

Performance Management System: A Strategic Tool for HRM

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ABSTRACT

Performance management system is very important for any organization as with this effective performance of employees can be measured which leads the organization to achieve its ultimate goal and also helps to identify best performer who can be suitable for leading organization to success in future also. The purpose of this research is to understand the concept of Performance Management System and find the appraisal method used in Performance Management System by different industries along with the new trend and policies adopted these days according to market trends. Effectiveness of PM System and the use of Traditional Bell Curve in PM System as managers as well as employees both have the conflicting views that is ranking employees on curve is measuring their actual performance or it really forced ranking system.

Key words: Performance Management, PMS Concepts, Assessment, Bell Curve assessment.

INTRODUCTION

Performance Management system is the need in current market where industry is having cut throat competition and this has forced the organization to review and revise their old strategies and develop new and unique ways and means to enhance employee's performance for which Performance Management is the solution. Human Resource is being neglected in the traditional scenario but has gain importance due to performance management system because of its infinite potential of improving and managing performance. The process starts with joining of new incumbent and ends when an employee quits an organization, Performance Management is a systematic process through which overall performance of organization can be improved by improving individuals performance. It encompasses objective of mainly performance planning and development planning which includes Goal Setting, Reviewing Performance, Rewarding Performance and Development Planning. It encourages positive performance and behavior of

employees, this is the tool to develop employee which helps to satisfy employee curiosity to help them know how well they are performing and is base for organization to provide pay raise, promotion and legal disciplinary action. PMS helps to hire, retain and place right talent in right place within organization and compete within this competitive market. In order to create effective performance management system, it is required that each employee should be fully aware of his role in the organization. By understanding what output is expected out of them and what fundamental role they play in achieving vision, mission and strategy, the employee contribution can be maximized. Continuously improved performance has become a major challenge for every organization.

Definition:

Alford and Beatty- "A performance appraisal is the evaluation or appraisal of relative worth to the company of man's services on his job

Wayne Cascio- "Performance appraisal is the systematic description of an employee's job relevant strengths and weaknesses' ". Performance Appraisal process is incomplete without the feedback given to the employee about his appraisal and his performance. But the way of giving as well as receiving the feedback differs from person to person and their way of handling and the outlook towards the issue.

Stakeholders in Performance Management System



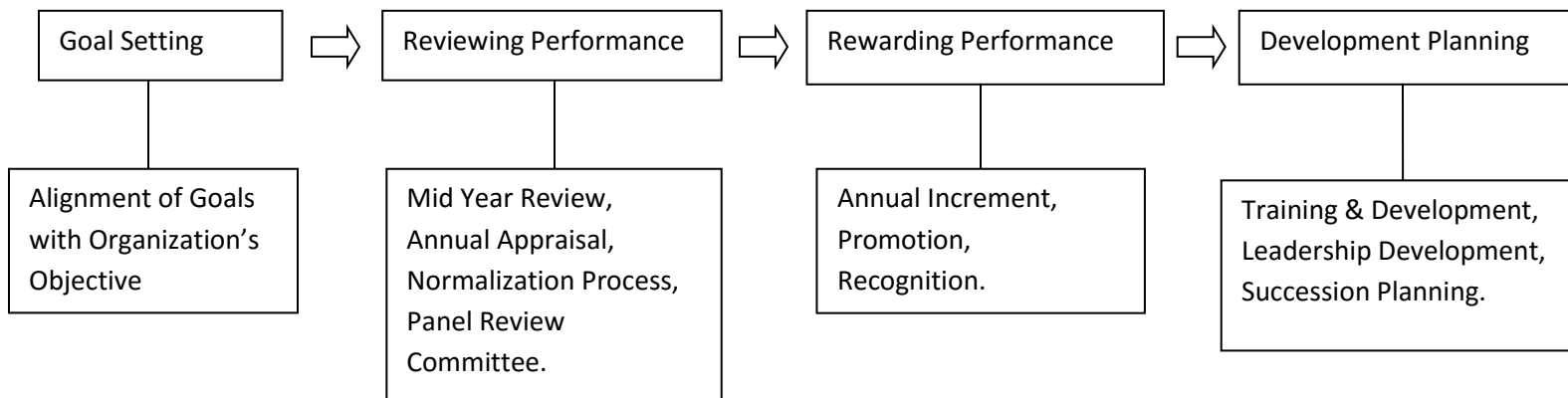
Component of Performance Management System adopted by industries in current time:

- **Performance Planning:** This is the first component of PMS which forms the basis of performance appraisal which include alignment of goal with organization's objective. This is done at the start of performance session and is mutually done by Reporting Officer and employee on the goals and Key Performance Area which need to be performed and achieved during the year.
- **Reviewing Performance:** The performance reviewing is done twice a year in the form of mid-year review and annual review at the end of year. In this process first self assessment

is done by employee himself on the basis of goals and KRA's achieved by him after that assessment is done by Reporting Manager and Reviewing Manager on the basis of goals and competencies of employee and rating is given which further goes under normalization (Committee Review in some case) and final score is given.

- **Rewarding Performance:** This step is most vital step as rewarding right employee in right way is very important to motivate employees for work done. Public recognition is given for good performance, so Increment, Promotion and Recognition is important aspect of rewarding performance.
- **Development Planning:** This is the last stage in Performance Management System where planning for required development after assessing the employees is done on the basis of area or department in which they are lacking which is done by Training & Development, Leadership Development, Succession Planning. As the main motive of PMS is to assess for improvement and better performance of employees through which efficiently & effectively organizational goal can be achieved.

