



## **PERFORMANCE MANAGEMENT: THE INDUSTRIAL PERSPECTIVE**

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### **Introduction:**

#### **Methods of Performance Appraisal**

There are a number of methods that are used to evaluate employee's performance. It may be evaluated on the basis of his traits and attributes as well as on the basis of his work or results and objectives achieved by him. Thus his performance may be measured in terms of standards of his traits and general behavior on the job or in terms of results and goals. Some of the common techniques are given below. Each method has its merits and demerits but one thing is clear that the technique employed has to evaluate mainly his job related performance. The appraisal methods can be classified as follows:

- (a) Individual appraisal, group appraisal and other methods
- (b) Traditional and modern methods.

#### **Different Techniques of Performance Appraisal**

There are two types of measures used in performance appraisal: Objective measures which are directly quantifiable and Subjective measures which are not directly quantifiable.

Performance Appraisal can be broadly classified into two categories: Traditional Methods and Modern Methods. Traditional Methods are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It may include knowledge, initiative, loyalty, leadership and judgment.

**Ranking Method** - According to Dessler et al. (2011), ranking method is ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all ranked

**Rating scale** - This is the oldest and most popular method of evaluating individual's performance. In this technique the appraiser judges the employee's performance along a scale from low to high. The appraiser rates employee's work and traits such as output, dependability, loyalty, initiative, cooperation, attendance and the like as poor, average, good, very good, excellent etc. Rating is the subjective opinion of the appraiser about the individual

work or particular trait. This is noted on the appraisal form against each criterion or trait. The ratings may be assigned numerical values or scores, so that an average can be calculated and a comparison be made.

**Graphic Rating Scales** - In 1922, Paterson working with the employees of the Scott Company developed a graphic scale to provide the reliability, consistency over time, usefulness and practicality. Bradshaw in 1931 discussed improvements to the graphic rating scale that included “behaviorism” to anchor the scales and help better illustrate the trait (Bracken and Timmreck, 2001)

According to Dessler et al. (2011), Graphic Rating Scale is a scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait

**Checklist method:** The appraisal form in this technique is a checklist of statements or words which describes employee's performance or behavior. The rater reads the same and rates the employee against that statement. It is in the form of yes-no response. The rater marks yes if he is in agreement with the statement or description. Marks no if employee does not agree with the statement. Finally the total of yes and no are taken into account. Sometimes, personnel department may assign weights to each item or statement of the checklist according to its importance for evaluating performance. This is known as weighted checklist rating method. Weighting helps in quantifying rating.

**Forced choice method** - In this case the appraisal form contains different sentences, each of them contains a pair of positive or negative statement relating to various classes of characteristics, such as learning ability, co-operation, leadership, dependability, loyalty, attendance, work performance etc. In each item, the appraiser or rater has to choose that statement out of the two, which fits the employee most. For example, if both the statements in an item benefit the employee performance, the rater has to discard any one. Hence this technique is known as forced choice method. For instance, take the item - 'has sound job knowledge.... works hard.' If both statements benefit an employee, in this method, the rater has to choose only one of the two. The other is overlooked. The appraisal may be faulty on this account.

**Critical Incident Method** - The technique was formally codified by the works of Fitts and Jones in 1947 for classifying pilot error experiences in reading and interpreting aircraft instruments.

The work of John Flanagan in 1954 became the landmark critical incident technique. Flanagan (1954) defined the critical incident technique as a set of procedures designed to

describe human behavior by collecting description of events having special significance and meeting systematically defined criteria. Flanagan originally used trained observers to collect critical incident identification. Identification of the critical incidents during task performance can be a individual process or a mutual process between user and evaluator (Castilo,1997)

According to Dessler et. al.(2011),Critical Incident method is keeping a record of uncommonly good or undesirable examples of an employee's work related behavior and reviewing it with the employee at predetermined times.

In this technique, the rater records an extreme or extraordinary behavior displayed by the employee when he works on the job. This will assist him to appraise his performance. The incidents that take place may indicate positive or good behavior of the employee or his negative or bad behavior. The incidents are noted in a critical incident sheet. These are taken into account while evaluating employees' performance in critical situations.

