs by achieving the set standards in accordance with the performance plans or rather exceed the performance benchmarks.
- Providing promotional/career development support and guidance to the employees.
- Performing exit interviews for understanding the cause of employee discontentment and thereafter exit from an organization.

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.

The performance management process evolved in several phases.

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

Any negative comment or a remark in the ESR or ACR used to adversely affect the prospects of career growth of an employee. The assessments were usually done for ten traits on a five or a ten point rating scale basis. These traits were job knowledge, sincerity, dynamism, punctuality, leadership, loyalty, etc. The remarks of these reports were never communicated to the employees and strict confidentiality was maintained

in the entire process. The employees used to remain in absolute darkness due to the absence of a transparent mechanism of feedback and communication. This system had suffered from many drawbacks.

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

Third Phase: In this phase the term ACR was replaced by performance appraisal. One of the key changes that were introduced in this stage was that the employees were permitted to describe their accomplishments in the confidential performance reports. The employees were allowed to describe their accomplishments in the self appraisal forms in the end of a year. Besides inclusion of the traits in the rating scale, several new components were considered by many organizations which could measure the productivity and performance of an employee in quantifiable terms such as targets achieved, etc. Certain organizations also introduced a new section on training needs in the appraisal form. However, the confidentiality element was still being maintained and the entire process continued to be control oriented instead of being development oriented.

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

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

employee by following a methodical approach.

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

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

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

Any effective performance management system includes the following components:

Performance Planning: Performance planning is the first crucial component of any performance management process which forms the basis of performance appraisals. Performance planning is jointly done by the appraise and also the reviewed in the beginning of a performance session. During this period, the employees decide upon the targets and the key performance areas which can be performed over a year within the performance budget., which is finalized after a mutual agreement between the reporting officer and the employee.

Performance Appraisal and Reviewing: The appraisals are normally performed twice in a year in an organization in the form of mid reviews and annual reviews which is held in the end of the financial year. In this process, the appraisee first offers the self filled up ratings in the self appraisal form and also describes his/her achievements over a period of time in quantifiable terms. After the self appraisal, the

final ratings are provided by the appraiser for the quantifiable and measurable achievements of the employee being appraised. The entire process of review seeks an active participation of both the employee and the appraiser for analyzing the causes of loopholes in the performance and how it can be overcome. This has been discussed in the performance feedback section.

Feedback on the Performance followed by personal counseling and performance facilitation: Feedback and counseling is given a lot of importance in the performance management process. This is the stage in which the employee acquires awareness from the appraiser about the areas of improvements and also information on whether the employee is contributing the expected levels of performance or not. The employee receives an open and a very transparent feedback and along with this the training and development needs of the employee is also identified. The appraiser adopts all the possible steps to ensure that the employee meets the expected outcomes for an organization through effective personal counseling and guidance, mentoring and representing the employee in training programmes which develop the competencies and improve the overall productivity.

Rewarding good performance: This is a very vital component as it will determine the work motivation of an employee. During this stage, an employee is publicly recognized for good performance and is rewarded. This stage is very sensitive for an employee as this may have a direct influence on the self esteem and achievement orientation. Any contributions duly recognized by an organization helps an employee in coping up with the failures successfully and satisfies the need for affection.

Performance Improvement Plans: In this stage, fresh set of goals are established for an employee and new deadline is provided for accomplishing those objectives. The employee is clearly communicated about the areas in which the employee is expected to improve and a stipulated deadline is also assigned within which the employee must show this improvement. This plan is jointly developed by the appraisee and the

appraiser and is mutually approved. The bellow Fig 1 shows Components of Performance Management.

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

Fig 1 Components of Performance Management

Source : Stephen P. Robbins & Mary Coulter, ―Management‖, Prentice Hall (India) Pvt. Ltd., 10th Edition, 2009.

An effectively implemented performance management system can benefit the organization, managers and employees in several ways as depicted in the table given below:

Organization's Benefits

Improved organizational performance, employee retention and loyalty, improved productivity, overcoming the barriers to communication, clear accountabilities, and cost advantages.

Manager's Benefits

Saves time and reduces conflicts, ensures efficiency and consistency in performance.

Employee's Benefits

Clarifies expectations of the employees, self assessment opportunities clarifies the job accountabilities and contributes to improved performance, clearly defines career paths and promotes job satisfaction.

