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PERFORMANCE MANAGEMENT: A HOLISTIC REQUIREMENT FOR ORGANIZATIONS

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ABSTRACT

The companies these days are on the edge of the cliff due to cut throat competition, technological changes & innovation. Faced with economic uncertainties, risky strategies, competing priorities, limited resources, and managerial complexities, organizations are realising the value of human resource management. The role of HR is changing fast to adopt and adapt to new organizational structure and culture. Today, if an organization is to survive, it needs to adapt and continually seek to reduce costs, increase quality, create new products, and increase performance. Performance management has become a major element of HRM. Through performance management strategies, HR helps in identifying the skills that employees need and then providing employees with the training and structures needed to develop and deploy those competencies. This paper analyses the importance of different strategies of performance management like reward, career, team, culture, measurement, competency and leadership. By implementing all the performance management strategies organizations can face the market competition and can achieve all the heights of success. This paper also analyses the successful implementation of performance management at various organizations in order to have a practical experience. Performance management is the backbone of human resource management for any organization intending to produce a high performance and leverage its human capital.

KEYWORDS

performance management, HRM.

INTRODUCTION

Performance management has assumed a pivotal role in the face of rapid changes such as globalization, liberalization, technological and market changes. During organizational development and change management, performance management has occupied a centre stage. Performance management as a distinct discipline is gaining ground slowly but firmly. All human resource management efforts are directed towards enhancing performance of employees and thereby improving the performance of organizations. Therefore for bringing positive results, performance management efforts in organizations should be distinctly integrated and every sphere of human resource management activity must be integrated vertically and horizontally to deliver significant positive business results. Performance management as a concept and practice has substantive potential to fulfil business demands of an organization by integrating its growth with motivational needs of human resource. The term performance management is commonly used today to describe a range of managerial activities designed to monitor, measure and adjust aspects of individual and organisational performance through management controls of various types. Performance management integrates the management of organisational performance with the management of individual performance. An integrated framework is presented in the paper by aligning seven core performance strategies such as reward, career, team, culture, measurement, competency and leadership.

REVIEW OF LITERATURE

The evolution of the concept of performance management reflects a change of emphasis in organizations, away from command and control towards a facilitation model of leadership. Performance management is a broad term coined by Dr. Aubrey Daniels in the late 1970s to describe a technology for managing both behaviour of employees and results, two critical elements responsible for performance of organizations. Performance management can be regarded as a systematic process by which the overall performance of an organization can be improved by improving the performance of individuals within a team framework. Bititci, Carrie & McDevitt, 1997 define **performance management** as a "process by which the company manages its performance in line with its corporate and functional strategies and objectives".

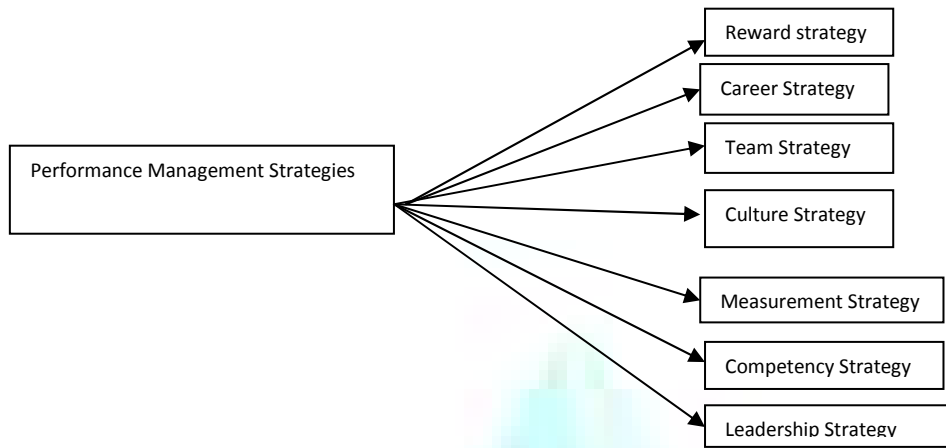
Armstrong and Baron (1998) defined it as a "strategic and integrated approach for increasing the effectiveness of companies by improving the performance of the people. It can be applied by organisations or a single department or section inside an organisation, as well as an individual person. The term performance management gained its popularity in early 1980's when total quality management programs received importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system were considered equally good along with the traditional performance appraisal process. A **performance management system includes the following actions-**

- Developing clear job descriptions and employee performance plans which includes the key result areas (KRA's) 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.