**Field review method** - In this method a specialist of the personnel department goes into the field and helps the supervisor in rating the employee. The work of the employees is observed actually in the field. The observer sees the nature of job, environment in which the job is performed, the climatic conditions, difficulties faced, working conditions, methods used for working, facilities available to the workers, risks involved in the jobs. The specialist prepares an evaluation based on the observation and information provided by the immediate supervisor about the performance of the employee. It is forwarded to the supervisor for review, modification or for discussion with the employee. The only difference is that a skilled specialist fills up the appraisal form.

**Narrative Essays** - Evaluator writes an explanation about employees strength and weakness points, previous performance, positional and suggestion for his (her) improvement at the end of evaluation time. This technique mainly attempt to focus on behavior (Jafari et al 2009)

**Performance test and observation method** - The purpose is to test the knowledge and skills of an employee. He is evaluated either by giving him a paper-pencil test or he is required to demonstrate his skill in a practical situation. For example, a baker may be asked to prepare a cake or a mechanical engineer may be required to locate a fault in a defective machine. It depends upon the type of the job.

**Annual confidential reports (ACR):** These reports relate to the performance of employees and they are kept quite confidential. They are prepared by superiors on the basis of their judgments, observations and intuitions. The subordinate is not permitted to see his report on performance. The whole process is conducted without disclosing any information out of it to any concerned person. The employee does not get any feedback about his performance,

shortfalls and strengths. They are kept in dark. The scope for self development is very less in this. Generally it is being used in government organization.

### **Modern Methods**

Modern Methods were devised to improve the traditional methods. It attempted to improve the shortcomings of the old methods such as biasness, subjectivity, etc.

### **Management by Objectives**

In 1954, Peter F. Drucker introduced “Management By Objective” in his book “The Practice of Management”. It comprises of three building blocks: object formulation, execution process and performance feedback [17].

In 2000, Wehrich suggested a new model: the system approach to MBO (SAMBO). SAMBO comprises seven elements: strategic planning and hierarchy of objects, setting objectives, planning for action, implementation of MBO, control and appraisal, subsystems, and organizational and management development (Wehrich 2000).

### **Behaviorally Anchored Rating Scale (BARS)**

BARS were introduced by Smith and Kendall in 1963 with the attention of researchers concerned with the issue of reliability and validity of performance ratings. Behavioral anchor scales are more informative than simple numbers. Behaviorally anchored performance dimensions can be operationally and conceptually distinguished from one another (Landy & Barness, 1978)

Rater will act as observer not the judge. BARS help rater focus on specific desirable and undesirable incidents of work behavior which can serve as examples in discussing a rating. BARS use behavioral statements or concrete examples to illustrate multiple levels of performance for each element of performance (Elverfeldt, 2005)

### **Humans Resource Accounting**

The concept of human resource accounting was first developed by Sir William Petty in 1691. But research into true human resource accounting began in the 1960 by Rensis Likert. Prof. Flamholtz defines human resource accounting for people as an organizational resource. The main theory underlying the HRA is: The people are valuable resources of an organization or enterprise, information on investment and value of human resource is useful for decision making in the organization (Sharma & Shukla 2010)

In 1965, both Cronbach & Glaser and Naylor & Shine developed models for estimating the financial utility of personnel selection and used the concept of „utility analysis.

In 1966, Grojer and Johnson embrace both HRA and UA, suggest the concept of human resource costing and accounting (HRCA) (Johanson & Grojer, 1966)

## **Assessment Centers**

The assessment center method, in its modern form, came into existence as a result of AT & T Management Progress Study by Bray, Campbell & Grant in 1974. Common job simulations used in assessment centers are in basket exercises, group discussions, simulations of interviews with “subordinates” or “clients”, fact finding exercises, analysis/decision making problems, oral presentation exercises, written communication exercises (Byham 1986)

### **360 Degree**

It is a popular performance appraisal technique that involves evaluation input from multiple levels within the firm as well as external sources. 360 Degree feedback relies on the input of an employee’s superior, colleagues, subordinates, sometimes customers, suppliers and/or spouses (Jafari 2009)