Clearly defined goals, regular assessments of individual performance and the company wide requirements can be helpful in defining the corporate competencies and the major skill gaps which may in turn serve as a useful input for designing the training and development plans for the employees. A sound performance management system can serve two crucial objectives:

Evaluation Objectives

- By evaluating the readiness of the employees for taking up higher responsibilities.
- By providing a feedback to the employees on their current competencies and the need for improvement.
- By linking the performance with scope of promotions, incentives, rewards and career development.

Developmental Objectives

The developmental objective is fulfilled by defining the training requirements of the employees based on the results of the reviews and diagnosis of the individual and organizational competencies. Coaching and counseling helps in winning the confidence of the employees and in improving their performance, besides strengthening the relationship between the superior and the subordinate.

In a nutshell, performance management serves as an important tool for realizing organizational goals by implementing competitive HRM strategies. It helps in aligning and integrating the objectives with the KPI's in an organization both vertically and

horizontally across all job categories and the levels and thus helps in driving all the activities right from the bottom level towards one single goal.

3.5.1 CAREER PLANNING IN AN ORGANIZATION

Career planning is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organization.

Career planning is not an event or end in itself, but a continuous process of developing human resources for achieving optimum results. It must, however, be noted that individual and organizational careers are not separate and distinct. A person who is not able to translate his career plan into action within the organization may probably quit the job, if he has a choice. Organizations, therefore, should help employees in career planning so that both can satisfy each other's needs.

Career Planning vs. Human Resource Planning

Human Resource planning is the process of analyzing and estimating the need for and availability of employees. Through Human Resource planning, the Personnel Department is able to prepare a summary of skills and potentials available within the organization.

Career planning assists in finding those employees who could be groomed for higher level positions, on the strength of their performance.

Human Resource planning gives valuable information about the availability of human resources for expansion, growth, etc. (expansion of facilities, construction of a new plant, opening a new branch, launching a new product, etc.). On the other hand, career planning only gives us a picture of who could succeed in case any major developments leading to retirement, death, resignation of existing employees.

Human Resource planning is tied to the overall strategic planning efforts of the organization. There cannot be an effective manpower planning, if career planning is not carried out properly.

Need for Career Planning

Every employee has a desire to grow and scale new heights in his workplace continuously. If there are enough opportunities, he can pursue his career goals and exploit his potential fully. He feels highly motivated when the organization shows him a clear path as to how he can meet his personal ambitions while trying to realize corporate goals.

Unfortunately, as pointed out by John Leach, organizations do not pay adequate attention to this aspect in actual practice for a variety of reasons. The demands of employees are not matched with organizational needs; no effort is made to show how the employees can grow within certain limits, what happens to an employee five years down the line if he does well, whether the organization is trying to offer mere jobs or long-lasting careers, etc. When recognition does not come in time for meritorious performance and a certain amount of confusion prevails in the minds of employees whether they are 'in' with a chance to grow or not, they look for greener pastures outside. Key executives leave in frustration and the organization suffers badly when turnover figures rise. Any recruitment effort made in panic to fill the vacancies is not going to be effective. So, the absence of a career plan is going to make a big difference to both the employees and the organization. Employees do not get right breaks at a right time; their morale will be low and they are always on their toes trying to find escape routes.

Organizations are not going to benefit from high employee turnover. New employees mean additional selection and training costs. Bridging the gaps through short-term replacements is not going to pay in terms of productivity. Organizations, therefore, try to put their career plans in place and educate employees about the opportunities that exist internally for talented people. Without such a progressive outlook, organizations cannot prosper.

Objectives

Career planning seeks to meet the following objectives:

- Attract and retain talent by offering careers, not jobs.
- Use human resources effectively and achieve greater productivity.
- Reduce employee turnover.
- Improve employee morale and motivation.
- Meet the immediate and future human resource needs of the organization on a timely basis

Career Planning Process

The career planning process involves the following steps:

1. **Identifying individual needs and aspirations:**

   Most individuals do not have a clear cut idea about their career aspirations, anchors and goals. The human resource professionals must, therefore, help an employee by providing as much information as possible showing what kind of work would suit the employee most, taking his skills, experience, and aptitude into account. Such assistance is extended through workshops/seminars while the employees are subjected to psychological testing, simulation exercises, etc.

