

Understanding the Foundations of Effective Performance Management Systems: Lessons for Human Resource Leaders

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Abstract

Performance Management is the most critical tool used in the organizations to appraise and manage the performance of the employees of the organization. It not only aids Human Resource (HR) leaders in evaluating the performance but also supports in setting out the standards for the personnel, ascertaining the training needs of the employees in the organization, helps the management in making the key decisions affecting the performance of the employees such as deciding the payment structure, planning out the compensation programmes, and developing incentive plans for the employee. Thus, for effective leadership, designing a flawless performance management system is imperative as it is one of the important tools used in the organization; that results into the effectiveness of the business activities. The present study makes a small attempt to draw a conceptual framework of performance management in light of the advantages and uses of the information generated by the performance appraisal process in order to empower HR leaders with essential concept and key concerns for developing effective mechanisms for managing high performance of workforce.

Key Words: *Performance Management, Appraisal, Human Resource Management, Development*

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Introduction

One of most researched topics amongst researchers, corporate practitioners and academicians is Performance Management. Performance management has become the most significant part of the corporations. This is a topic of concern for leaders, managers and people from all walks of life i.e., teachers use to appraise their students, parents need appraisal system for their children and most importantly employers follow appraisal of their employees. Performance is the crucial phenomenon as it is the sole factor of deciding the benefits and future potentiality of the individuals. In the organizational setup, performance management acts as the major source for deciding the responsibilities to be assigned to the employees, the pay structure of the employees, the training needs of the employees, the promotion possibilities for the employees etc. the performance appraisal acts the source of feedback and thus helps the employers to take certain important decisions concerning their employees (Pearce and Porter, 1986).

Performance management is the procedural framework of assessing the progress of the employees on the work. It is a systematic process through which the organizations strive to evaluate the performance of the employees and also tries to identify the hidden potential of the employees to perform better in their future endeavours. According to Flippo, “Performance appraisal is a systematic, periodic and an impartial rating of an employee’s excellence in the matters pertaining to his present job and his potential for a better job” (Flippo, E.B., 1976).

Intents of Performance Management: Performance Appraisal Data is the Foundation for all major HR Decisions and Interventions

Every task done has certain objectives associated with it. Similarly, the task of performance management done in the organization is also done with certain important objectives that are to be achieved by the organization. The objectives that performance management tries to attain are as follows:

- Performance management is conducted with a view to provide feedback to the employees regarding their progress in the organization.
- Secondly it is conducted to provide a database which can be used for further decision making in the organization.
- Performance appraisal is conducted in order to establish strong superior and subordinate relationship in the organization.
- Performance appraisal is also done in order to measure the effectiveness of recruitment and selection procedures in the organization.

The data derived from the application of the performance appraisal process in the organization leads to the greater benefit to the organization as well as the individual employee of the organization. These data are of greatest help to the organization as it is used by the organization in making certain policy decisions in the organization.

A Base for Designing Compensations Systems: Salary is a very sensitive issue in any organization and hence to be handled very tactfully and with full caution. Performance appraisal information is though very useful to the organization in various ways but the most advantageous point of performance appraisal is that it helps the organization in making key decisions about the salary of its employees. With the help of the performance appraisal, it is possible in the organization that every employee is paid a fair amount of salary in comparison to his contribution in the organization's success. It can be concluded that the performance appraisal information has its greater impact on the salary administration in the organization (Cleveland, Murphy and Williams, 1989).

A Tool for Analysing Training Needs: Training and performance appraisal has a two-way impact. Performance appraisal leads to the information which enables the organization to decide the training needs in the organization and on the other hand training enables the employees to improve their performance and thus leading to a good performance management results in the organization. Thus, it can be said that the information of the performance appraisal is used for the assessment of the training needs in the organization (Cleveland, Murphy and Williams, 1989)

Horizontal and Vertical Movements of Man Power: The performance appraisal information is useful to the organization in a manner that these information's helps the organization in making plans about the promotions, transfers, and demotions of the employees in the organization. It provides the detail information on the performance of the employees which enables to take a major decision regarding the promotions and transfers of the employees in the organization.

Foundation for Talent Acquisition: The performance appraisal conducted in the organization enables the organization to judge the effectiveness of the recruitment and selection procedures that are adopted in the organizations. The employees recruited and selected by the organization are eligible for the task of the organization or not is revealed with the help of the systematic management process in the organization. Thus, it can be very easily concluded that the performance appraisal is helpful in enabling the organization in analysing the effectiveness of the recruitment and selection procedures adopted by the organization.

Designing an Effective PMS: A Concern for Leaders to foster Organizational Effectiveness and Efficiency

Performance appraisal has a greater impact on the organization. This is because the performance appraisal programme associated with individual's performance helps the organization to improve or in maintaining the performance of the organization as well the performance of the organization. Some of the benefits of performance appraisal can be listed out as follows:

A base for Improved Goal Attainment: There is found to be a positive relation between the goals attainment of individuals and effective performance appraisal system. If the organization seeks for the satisfaction of the employees regarding the performance appraisal processes than this will in turn result into highly satisfied and contributing workforce in the organization. This will automatically result into the higher goal attainment in the organization (B Kuvaas, 2006).