It provides people with information about the effect of their action on others in the workplace. It provides a notion of behavioral change might be elicited through a process of enhanced self-awareness (Elverfeldt, 2005)

### **720 Degree**

Rick Galbreath became dissatisfied with 360 degree reviews. Galbreath started using the 720 degree and defined it as a more intense, personalized and above all greater review of the upper level managers that brings in the perspective of their customers or investors, as well as subordinates. 720 degree review focuses on what matter most, which is the customer or investor perception of their work (Sapra, 2012). 720 degree approach gives people a very different view of themselves as leaders and growing individuals.

### **Other Techniques**

There are many other techniques such as 90 degree, 180 degree, 270 degree, balanced score card, mixed standard scale, human resource costing and accounting, paired comparison, forced distribution method, behavioral observation scale, mixed standard scale, electronic performance monitoring, confidential reports etc. are also used for performance appraisal

### **Group Appraisal Methods**

There are a number of methods that are used to appraise the performance of groups of employees. Generally, these methods are used to rank various employees in a group or groups in accordance of their merits and hence they are, useful for deciding merit, promotion, pay increments, rewards etc.

### **Factors and points method**

In this method the factors affecting the performance of employees are identified. The factors may be performance standard achieved, behavior, competencies, leadership quality,

initiatives to solve the problems. There may be other less important factors that may or may not be considered. Every factor is given points or marks as per their relative importance. Finally the total of all factors is taken.

**Steps used in implementation of performance management system:**

**Prepare**—Appraiser must prepare all materials, notes, agreed tasks and records of performance, achievements, incidents, reports etc - anything pertaining to performance and achievement - obviously include the previous performance management documents and a current job description. A good appraisal form will provide a good natural order for proceedings, so use one. If the organization doesn't have a standard appraisal form then locate one, or use the template below to create one, or download and/or adapt the appraisal forms from this page. Whatever HR manager use, ensure HR manager have the necessary approval from HR manager organization, and understand how it works. Organize the paperwork to reflect the order of the appraisal and write down the sequence of items to be covered. If the appraisal form includes a self assessment section and/or feedback section (good ones do) ensure this is passed to the appraisee suitably in advance of the appraisal with relevant guidance for completion. A sample performance management template is available free below, which HR manager can adapt and use to create HR manager own form. Part of the preparation should also consider 'whole-person' development - beyond and outside of the job skill-set - as might inspire and appeal to the appraisees. Many people are not particularly interested in job skills training, but will be very interested, stimulated and motivated by other learning and development experiences. Get to know what HR manager people are good at outside of their work. People's natural talents and passions often contain significant overlaps with the attributes, behaviors and maturity that are required and valued in the workplace. Use the imagination in identifying these opportunities to encourage 'whole-person' development and HR manager will find appraisals can become very positive and enjoyable activities. Appraisals are not just about job performance and job skills training. Appraisals should focus on helping the 'whole person' to grow and attain fulfillment.

**Inform**- inform the appraisee - ensure the appraisee is informed of a suitable time and place (change it if necessary), and clarify purpose and type of appraisal - give the appraisee the chance to assemble data and relevant performance and achievement records and materials. If the appraisal form does not imply a natural order for the discussion then provide an agenda of items to be covered.

**Venue**- ensure a suitable venue is planned and available - private and free from interruptions - observe the same rules as with recruitment interviewing - avoid hotel lobbies, public

lounges, canteens - privacy is absolutely essential (it follows also that planes, trains and automobiles are entirely unsuitable venues for performance management.

**HR manager** - HR manager and seating are important elements to prepare also - don't simply accept whatever HR manager happens to exist in a borrowed or hired room – HR manager has a huge influence on atmosphere and mood - irrespective of content, the atmosphere and mood must be relaxed and informal - remove barriers - don't sit in the boss's chair with the other person positioned humbly on the other side of the desk; HR manager must create a relaxed situation, preferably at a meeting table or in easy chairs - sit at an angle to each other, 90 degrees ideally - avoid face to face, it's confrontational.