   The basic purpose of such an exercise is to help an employee form a clear view about what he should do to build his career within the company. Workshops and seminars increase employee interest by showing the value of career planning. They help employees set career goals, identify career paths and uncover specific career development activities (discussed later). These individual efforts may be supplemented by printed or taped information. To assist employees in a better way, organizations construct a data bank consisting of information on the career histories, skill evaluations and career preferences of its employees (known as skill or talent inventory).

2. **Analyzing career opportunities:**

Once career needs and aspirations of employees are known, the organization has to provide career paths for each position. Career paths show career progression possibilities clearly. They indicate the various positions that one could hold over a period of time, if one is able to perform well. Career paths change over time, of course, in tune with employee's needs and organizational requirements. While outlining career paths, the claims of experienced persons lacking professional degrees and that of young recruits with excellent degrees but without experience need to be balanced properly.

3. **Aligning needs and opportunities:**

After employees have identified their needs and have realized the existence of career opportunities the remaining problem is one of alignment. This process consists of two steps: first, identify the potential of employees and then undertake career development programmers (discussed later on elaborately) with a view to align employee needs and organizational opportunities. Through performance appraisal, the potential of employees can be assessed to some extent. Such an appraisal would help reveal employees who need further training, employees who can take up added responsibilities, etc. After identifying the potential of employees certain developmental techniques such as special assignments, planned position rotation, supervisory coaching, job enrichment, understudy programs can be undertaken to update employee knowledge and skills.

4. **Action plans and periodic review:**

The matching process would uncover gaps. These need to be bridged through individual career development efforts and organization supported efforts from time to time. After initiating these steps, it is necessary to review the whole thing every now and then. This will help the employee know in which direction he is moving, what changes are likely to take place, what kind of skills are needed to face new and emerging organizational challenges. From an organizational

standpoint also, it is necessary to find out how employees are doing, what are their goals and aspirations, whether the career paths are in tune with individual needs and serve the overall corporate objectives, etc. The bellow Fig 2 shows the Carrier Path Way.

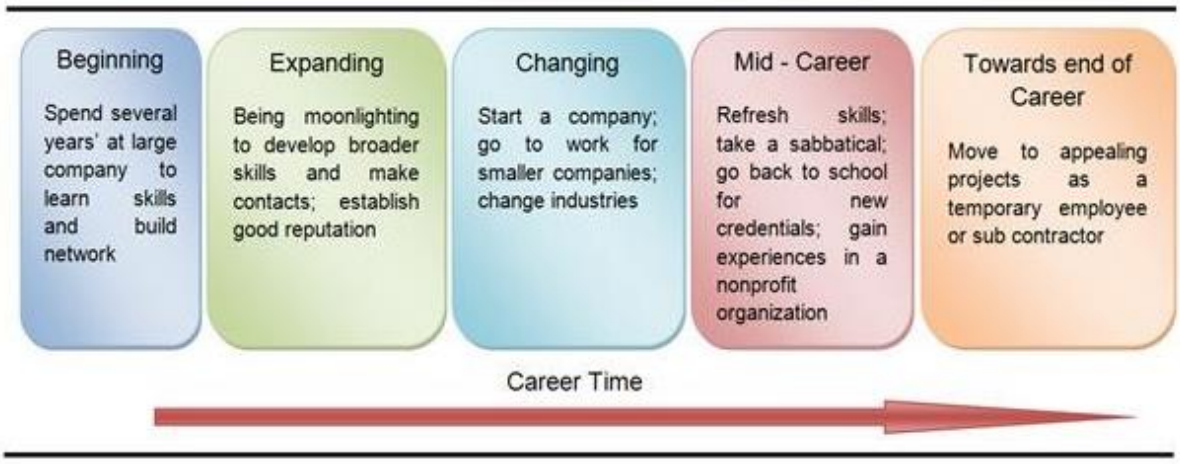

Fig 2 Carrier Path Way

Source : Stephen P. Robbins & Mary Coulter, ―Management‖, Prentice Hall (India) Pvt. Ltd., 10th Edition, 2009

3.5.1.1 CAREER PLANNING MODELS

There are many models one may use while career planning. The two main models are

1. **The SODI Career Planning Model**

Given the complexity of career development and the fluidity of the world of work, we need to be able to navigate our career paths with purpose and clarity.

