



UNIT-2

Performance Management

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Define Performance Management and explain its relevance to organisational objectives and to individual motivation
- ✓ Analyse various tools of performance management
- ✓ Recognise the importance of having clear goals

Unit 2

Performance Management

Management of the performance of a certain aspect of an organisation is called Performance Management. This might be limited to a certain part of the organisation or extend to the performances of everything related to the company.

It might involve overseeing the performance of the entire organisation. On the other hand, it might include the performance of individual features such as materials, machines, manpower, the final product, the various departments within the organisation, etc.

Performance Management involves more than just managing the employee's performance to achieve the company's objectives. It includes qualitative processes that should be applied to each person in the workforce. Performance management affects the foundation of every organisation.

Performance Management is the systematic process by which an agency involves its employees, as individuals and members of a group, in improving organisational effectiveness in the accomplishment of the agency mission and goals.

The performance management process sets the platform for rewarding excellence by aligning individual employee accomplishments with the organisation's mission and objectives and making the employee and the organisation understand the importance of a specific job in realising outcomes.

The establishment of clear performance expectations, which include results, actions and behaviours, helps the employees understand what is expected of them in their jobs. It helps set standards and eliminates jobs that are of no productive value. Through regular feedback and coaching, it provides the advantage of diagnosing problems at an early stage and taking corrective actions.

Performance measures are a means of expressing expectations at work. In this way, employers can determine their employees' behaviours and conduct at work. In the same way, performance measures must be in line with the main objectives of the company and must support the values of the business or organisation.

Performance measures are also essential as a means of enhancing discipline and correcting negative habits that do not support the mission of the organisation.

Performance measures dictate the effectiveness and efficiency of the plan used to achieve the organisation's objectives. The efficiency of the plan points out the ability to minimise the use of resources in achieving organisational objectives. Effectiveness refers to its ability to determine appropriate objectives.

Performance management holds the future of an organisation or company. It is important to understand that an organisation's image contributes to its success. In the same way, performance measures must be taken seriously as a means of building a reputation for the organisation or company.

As a result, it is crucial to frequently analyse the practices and trends of every department to determine the standards and procedures being followed by the workers. In so doing, the company can define its values and influence every worker to follow a certain practice which focuses on the interest of the company or organisation.

Performance management affects various areas of interest (departments) in any given organisation or company.

Areas of Interest in Performance Management

- Customers' and stakeholders' satisfaction
- Creation of an environment in which people can be efficient enough to pursue the purpose of the business
- Efficient and effective conduct of the business's internal affairs, in particular by having a structure that supports the key processes
- Timely delivery of outputs to meet performance requirements
- The work environment – the aim is to create an environment where the employees feel free and comfortable. This includes coaching and mentoring activities for staff members to help them improve their performance.
- Delegation of tasks to staff
- Supporting and facilitating the application of learning from off-job development activities to the workplace
- Ensuring that organisational policies on health, safety, quality, product and service development, introduction of info-technology systems, etc are incorporated in the development plan of each unit
- Discussion of individual development needs
- Evaluating and measuring staff performance. The attitudes, level of skills, qualifications, techniques used by, and level of understanding of, the employees.
- Checking the progress and the accomplishment of the company objectives

Objectives of Performance Management

The main objective of any performance management team is to improve the performance of the organisation. They undertake various objectives to ensure that, within a given timeframe, they have fixed any defects in the system of working and helped raise the standard of work. The objectives are as follows:

1. To train, motivate, and encourage the employees. To raise the standard of their performance and match the level required by the organisation. They provide the necessary facilities and assistance to help them realise this objective.
2. To create incentives or rewards for the employees. To retain key people within the organisation.
3. To help provide them with the skills and knowledge they may need to achieve their personal goals as well, in a bid to improve their performance.
4. To work on improving the relationship between the employees and their employers.
5. To help people perform their jobs better. Performance management teams persistently monitor the working of their employees, departments, and all factors of performance within the organisation.
6. To achieve the business's goals efficiently. If they spot any areas of weakness, they work to ensure that the situation is resolved through training and workshops for their employees.
7. To introduce new and more efficient techniques of working, and to research the fields and areas of the various departments of the business to find the same.
8. To create the principles and policies for the organisation to implement in payment of employees, mode of work, rules of conduct, etc.

Functions of Performance Management

There are various functions of performance management. These are different aspects that enhance improvement in workers' performance.

1. Goal Setting

This is the process of motivating employees by establishing effective and meaningful performance targets. It has become an effective tool for the practice of human resource management and an overall performance system approach.

A goal is a performance-driven target that an individual or group seeks to accomplish at work. Specific goals have been found to be more effective than vague, general goals such as “do your best”, as well as having no goals at all, because they result in higher performance delivery.