STRATEGIES OF PERFORMANCE MANAGEMENT

Nowadays managers want to know exactly which characteristics make their specific organization successful. Seven core strategies of performance management can be applied within the organization to manage performances of both individual and organizations. These are reward, career, team, culture, measurement, competency and leadership as shown in figure 1.

FIG. 1: STRATEGIES OF PERFORMANCE MANAGEMENT



REWARD STRATEGY

Reward is needed for effective performance of employees. Monetary and nonmonetary rewards are the basic building blocks in the architecture of performance management. Reward's basic function is to fulfil motivational needs of employees. Monetary rewards fulfil basic/physiological needs of employees while nonmonetary rewards fulfil higher order (psychological) needs of employees. Non monetary rewards can be given to employees by giving them more autonomy/freedom and recognition in their job. *Reward is a double edged sword. Once the needs of the employees are fulfilled, they became satisfied and their performance increases which ultimately leads to the high performance and high productivity of the organization.* Ineffective reward management can cause other performance management activities to collapse. A systematically evolved and applied reward strategy not only fulfils basic motivational needs of employees, but also enables employees to operate at higher motivational level. First priority of organizations is that they must reorient their compensation, incentive and recognition schemes to be performance focused. Reward must be used and deployed as a powerful corporate strategy to obtain superior employee and organizational performance. It is one of the best strategy through which performance can be managed.

The main focus of corporate should be on retention of high potential employees. "There will be a strong focus on the overall value proposition to support retention of high potential employees by organizations", said Hindustan Coca-Cola Beverages Vice-President (HR) P V Ramana Murthy at two day National Summit 2011 on Emerging trends in Compensation and Rewards. He also said that **retention of talent is possible only by giving employees monetary and nonmonetary rewards.** Companies are using benefits from "employee empowerment" which serves as a tool to keep employees informed, motivated and focused.

While pay-for-performance is here to stay in corporate India, the concept poses a challenge to HR professionals who have to formulate a policy that will reward performance and boost employee morale in the right manner. The recently held National Summit on 'Recent Trends in Compensation & Rewards: Managing from Design to Delivery', organized by the All India Management Association (AIMA), emphasized that *while retaining talent in companies is a major challenge for HR professionals, one must not go overboard with rewards and incentives.*

Various organizations are adopting reward strategy as a tool of performance management. Reckitt Benckiser, India is one such company which sends its employees to foreign trip every year as a reward for showing high performance. This motivates employees for further high performances.

In today's fast changing business environment, the way companies communicate with their employees also determines their success or failure. At PepsiCo global boss, Indra Nooyi writes to 150,000 employees and regularly asks for their suggestions and feedback. Those who give good suggestions get rewards. At RPG Life Sciences "Eureka" is a centralized e-mail system for employees to suggest ideas and business strategies. Every employee who comes up with an idea which is implementable and successful gets 10% of the profit.

Lead by INFOSYS (an attrition of almost 17 employees a day), IT companies are most at risk, actually the entire Service Industry falls into the danger zone. As a result, there is a need for good and effective Reward & Recognition programmes. Some organizations have kicked off R&R programmes, managed by an in-house team from the HR department. However, some companies have realized the importance of taking a more professional approach.

CAREER STRATEGY

Career is a sequence of jobs occupied by a person in his/her professional life in the similar organizations. Career management can be done by career planning and development, which is a good source of enhancing the performance of employees. Career management helps employees to fulfil their career aspirations and to match their skills, interests and values with that of the organization. Career as a strategy of performance management works on two principles, first is that careers must be managed to motivate employees to optimize their potential and to have peak performances. Secondly organizations must deploy career management as a sharp strategy to attain organizational growth and innovation by vertically and horizontally aligning the progress of employees with the organization.