A Mechanism to foster Greater Employee Motivation: Employee motivation and performance appraisal is two-way process which means that if the employees are motivated with the better rewards and pay system that they will have the better performance over the jobs in the organization as well as their performance appraisal will also result into the good ratings of the employees (Jabeen M, 2011). On the other hand, it is also seen that if the methods of performance appraisal are well applied in the organization than this leads to the satisfaction of the employees about the job and the company's policies and hence this satisfaction will lead to the highly motivated employees of the organization (Idowu, 2017). Motivation can be achieved by employing the best appraiser. If the appraiser lacks with communication skills and is not able to justify the appraisal procedures than this will lead to create negativity amongst the employees and will discourage the employees (Iqbal et al., 2013).

An Essential for Job Satisfaction: Performance management in the organization is one of the best sources of creating the job satisfaction amongst the employees. Performance appraisal tools if employed with fairness in the organization then the perception of employees towards the fair policies of the organization leads to the employee job satisfaction. Performance appraisal and job satisfaction are positively correlated terms. An employee is satisfied with his job only if he finds a fair and just performance appraisal system in the organization (Blau. G., 2019).

Foundation for Talent Retention: Today's most alarming problem in the organization is the employee turnover. Employees are switching off from their jobs very frequently which results into high cost to the organization in terms of recruitment cost, selection and training cost etc. The basic reason for employee switchover is the companies policies towards its workers. Performance appraisal is one of the important HR policies which aims at compensation management and salary administration in the organization. If the employees find that the performance appraisal was done in order to punish the employee and in order to negatively rank the performance of the employees so that promotion and salary improvements must not take place in the organization. If this feeling is in the hearts of the employees than the employees opt for quitting the job from the organization. And hence it can be said that if the organizations go for practicing the performance appraisal in the negative way than the organization will have to face the problem of employee turnover in the organization (Poon J.M., 2004).

Augmented Productivity: Performance appraisal is the tool used to evaluate the performance of the individuals on the job. The data of performance appraisal is provided to the employees in form of the feedback process. The data so provided is helpful to identify the training needs of the employees in case of the lower performance. If the employees are provided with a chance to improve their performance by overcoming the barriers of their performance with the help of training facility of the organization than the performance of the individual will definitely improve resulting into the higher productivity of the employees (Mwema & Gachung, 2014).

Employee Engagement and Loyalty: Performance appraisal in the organization leads to the employee engagement and loyalty. This is achieved because the organization practicing the performance appraisal system will have better salary administration, promotion plans and career prospects. This in turn will enhance the employee engagement and loyalty in the organization (Paul, Olumuyiwa & Esther, 2015).

Performance management is a key managerial activity which is responsible for bringing the change in the organization. Performance appraisal information is very useful for the better functioning of the organization and also for the betterment of the employees of the organization.

Boundaries of Performance Management Systems: The Key Concerns for HR Leaders

Stringency and Inflexibility: It is one of the common errors which is seen in the organization while following the performance appraisal system in the company. The appraiser follows the path of strictness and always tries to be very harsh during the application of performance appraisal process. Due to this attitude of the rater the employees are always ranked below their performance and hence this leads to a sense of dissatisfaction amongst the employees (Gürbüz & Dikmenli, 2007).

Leniency: Leniency is another error which is seen in the process of performance appraisal. In this the rater have a tendency of being lenient towards all the employees. The rater having the approach of leniency always think that why to rate negative any employee. Though it is a kind of error in performance appraisal as the actual performance of the individual is not accessed due it. But on the other hand, the employee is not to face any bad consequences of performance appraisal and due to this there is no bad effect on the performance of the employee, neither the employee gets discouraged and employee loyalty is also not reduced. Thus, this kind of error in the performance appraisal is not harmful to the employees but it is harmful for the organization (Marchegiani, Reggiani & Rizzolli, 2016).

Halo Effect: When only one factor is considered for rating the performance of the employee. This means that when only one factor (either positive or negative) is given weightage over all the other factors of the employee's performance. Due to that single factor an employee is constantly rated either high or low, this kind of error is termed to be the halo effect. These kinds of errors never enable the organization to know about the real performance of the employee and hence this kind of error in performance appraisal is not of much help in improving the performance of the employees and leading to the profitability of the organization (Lunenburg, F.C., 2012).

Recency of events: Sometimes it is seen in the organization that the employee's performance is rated on the basis of the recent events that have occurred in the organization and for this the overall factors are not considered in the appraisal process. And due to this error, it becomes quite impossible to access the actual performance of the employee. Thus, this type of error hinders the actual objective of the performance appraisal in the organization (Lunenburg, F.C., 2012).

In order to design an effective performance management system, the above-mentioned errors have to be controlled and minimized

Conclusion:

Based on the above text, one can effortlessly conclude that performance management is the fundamental but a vital tool to ensure effective workforce management. It is valuable- especially for HR leaders, not only for evaluating the performance but also; for strengthening human resource development initiatives. HR leaders can design effective interventions, based on the PMS data; for augmented productivity and profitability in the organization. Though the performance management is a key concern for HR leaders, however; the performance appraisal process is not free from some limitations and leaders must try to eliminate some common errors. This will enable them to get the actual and accurate picture of the personnel. Therefore, it can be concluded that a sound performance management system is an effective mechanism, and if employed with due care in the organization, it ensures the effectiveness of the organization with a highly stable and motivated workforce.

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