However, targets should be challenging rather than easy or routine. Goals should be reachable and not so difficult that pursuing them becomes frustrating.

2. Leading and Coaching

Leading and coaching are recognised as powerful tools for learning and development. With clear goals and supportive relationships, leading and coaching can be a very effective technique for developing individuals and improving performance.

Leadership styles play a leading role in an employee’s work development. As a result, it is important to choose an appropriate leadership style to develop people’s skills, confidence and commitment.

The leadership style chosen influences the manner in which the leader communicates with the team. This affects the degree of control which the leader exercises, especially in decision-making with the team. Many managers have preferred styles that they feel comfortable practising. However, in practice, most people tend to use different styles depending on a number of factors.

Like leading, coaching can also be used to train workers. It is still appropriate for people willing to take on a task. It is an appropriate means of improving employee participation at work. The manager needs to direct and monitor performance but must at the same time focus on supporting staff - agreeing objectives, discussing and explaining the task and how it can be carried out.

Coaching is the process of helping a colleague explore ways of tackling problems to change their perspective on work issues, leading to an improvement in their ability to perform.

3. Delegation

Delegation is the act of giving responsibility to another person for the completion of a task for which the delegator is generally accountable. It involves giving that person the authority to carry out the task without constantly referring back to the delegator for approval or clearance.

This aspect involves direct interaction between an employer and employee. The employer can evaluate the performance of his or her workers by observing how they handle their duties. In this way, one can easily correct and dictate other means of completing given assignments. Therefore, it improves performance and workers’ output.

Apart from delegating duties, the manager should participate and support employees, check results, and redirect team members where necessary. When delegating, the best approach is to assign the work to staff in stages, as it may be counter-productive to give staff more responsibilities than they are comfortable with.

In such cases, too much of your time will be spent on coaching, reassuring and checking. This will be time-consuming and will defeat the purpose of delegation.

4. Things to Remember when Delegating:

- Be knowledgeable and precise on the tasks to delegate.
- Trust your staff and be enthusiastic to show them your trust.
- Delegation is about partially giving up control but retaining overall responsibility for the task's completion.
- Timing managers must determine each individual's capacity to receive additional responsibilities and the manner in which these responsibilities can be handed over.

5. Mentoring

Unlike coaching, mentoring is concerned with the long-term acquisition and application of skills in a developing career via a form of advising and counselling. It has been described as a form of professional intimacy in which the mentor and the mentee form a relationship that lies somewhere between that of colleague and friend. Mentoring promotes the organisation's vision, values, strategies and the organisation at large.

Mentoring can take place through an informal agreement between two members. It can also be done through a formal mentoring programme, which has been set up to promote learning or support a development initiative.

6. A good Mentor is someone who:

- ✓ Has professional and personal respect from senior management and their peer group.
- ✓ Is familiar with the organisation and its external environments, including network contracts.
- ✓ Is committed to people's development.
- ✓ Is supporting. He/she must be supportive of the staff. Staff may have the competence needed to do the job, but as they are taking more responsibility for its completion, they are likely to be low on confidence and apprehensive.

During mentoring, the manager provides a high level of support to encourage and facilitate individuals and teams in making decisions.

7. Performance Appraisal

Appraisal has long been considered a way of appreciating someone's input in a given activity. Performance Appraisal is indispensable to ensure performance improvement. People generally have an intense desire to know how well they are doing. They engage in feedback-seeking behaviour.

It is generally accepted that feedback enhances individual performance in behavioural management. Performance appraisal plays a very important role in the successful development and deployment of operations strategy.

A glaring weakness of most human resource management programmes is the absence of any systematic, built-in evaluation. Without it, the following benefits will be compromised:

- ✓ A chance to summarise past performance and establish new performance goals
- ✓ An opportunity for clarification and communication
- ✓ A forum for learning goals and career development
- ✓ A formal document to promote advancement or dismissal

8. Punishment

Punishment is one of the most used but least understood and badly administered aspects of behavioural management. It is commonly thought to be the reverse of reinforcement but equally effective in altering behaviour. The reason is that punishment is a very complex phenomenon and must be carefully defined and used.

Punishment is anything that weakens behaviour and tends to decrease its subsequent frequency. Punishment usually consists of the application of an undesirable consequence. It can also be defined as the withdrawal of a desirable consequence. Taking away certain organisational privileges from a manager who has delivered a poor performance might be thought of as punishment.

Persons administering punishment must always provide an acceptable alternative to the behaviour being corrected. Otherwise, the undesirable behaviour will tend to reappear and will cause fear and anxiety in the person being punished. Punishment should be given with an advanced warning and be immediate, consistent and impersonal.