In Unilever, people are the most important asset. Human Resource members support and develop employees by showing them a career path which helps in delivering outstanding business performance. Unilever empowers employees to contribute to the business objectives and for their own personal development & career growth.

CASE STUDY: CAREER DEVELOPMENT AT CORNING GLASS WORKS

Corning Glass Works is a fortune 500 company reputed for its glass and ceramic ware, and a leader in telecommunication, health and consumer products. It has successfully employed a career development system to develop a productive and effective workforce. *Career development system at Corning focused on bringing employees' attention on the current job and how he/she could progress in the company.* Before the introduction of the career development system the workforce at Corning was demoralized due to lack of participation in appraisal, insufficient attention to appraisal interviews, lack of career information, lack of awareness about internal placement processes. The career development system was aimed at providing employees with information, skills and tools to help them to take charge of their own career development. Interactive computer software, video booklets and personal counselling sessions were used as part of the system to help employees analyze their actions, goals and alternatives and assess themselves. Managers conducted career discussions with their employees to help them to do their own career planning. The efforts made by Corning paid dividends and the workforce became more productive, effective and efficient.

Source: Zandy, B. Leibowitz et al. April 1990. Career Development Works Overtime at Corning Inc., Personnel, 38-45

In today's competitive world, attraction and retention of talent continues to be the most important challenge for HR. Employees' are rather committed to career than committed to organization and therefore managing and retention of talent has become more challenging.

Organizations today are beginning to realize that executives can benefit in their career growth greatly from educative programmes and hence, are bringing back the conventional wisdom of teaching combined with modern-day training methods.

"Organizations are looking at executive education as an important tool for the development of its employees". Further, executive education particularly from some of the esteemed colleges internationally, serves as a very strong motivation and engagement opportunity. Again, at senior levels, employees look at executive education as a way of networking and gaining exposure to some of the best practices in the function," says Chaitali Mukherjee, country manager, Right Management.

For career development Amul Cooperative Ltd. (GCMMF) send its managers to other countries for learning and developing skills. For example, Amul company sends its managers to attend an executive development programme on "Kaizen" (Continuous Improvement) to Japan in the year 2007. Such career development programmes are a great source of learning and development as well as a source of motivation to other employees of the organization.

TEAM STRATEGY

Teams and teamwork are not new to organizations. Teamwork is an activity in which tasks are interdependent and performed by individuals in a collaborative manner with different skills to achieve a common goal with performance excellence. Participative management, workers cooperation in management, quality circles, small group activity and so on are some of the examples of team work in organizations. With the competitive, challenging and changing environment teamwork has acquired a special place in organizations as most of the work inside organizations has become more interdependent. There is a growing necessity to introduce flexibility, delegation, consensus, two way communication, flat structures, empowerment, continuous improvement and more importantly constantly changing work patterns have increased the role of teams in organizations. However, for achieving success organizations must have teams with clear vision, purpose, commitment and alignment with organizational goals. Teamwork and teams can be a natural source of improving performance.

To elicit, Tata Consultancy Services (TCS) is 1,40,000 strength organization with diverse workforce which represents the global character of the company. Over 8% of its employees originate from 75 nationalities. Managing diversity and team management is a key challenge. The company has adopted several diversity management and team management initiatives in the last few years. Foreign languages like French, German & Spanish are part of its curriculum.

CULTURE STRATEGY

Culture is the most powerful and intangible ingredient of performance management. Many organizational studies, including Peter and Waterman's "In Search Of Excellence" and William Ouchi's Z Theory, have sufficiently pointed out that culture is the key factor in making an organization competitive, world class and innovative. Organizational Culture is shared values, morals, traditions and ideologies of people inside organization. Shared values are commonly held beliefs, mindsets, and assumptions that shape how an organization behaves. Culture of the organization influences decision making, communication, interpersonal relationships, work environment, trust and openness, and the way organization behaves and interacts within and outside. This implies that culture is the strongest determinant of organizational performance. Strong and positive culture creates positive work environment in which every employee feels comfortable to work. A positive and strong organizational culture helps employees to explore their potential into tangible performances through reinforcing the strengths and relieving their weaknesses.