**Review and measure** - review the activities, tasks, objectives and achievements one by one, keeping to distinct separate items one by one - avoid going off on tangents or vague unspecific views. If HR manager done HR manager preparation correctly HR manager will have an order to follow. If something off-subject comes up then note it down and say HR manager return to it later (and ensure HR manager do). Concentrate on hard facts and figures, solid evidence - avoid conjecture, anecdotal or non-specific opinions, especially about the appraisal. Being objective is one of the greatest challenges for the appraiser - as with interviewing, resist judging the appraise in the own image, according to HR manager own style and approach - facts and figures are the acid test and provide a good neutral basis for the discussion, free of bias and personal views. For each item agree a measure of competence or achievement as relevant, and according to whatever measure or scoring system is built into the appraisal system. This might be simply a yes or no, or it might be a percentage or a mark out of ten, or an A, B, C. Reliable review and measurement requires reliable data - if HR manager don't have the reliable data HR manager can't review and HR manager might as well re-arrange the appraisal meeting. If a point of dispute arises, HR manager must get the facts straightened out before making an important decision or judgment, and if necessary defer to a later date.

**Agree an action plan** - An overall plan should be agreed with the appraise, which should take account of the job responsibilities, the appraiser's career aspirations, the departmental and whole organization's priorities, and the reviewed strengths and weaknesses. The plan can be staged if necessary with short, medium and long term aspects, but importantly it must be agreed and realistic.

**Agree specific objectives** - These are the specific actions and targets that together form the action plan. As with any delegated task or agreed objective these must adhere to the smarter rules - specific, measurable, agreed, realistic, time-bound, enjoyable, recorded. If not, don't

bother. The objectives can be anything that will benefit the individual, and that the person is happy to commit to. When helping people to develop.

**Primary data:**

The primary data for this purpose was collected on the basis of field survey. Two questionnaires were prepared for this purpose, and filled by respondents. Free and frank discussions with selected respondents, relevant literatures of Company / Organization and Observation method also has been included. One questionnaire was specifically prepared for the Executive from personnel / HR, responsible for carrying out the Performance Management System in Company / Organization for expressing his/her opinion regarding Performance Management System.

**Measures:**

Two separate questionnaires were developed one for H R managers and for Department managers to measure the factors found to influence the effectiveness of performance appraisal.

The questionnaire for H R managers consisted of information regarding H R practices related to Performance Management.

The questionnaire for managers consisted of questions pertaining to perception of H R practices related to performance appraisal system, their and acceptance of PMS, perception of organizational climate and commitment to the organization.

Three scales were used in the study. Perception of Performance Management System was assessed by a scale developed by Freinn- von Elverfeldt, A.C, von (2005) consisting of 11 dimensions-instrument validity, distributive justice, procedural justice, goal-setting, performance feedback, performance based pay, employee participation ,360-degree appraisal, ,Rating techniques, Rating accuracy and training. In order to validate the scale it was distributed to HR managers and academicians in the field. Based on the response it was found to be usable in the Indian context.

Organizational climate was assessed by a scale developed by Shalindra Singh (1988) consisting of seven dimensions.

organizational commitment was assessed by MowdayR.T, SteersR.M, Porter L.W (1979).consisting of 15 questions.

Organizational climate and commitment scales are widely used in the Indian context.

All the scales were assessed on a five-point Likert-scale ranging from one to five, with one being “I absolutely disagree”, three being a neutral score and five being “I absolutely agree”.