Law and Watts (1977) devised a simple model of career education which has stood the test of time. This model has been changed slightly to become a career planning, rather than a career education model and named the SODI model where the last element is 'implementation' rather than 'transition learning', and 'decision learning' becomes 'decision making and planning'.

The model encapsulates four concepts which are:

Self-awareness – individual having knowledge about and understanding of their own

personal development. Self-awareness in a careers context involves an understanding of kind of personal resources (both actual and potential) they bring to world.

Opportunity awareness – an understanding of the general structures of the world of work, including career possibilities and alternative pathways.

Decision making and planning – an understanding of how to make career decisions, and being aware of pressures, influences, styles, consequences and goal setting.

Implementing plans – having the appropriate skill level in a range of areas to be able to translate job and career planning into reality

2. **Waterloo University Model**

The bellow Fig 3 represents Waterloo University Model.

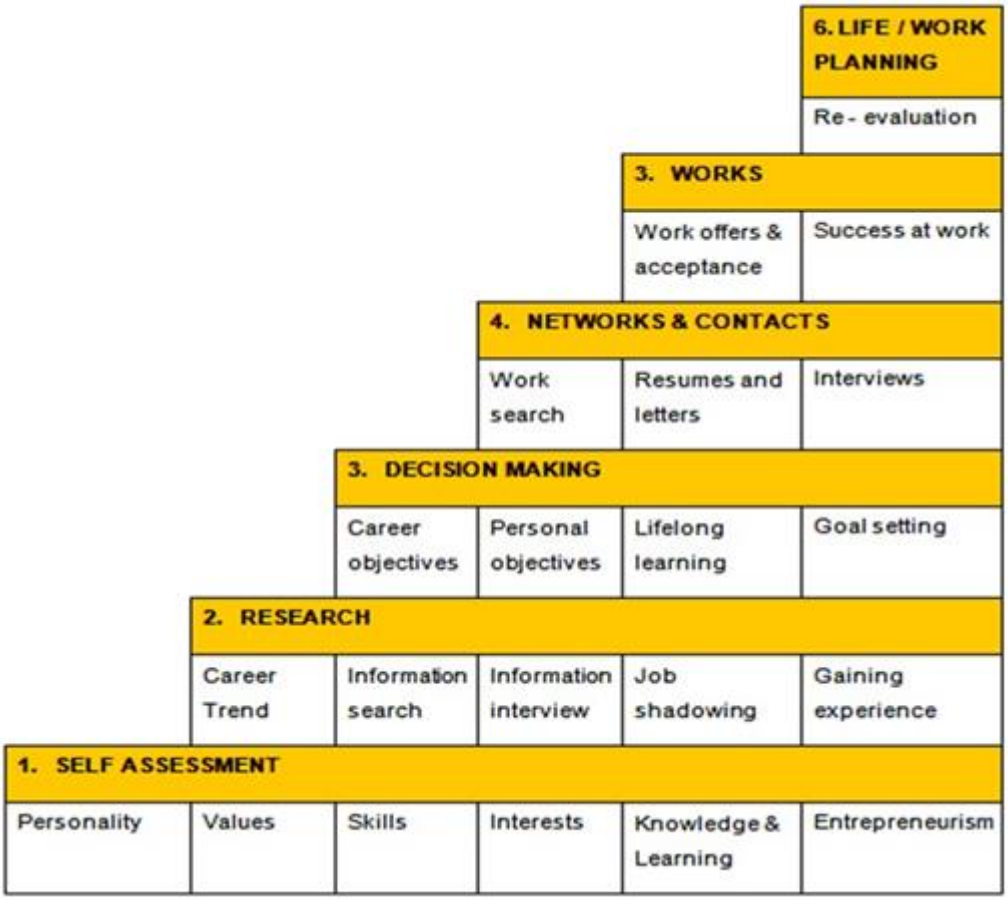

Fig 3 Waterloo University Model

Source : Stephen P. Robbins & Mary Coulter, ―Management‖, Prentice Hall (India) Pvt. Ltd., 10th Edition, 2009

3.5.2 CAREER MANAGEMENT

Career management is the combination of structured planning and the active management choice of one's own professional career.

The outcome of successful career management should include personal fulfillment, work/life balance, goal achievement and financial security.

A career includes all types of employment ranging from semi-skilled through skilled, and semi professional to professional. Careers have often been restricted to an employment commitment to a single trade skill, profession or business firm for the entire working life of a person. In recent years, however, a career now includes changes or modifications in employment during the foreseeable future.