To elicit, a familiar hospitality industry, Pizza Hut is an example for flatter organization. The emphasis is on competency, where people are considered as important resources. It has reinvented into a flatter organization, and has an outward focus through project teams and encouraged by support services. Pizza Hut has practiced a culture of teaming, which spreads from the top of the organization.

Hindustan Lever Limited (HLL), known for acquisition of companies has significantly contributed on two key areas- growth and people. The company connects its customers across the country, exactly what they look for. Technology and restructuring (right sizing) are the levers in facing competition which has resulted in simpler and flatter organization with few hierarchy levels and greater empowerment eliminating complexity and enabling quicker decision making. Today the company is far more youthful in attitude and spirit which is an example of openness and transparency.

MEASUREMENT STRATEGY

Performance *measurement* is an essential part of the performance management. By measuring, people transform complex reality into simplified numerical concepts that can be easily communicated and acted upon (Lebas, 1995). According to Lebas, the simplification of reality by measuring is the prerequisite of successful management. Similarly, Bititci et al., 1997 argue that performance measurement is at the heart of the performance management process and it is of critical importance to the effective and efficient functioning of performance management.). Although "performance" may appear to be an easy concept, a unique definition in the literature does not exist. Moreover, academics often use special definitions tailored to fit the individual research purposes (Langfield-Smith, 1997).

Bourne, M., Neely, A., Mills, J. and Platts, K. (2003) worked on the topic "Why some performance measurement initiatives fail". The paper suggested areas of improvement in the performance measurement methodologies and their application, together with suggestions of fruitful topics for future research.

Several ways to categorize performance have been presented in the literature (see literature review by Kihn, 2010). One way is to distinguish the outcomes of organizational activities and the means by which these outcomes are reached (Govindarajan & Fisher, 1990). The former is often called "performance" while the latter is commonly referred to as "effectiveness" (Ukko, 2009). Interestingly enough, this distinction appeared only after 1978 (Henri, 2004). Before that time both definitions were used interchangeably.

There is a great myth surrounding human resource management that its contribution to business and effectiveness cannot be measured. A gap is observed between line managers and human resource managers/ performance managers. Line manager's talk in terms of profits, sales, turnovers, customers, costs etc. but performance managers talk in terms of feelings, emotions and employee job satisfaction. *Unless an activity is measurable, it is not manageable.* Measurement based performance management proves that human element can be measured with accuracy and objectivity. Most of the methods, techniques and tools employed in human resource performance measurement are Social Research Methodology, Psychometrics, Generic Statistical Tools, Balance Score Card, SMART and Performance Management Questionnaire. For performance management these tools and techniques can be applied to measure the performance of employees. Balance Score Card (BSC) is one of the most commonly used measurement strategy. Robert Kaplan and David Norton has developed balance score card method of measurement. The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. In its simplest form the Balanced Scorecard breaks performance monitoring into four interconnected perspectives: Financial, Customer, Internal Processes and Learning & Growth.

Reckitt Benckiser the world's no. one manufacturer of household cleaning products like Lysol, Dettol, Airwick etc., manages its business performance and share holders value by using an analytical tool for tracking key indicators more effectively and identifying, analyzing and addressing critical issues faster and more efficiently. To get quality information Reckitt Benckiser started to implement balance score cards for measuring and managing key performance indicators and various company processes at various levels of control and activity and across a variety of markets, culture and geography.

Some of the companies which have applied BSC approach for performance measurement are Godrej, HLL, LG, Samsung, Reliance, TATA etc.