**Secondary data:**



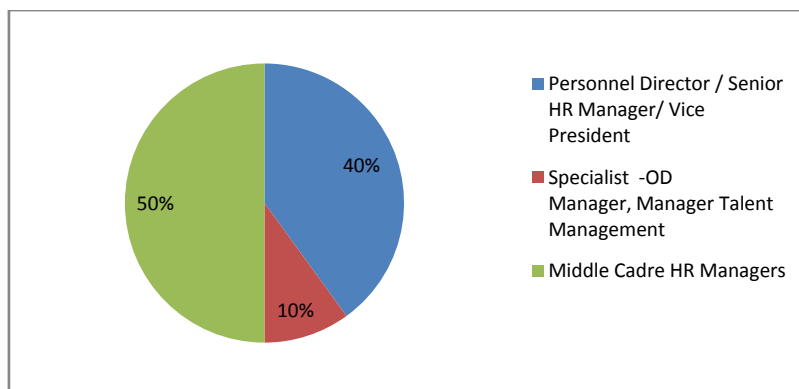
In order to conduct the research, the relevant and concerned book, reports, literatures from internet and various libraries were referred. Further, important contributions in the subject matter, from various journals, magazines, periodicals, reports, bulletins, survey material, newspapers published in India & abroad also used were widely used for study. The same is acknowledged at various relevant points in the thesis and listing is made on Bibliography, at the end.

### **Analysis of the HR manager’s opinion about performance management system**

**Table No. 1 - Table showing the Job Title of HR manager**

Sr. No.	Titles	No. of Managers (%)
1	Personnel Director / Senior HR Manager/ Vice President	8 (40)
2	Specialist -OD Manager, Manager Talent Management	2 (10)
3	Middle Cadre HR Managers	10 (50)
Total		20 (100)

**Graph No.1 - Graph showing the Job Title of HR manager**

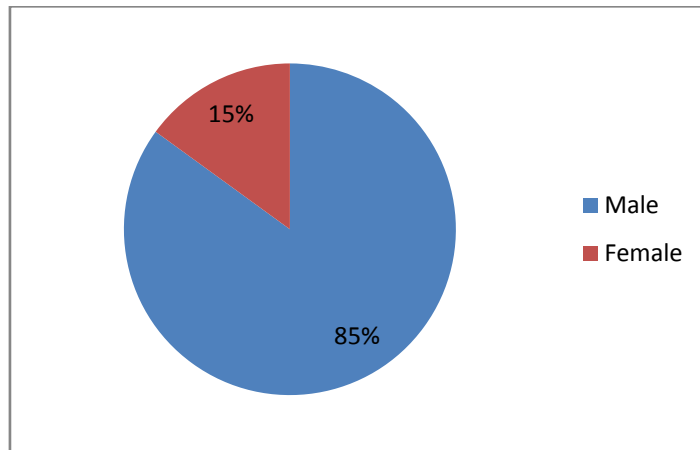


One half is middle cadre managers in the organization. 40% of the managers are Personnel Director / Senior HR Manager/ Vice President possessing top positions, 10% of the managers are specialist i.e. Organization Development Manager, Manager – Talent Management. .

**Table No. 2 - Table showing the gender of HR managers:**

Sr. No.	Gender	No. of Managers	Percentage (%)
1	Male	17	85
2	Female	3	15
Total		20	100

**Graph No. 2 - Graph showing the gender of HR managers**

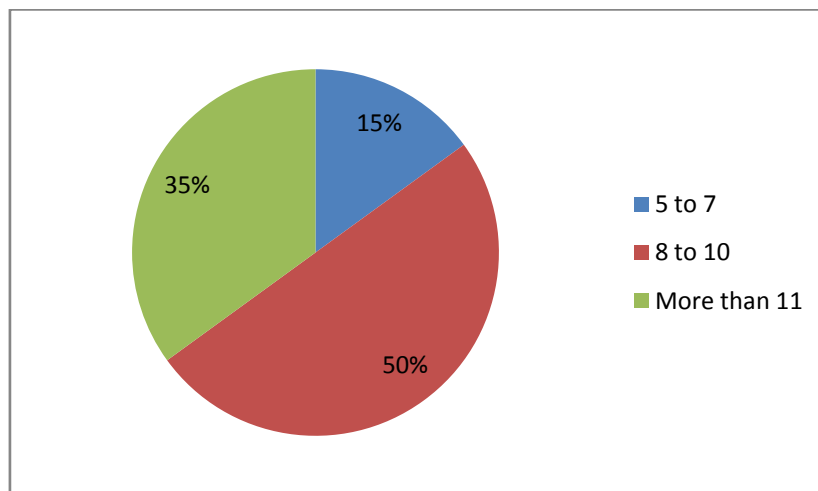


An overwhelming majority of the respondents i.e., 85% are males and very few i.e. 15% of the managers are females in the organization. Though females are few, it is seen that women are also slowly entering into managerial cadres.