There are various means of reinforcement used on employees in order to change negative habits and encourage positive and self-building habits.

9. Rewards

A reward is a positive reinforcement that develops employee behaviour. Organisational reward systems are beneficial to behavioural performance management in an organisation.

The organisation may have the latest advanced information technology but a low output. It is appropriate for the management to ensure people are reinforced positively by using reward schemes.

This will develop their performance-related behaviours. On the other hand, if the management focuses on the “up-front” variables (technology, plans, etc) there will be little impact.

✓ **Money as Reinforcement**

The theory and principles of reinforcement explain that money can indeed be a powerful reinforcement. This is when money is made contingent on identifying performance behaviours. Money can thus be the best motivator to increase workers’ output and induce behaviour change.

✓ **Non-Financial Rewards**

Money is the most popular organisational reward, but organisations and companies are continually choosing non-financial reward schemes.

Informal provision of contingent recognition and attention (and praise, if genuine) tends to be a very powerful reinforcer for most people. The added benefit of such a strategy is the low financial cost compared with financial rewards. In addition, non-financial rewards may have an appealing result compared to money-reward schemes.

Benefits of Performance Management

The aim of performance management is to ensure that the goals of the company are being met regularly, and to identify any areas that need improvement or enhancement. The elements that go into a performance of any factors of production are the behaviour and the end result.

The team involved in the management of performance oversees these elements closely and helps the organisation improve its performance. Performance Management branches are essential for every business as there is great competition in the business field.

Every day, a new business is created to add competition to the existing ones. Any organisation, large or small, is bound to have certain areas that create constant problems or impede the company’s success.

It is essential for any organisation that wishes not only to stay in the competition but also to conquer it to initiate a branch capable of identifying all the areas of its operations that lag behind or are not up to par. This will also help improve departments in respect of their performance and increase profits and the morale of the company’s workers.

Components of Performance Management

The branch for Performance Management works with a predefined system to achieve its goals. The performance management system follows five key components to accomplish its goals in an organisation.

✓ Planning

A performance management team sets a level of performance expected from the employees. The employees then work to achieve this level.

If any of the employees fall short of this standard, the performance management team helps them in the areas where they are lacking with training, motivation and workshops.

However, this set standard of achievement must be reasonable and achievable. The terms should be easy to understand and flexible to implement.

✓ Monitoring

Performance managers continually monitor their employees and the other areas of interest within their organisation in order to identify the company's weaker areas. They do this using performance tests, determining whether the departments are working with unrealistic goals or conditions, and making the required changes.

By constantly monitoring performances, the management is able tackle any weaknesses before they go on to pose major threats or create unnecessary problems, causing loss or delay.

✓ Developing

With the growing changes in technology and policies, it is important to constantly learn new methods and techniques of working. In a business organisation, there is an added responsibility to train and educate employees in new techniques and technology to help them keep up to date. The organisation must also increase the employees' skills and the scope of their work through training and workshops.

It must provide them with work that will help them learn new skills and gain experience. It must devise a plan that will steadily strengthen the employees' capabilities and increase their responsibilities in the company, making them sufficiently competent to deal with all the areas of work in their fields.

Project managers should also identify the areas that need development, be they in man or machine, and help them improve. Development and learning must remain a core principle of any workforce.

✓ Ratings & Appraisals

It is common practice among all businesses and offices nowadays to rate and appraise the performance of their workers.

This is done to identify the best performers and to give the employees a chance to compare their work with that of their co-workers.

Employees are rated and appraised on a number of qualities that an organisation will want and expect in its workers, and also on the standards required from the workers according to the performance plan.

The results of these appraisals then help the leaders of the organisation to make decisions on the termination, promotion and retention of various employees, and whether they deserve an increase in their salaries.

✓ Act of Appreciation

It is important to reward an employee for his or her hard work. Appreciating workers is a responsibility of the performance management team. This follows an evaluation of their work, for instance, at the end of the year.

Performance management recommends that managers reward employees for doing a good job on a project or give them some time off to relax and refresh themselves. The employees will then return to work with regenerated bodies and minds.

A company that refuses to recognise the contributions of its employees and instead forces more work on them without gratification will end up with a workforce that is frustrated and dissatisfied.

Therefore, it is important that managers and their teams possess an attitude that will enhance the employees' performance.

Further Reading:

- ✓ *Financial Planning & Analysis and Performance Management (Wiley Finance)*
Part of: *Wiley Finance* by Jack Alexander | Jun 13, 2018
- ✓ *Armstrong's Handbook of Performance Management: An Evidence-Based Guide to Delivering High Performance* by Michael Armstrong | Dec 3, 2017