COMPETENCY STRATEGY

Utilization of all the physical resources technology/machines, money, material, distribution and marketing network, exploitation of emerging and existing markets, , opportunities of business environment depends upon the reservoir of human competency an organization builds. Knowledge, skills and attitude are three important factors for identifying competency in a person. Different individuals require different competency for different jobs and it also differs from industry to industry.

Competency based performance management is a strong weapon in the hands of the organization in achieving its goals. Competency based performance management strategy helps in identifying and building the most relevant competencies to facilitate employee and organizational performance. Competency management focuses on identifying knowledge *and* skills in order to perform a role, manage a function and lead an organization. After identifying knowledge and skills to perform a job, competency management helps in setting benchmarks which helps in achieving the desired results.

PERFORMANCE MANAGEMENT STRATEGY AT SONA KOYO STEERING SYSTEMS LTD.

Sona Koyo Steering Systems Ltd., the flagship company of the Sona Group is the largest manufacturer of steering systems for passenger cars and utility vehicle market in India with a market share of 45% company adopted various performance management strategies like-

Competency mapping- competency identification and assessment of current and estimated skill levels desired to fulfil the goals and alignment of these goals across functions. This ensures the right person at right place, clarity of goals, and more customer focus.

Career planning- Career succession and talent management is ensured with appropriate reward and retention policies, and it builds Sona Koyo as 'Employer of Choice' by way of involved, aggravated and enthusiastic workforce.

Source: Hari Nair, August 2006, Business Manager.

LEADERSHIP STRATEGY

Leadership is the most vital and influential strategy among the seven strategies of performance management because it is the leader who helps in the conceptualization, facilitation, execution and evaluation of the other six performance management strategies such as reward, career, competency, culture, measurement and team. A good leader can make performance management work at least for certain time in the absence of one or more strategies of performance management. In the context of performance management, leadership is defined as a process that maximizes the performance of employees and organizations in all types of business environments and situations by sharply aligning objectives of performance management strategies with business strategies, nurturing leadership at all levels of organization, developing, integrating, executing and evaluating six performance management strategies to deliver the best of the human and organizational results. Competence of leaders depends upon his ability to conceptualize, communicate and lead people towards a direction which they believe perfect.

Fundamentally, a leader is someone who leads, who influences others and inspires them.

There is the shining example of Azim Hashim Premiji who turned the small time oil mill – Western India Vegetable Products Ltd into a software powerhouse by dreaming big and translating his ideas into concrete actions plans – all within a short span of 35 years. When every pharmaceutical company worth the name was focusing attention on formulations, generics and bulk drugs, Dr Anji Reddy visualized the threats in the post patent regime after 2005 early concentrated on original research and is celebrating now as the new molecules in the R&D pipeline of Dr Reddy's labs are being rewarded in world markets.

Infosys believes that leadership plays a very important role in organizational success. Leadership is provided by its chairman N R Narayanmurthy. Leadership is based on high business vision and predominantly supportive styles. There is emphasis on developing leadership qualities among employees. For this purpose, it has established "Infosys Leadership Institute". Top management emphasizes on open door policy, continuous sharing of information, takes inputs from employees in decision making and builds personal rapport with employees. From last few years, we have seen smooth transition from N R Narayanmurthy to Nandan Nielkani and from Nandan Nielkani to Kris Gopal Krishnan without any adverse effect on the company outlook and each one has proved to be an able leader taking company forward.

CONCLUSIONS AND SUGGESTIONS

With the globalization of the world economy, the market place has become highly complex, turbulent and competitive. People are at the heart of business success. They are the most important asset of any organisation. Your technologies, products and structures can be copied by competitors. No one, however, can match your highly charged and motivated people.

Performance management can be used by the organizations as a tool of success. By adopting a good performance management system organizations can have competitive employees with increased performance and productivity thereby increasing the productivity of organizations. Human resource management can make the best use of all the performance management strategies like reward, career, team, culture, measurement, competency and leadership in achieving organizational excellence. A holistic approach must be followed by the organizations while implementing performance management strategies as all of them are important so each end every strategy must be implemented without neglecting a single one.

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