**Table No. 3 - Table showing the experience of HR managers in the organizations:**

Sr. No.	Work Experience(years)	Respondents	Percentage (%)
1	5 to 7	3	15
2	8 to 10	10	50
3	More than 11	7	35
Total		20	100

**Graph No. 3 - Graph showing the experience of HR managers in the organizations**



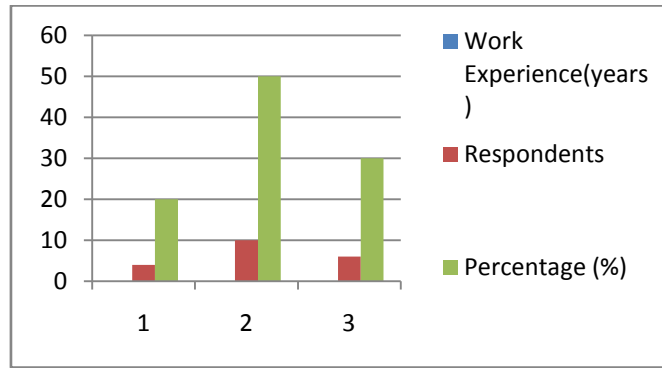
The table above depicts the experience of the HR managers in the organizations; very few of the respondents i.e., 15% have experience of 5 to 7 years. Majority of the respondent's i.e. 50% have experience of 8 to 10 years while few respondents i.e.35% have experience of more than 11 years in the organization.

To enter into higher positions experience counts and it is well manifested in our data.

**Table No. 4 - Table showing the Total experience as human resource managers**

Sr. No.	Total Experience(years)	Work Respondents	Percentage (%)
1	5 to 7	4	20
2	8 to 10	10	50
3	More than 11	6	30
Total		20	100

**Graph No. 4 - Graph showing the Total experience as human resource managers**

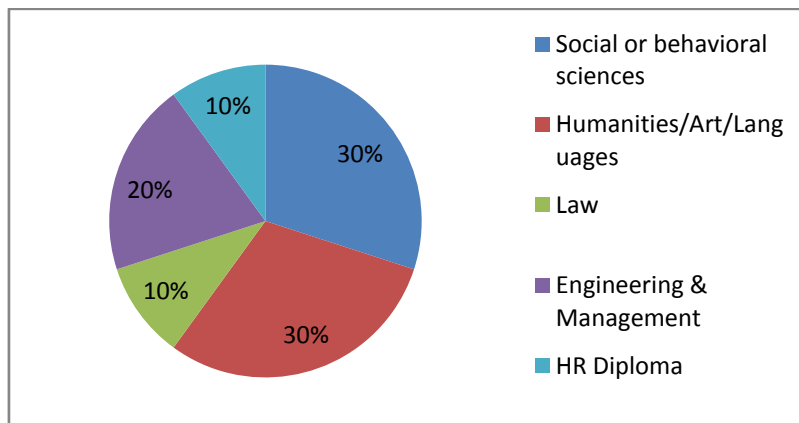


From the table above, it can be observed that very few respondents i.e. 20% have work experience of 5 to 7 years, 50% of the managers have work experience of 8 to 10 years and 30% have experience of more than 11 years as Human resource manager. Companies today are depending mostly on HR activity. Companies .....itself depend upon how well the HR is managed. The data makes it clear that majority of the HR managers are having adequate experience in the management.

**Table No. 5 - Table showing the academic background of managers**

Sr. No.	Academic Field	No Of Managers	Percentage(%)
1	Social or behavioral sciences	6	30
2	Humanities/Art/Languages	6	30
3	Law	2	10
4	Engineering & Management	4	20
5	HR Diploma	2	10
Total		20	100

**Graph No. 5 - Graph showing the academic background of managers**



**Description-**

Table no. 5 disabuses that nearly one third of the managers are from social or behavioral sciences, similarly 30% of the managers are from humanities/ language,10%of the managers are from law,20% of the managers are from engineering,10% of the managers are from Diploma in HR fields. The data shows that selection of HR managers is not on the basis of HR background alone as variations are observed as far as background is concerned. Depending upon the organizational needs the management has given responsibility irrespective of the background.