The following classification system with minor variations is widely used:

1. Development of overall goals and objectives
2. Development of a strategy (a general means to accomplish selected goals/objectives)
3. Development of the specific means (policies, rules, procedures and activities) to implement the strategy, and
4. Systematic evaluation of the progress toward the achievement of the selected goals/objectives to modify the strategy, if necessary.

Career management is the process through which employees:

- Become aware of their own interests, values, strengths, and weaknesses
- Obtain information about job opportunities within the company
- Identify career goals
- Establish action plans to achieve career goals

Why Is Career Management Important?

From the company's perspective The failure to motivate employees to plan their careers can result in:

- A shortage of employees to fill open positions
- Lower employee commitment

- Inappropriate use of duty allocated for training and development programs

5. **From the employees' perspective**

Lack of career management can result in:

- Frustration
- Feelings of not being valued by the company
- Being unable to find suitable employment should a job change be necessary due to mergers, acquisitions, restructuring, or downsizing

Career Motivation

Career motivation refers to:

- Employees' energy to invest in their careers
- Their awareness of the direction they want their careers to take
- The ability to maintain energy and direction despite barriers they may encounter

Career motivation has three aspects:

- Career resilience
  - The extents to which employees are able to cope with problems affect their work
- Career insight
  - How much employees know about their interests, skill strengths, and weaknesses
  - The awareness of how these perceptions relate to their career goals
- Career identity

The degree to which employees define their personal values according to their work

Types of career

- Traditional Career
  - Sequence of positions held within an occupation
  - Context of mobility is within an organization
  - Characteristic of the employee
- **Protean Career**
  - Frequently changing based on changes in the person and changes in the work environment

- Employees take major responsibility for managing their careers
- Based on self-direction with the goal of psychological success in one's work

Comparison of Traditional Career and Protean Career:

Dimension	Traditional Career	Protean Career
Goal	Promotion Salary increase	Psychological success
Psychological contract	Security for commitment	Employability for flexibility
Mobility	Vertical	Lateral
Responsibility for Management	Company	Employee
Pattern	Linear and expert	Spiral and transitory
Expertise	Know how	Learn how
Development	Heavy reliance on formal training	Greater reliance on relationships and job experiences

Career Management Process:

The bellow Fig 4 Shows the Career Management Process.

Fig 4 Career Management Process

Source : Stephen P. Robbins & Mary Coulter, ―Management‖, Prentice Hall (India) Pvt. Ltd., 10th Edition, 2009

- **Self-Assessment**
  - Use of information by employees to determine their career interests, values, aptitudes, and behavioral tendencies
  - Often involves psychological tests
- **Reality Check**
  - Information employees receive about how the company evaluates their skills and knowledge and where they fit into company plans
- **Goal Setting**
  - The process of employees developing short- and long- term career objectives
  - Usually discussed with the manager and written into a development plan
- **Action Planning**
  - Employees determining how they will achieve their short- and long-term career goals

Employees' Role in career management

- Take the initiative to ask for feedback from managers and peers regarding their skill strengths and weaknesses Identify their stage of career development and development needs
- Seek challenges by gaining exposure to a range of learning opportunities
- Interact with employees from different work groups inside and outside the company
- Create visibility through good performance

Managers' Role in Career Management

Roles	Responsibilities
Coach	Probe problems, interests, values, needs Listen Clarify concerns Define concerns

Appraiser	Give feedback Clarify company standards Clarify job responsibilities Clarify company needs
Advisor	Generate options, experiences, and relationships Assist in goal setting Provide recommendations
Referral agent	Link to career management resources Follow up on career management plan

HR Manager's Role in Career Management

- Provide information or advice about training and development opportunities
- Provide specialized services such as testing to determine employees' values, interests, and skills
- Help prepare employees for job searches
- Offer counseling on career-related problems

Company's Role in Career Management

- Companies are responsible for providing employees with the resources needed to be successful in career planning:
  - Career workshops
  - Information on career and job opportunities
  - Career planning workbooks
  - Career counseling
  - Career paths

Evaluating of career management system

- Career management systems need to be evaluated to ensure that they are meeting the needs of employee and the business
  - Two types of outcomes

- Reactions of the customers (employees and manager) who use the career management system
- Reactions career management system
- Evaluation of a career management system should be based on its objectives.