Performance Management Process



Findings and related suggestions of the Performance Management System:

According to my study on performance management system I found few gaps in the current PMS of organizations which is leading Dis-satisfaction in employee converting into conflict among employees and managers, lowering morale, losing interest in work to achieve individual goal and with this organizational goal is being affected on overall, so to overcome these issues in organization some of the area in PM System should be modified as:

- Assessment should not be yearly or mid-yearly as with yearly assessment employees are not aware of their performance and work with same lacking or problem for the whole year which is inefficient but in place of yearly assessment monthly or quarterly assessment is done (Depending on the size of organization) this will give better result at the end of year as with frequent assessment employee will be able to improve and work more efficiently toward individual as well as organizational goal.
- Lack of strong feedback system in PMS, assessing performance should not be only from management side but employees should be given proper chance to give feedback, feedback should be two way and frequent feedback which is lacking in organizations leading to issues on poor communication between employee and management.
- Employees are being assessed on relative basis but according to me every individual is different and should be assessed on absolute basis related to growth in their individual performance, this will lead to healthy competition among employees within organization and will also work as self motivator for them.
- Instead of performance related pay base pay should be decided on the basis of market rate & responsibility and bonus on the basis of team's or company's performance.
- Lack of Digitalization in the PMS – Investment in technology should be done to make the system user friendly so as to know KPI easily, meetings information, training calendar, anytime feedback submission which will also motivate employee and increase employee engagement for their role and performance.
- Recognition is one of the very important aspects of performance appraisal and according to changing time social media is the sixth finger of the youth best everyone loves social recognition so why not companies tag their employee for their good work from their age this will make employee's day and act as morale booster.
- Traditional Bell Curve used for normalization after final scoring is one of the major reasons of dis-satisfaction and demotivating employees. Earlier bell curve was excellently carried out enforcing accountability on employee to do better and better, but as time changes process also need to be modified.

BELL CURVE:

Bell Curve is also known as forced ranking system according to employees views and surveys this ranking system is forcefully imposed on employees through this system the organization tries to segregate the best, mediocre and worst performer and nurture the best and discard the worst. Under this system even employee having same score can be ranked differently due to normalization. Bell curve method assumes that the employee in a company can be divided into group such as:

- High Performer – Top 20%

- Average Performer – The middle 70%
- Non Performer/ Below average – The bottom 10%

Advantages:

- It helps to identify best performer through which they can be rewarded so that they feel motivated to work harder for the success of company, this not only help to retain employee but also helps for succession planning.
- Bell curve is the method which manages lenient and strict rating. Lenient scores means large number of employees will lie in top performer which motivates them and if strict rating is followed number of people lies in low which lower down the morale of employee, thus the balanced management by manager is advantageous for organization.
- It helps to better identify employees for best suitable job according to their capability in which they can perform better.

Disadvantages:

- Bell Curve system of appraisal is too rigid as some times managers just need to put employee in gradient of curve just for the sake of requirement and normalization, which results in doubt in the mind of employee lowering their morale, disengagement in work, losing interest in job which on overall result in higher attrition affecting organization.

Due to not finding this system satisfactory from both management as well as employee side many of the companies are ditching this forced ranking system of bell curve and adopting new ways to enhance the process as today's goal not lie from top to bottom, but emerge through collaboration and results dynamic interplay in levels and various art of organization.

Some of the companies ditching Bell Curve:

- Accenture: The Company moved from Bell Curve to real time feedback for their employees.
- Microsoft: Adopted continuous feedback, 4 connects are organized between appraiser and appraise.
- IBM: Adopted new system called check point, subject to 4 reviews in a year.
- Infosys: Adopted I- Count which seek to reward individual performer on the basis of specific target.
- TATA: Adopted continuous feedback system and invested in digital & collaborative tools to make system easier.

Should Bell Curve Really Ditched?

Bell curve is not universal rather than ditching it should be modified as change is the only thing which remains constant in the world this is even more for today where technology is affecting our life everyday, whether its personal or professional. So with the changing time here are few things to be kept in mind:

- Throwing out Baseline and Normal Curve out of the window: When the system changes so do the method to test the system. As earlier people were rewarded for their punctuality to reach work place on time to ensure their productivity but now a days situation allows people to work from home so here no longer punctuality exists so need of the time is setting new benchmark as every employee brings different set of skills to the table and it become necessary to evaluate each person differently on the based on their skill sets, for this different HR software helps loads, which automates several manual process and allows customization of performance review.
- Replace traditional appraisal with creative accomplishments and goals: Under the traditional method goals and competency are reviewed and ranked once a year but with new method it should reviewed at the time only and give feedback for improvement and you don't have to wait for review period.

Bell Curve is said as forced ranking system but if we mark the fact then the employees who are ranked within organization under bell curve are ranked department wise who all are working with same facility in same environment, target and pressure but still if some is in below ranking means there is some lacking so proper feedback plays main role here as employees should be communicated clearly about their lacking and not after waiting for the whole year they should be communicated their improvement year monthly or quarterly at least this will increase their productivity as well s increase competitiveness among employees to do better and automatically result in employee engagement and on individual basis efficiency of employee will increase with organizational goal achievement.

Conclusion:

With the overall study it can be said that Performance Management System is the vital key in Human Resource management in other words it is the driver which helps to achieve business result. An efficient PMS can boost the system to maximize employee performance and encourage organizational climate of trust, collaboration, communication, team work etc. It is important for an organization to have such system which not only identify to high performer but also help employees and organization to achieve sustainable growth and from all this we can concluded that with the passage of time modification and adaption of new technological tools is required to make the system more strong and smooth functioning which results in more efficient and conflict free environment within organization that it can connect the employee's performance expectation to that of the organisational goal.

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