**Hypothesis -2** The organizations have a clear vision related to performance management.

**Alternative Hypothesis:.** The organizations have a clear vision related to performance management.

**Null Hypothesis:** The organizations do not have a clear vision related to performance management.

**Justification:**

It is obvious that organizational should have a clear vision and largely depends on the way how employees performance management system are managed .In case of ambiguity employees tend to leave the organization. Our analysis confirms that there is slight correlation between the two .However the relation projected is a weak value.

		PM_Effectiveness
Vision	Correlation Coefficient	.261 **
	Sig. (2-tailed)	.000
	N	200

**Inference –**

Since,  $p < 0.01$ , there is evidence of weak positive correlation between organization vision and performance management system. **Spearman's correlation coefficient is 0.261 and this is statistically not significant.** Thus, null hypothesis is accepted and alternative hypothesis is rejected. Therefore, from the result researcher can analyze that there is weak relation between the two.

**Conclusion:**

Organizational vision has having indirect impact on the performance management system. Thus organizational vision has direct association on performance management system.

**Specific purpose of performance management:**

Performance management is an ongoing responsibility of top management which is integral part of HR management and its responsibility. Performance management is a daily supervisory responsibility. Performance management begins by setting specific purpose.

- It is found that majority of departmental managers from their previous experience made their own perception about the specific purpose of the performance management instrument and firm belief that have to accurate and clear cut standards and PM instrument must have Clear & Valid measures of job related activities. It is found that more than half of the departmental managers state that PM instrument accurately measures what it is supposed to measure.
- It is found that half of the departmental managers understand the measures used to evaluate performance .Most important task of their job performance are emphasized in their performance management process. It is found that departmental manager and supervisor agree together on standards set for good job performance. It is found that maximum number of departmental managers agrees on the rater's role regarding a common conceptualization of the performance standards.
- It is found that more number of departmental managers agrees on that the performance management process results in a clear and unbiased appraisal. It is found performance management process results in better communication between them and their supervisor. It is found that performance evaluation helps the employees to receive the highest evaluation scores.
- It is found that the well designed PM leads to better performance and work quality. Supervisor possesses adequate knowledge and training to implement performance evaluation in most of the organizations. Supervisor utilizes the system to assess performance objectively and without bias. Further, subordinate openly communicate to supervisor regarding any problem in performance evolution in proper working environment.
- In organizations, the supervisor is ethical in how employee scores performance. Supervisor takes the performance management procedure seriously. It is found that most of the departmental manager agrees employees are treated fairly during PA process. It is found that supervisor clearly expresses goals and assignments to the subordinate .It is found that the goals developed for performance acts as meaningful measures. It is found

that more than half of departmental manager agrees on goals developed for performance period .It is found that that goals assigned are accepted by employees.

- It is found that that the performance goals set are reasonable Employees are determined to achieve their performance goals if proper course of action would be taken in order to accomplish the performance. Further, supervisor allows choosing the goals that they want to achieve. Goal setting gives a broader picture of the work unit & the organizational objectives. It is found that Performance feedback receives is helpful in improving the job performance and attaining goals. Regular and timely performance feedback beside the annual performance review helps in motivating the employees. Information provided by supervisor during performance feedback is sufficiently lucid & sufficiently detailed.
- It is found that level of involvement in performance evaluation is adequate. There is a clear, direct and compelling linkage between performance and pay in the performance management system so forming performance evaluation is valid. Clear and reasonable process established for giving both evaluation and performance-based pay results in good employee motivation. Amount of performance-based pay & high evaluation ratings will make a noticeable difference in future performance of the employees .It is found that performance-based pay based on performance ratings is the most effective method for motivating employees to improve/sustain performance .Departmental managers are willing to participate in developing a new PA system. According to managers, Participation of employees in the development of performance standards leads to a better PM instrument.

### **Books**

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