

UNIT - I

INTRODUCTION TO PERFORMANCE MANAGEMENT SYSTEMS.

Introduction to Performance Management :-

Performance Management — an ongoing process of commⁿ b/w a supervisor & an employee that occurs throughout the year.

4 stages of performance mgmt. :-

1. Planning
2. Monitoring
3. Rating & rewarding
4. Developing

PMS — tracks the performance of employees in a manner that is consistent and measurable.

Key elements :-

→ can be implemented on — premise

in the cloud

or in a hybrid envⁿ

→ elements — Goal setting

Performance review & evaluation

Feedback & coaching

Three key processes :-

1. Plan & act in goal mgmt.
2. Monitor in continuous performance mgmt.
3. Evaluate & recognize through performance assessments.

Evolution :-

First Phase 1908 - 1914

Rise of Taylorism & Scientific Mgmt. Principles

1908 - F.W. Taylor — ~~scm~~ SMP — how the work potential of individuals affects their productivity.

Second Phase 1914 - 1920

Taylorism's Popularity in The USSR

1914 - F.W. Taylor — introduced a performance appraisal process.

Third Phase 1930 - 1960

Growing Popularity of WD Scott's Performance Appraisal Process

Walter D Scott of WD Scott & Co. of Sydney introduced the concept of rating the abilities of his staff as early as WW-II (1914 - 1918).

introduced 'man to man comparison' scale.

mid 1950s — formal performance appraisal process

Fourth Phase 1960 - 1970

Annual Confidential Reports Become A Part of Performance Appraisal

early 1960s — performance appraisals based on 'Annual Confidential Reports'.

These reports were also kya 'Employee Service Records'.

During the 1970s — employees were communicated
-ve marks from these reports

Fifth Phase 1980-2000

360 Degree Feedback Became Ubiquitous

1980s & 1990s — 360 degree feedback
multi-person rating

Esso Research & Eng. Co. — was the 1st to use
this feedback style

In 2000s — performance appraisal process became
more developed.

Uses of Performance Management :-

1. Aligning organizational goals
 - strategic alignment
 - goal setting
2. Enhancing employee performance
 - feedback & coaching
 - skill development
3. Increasing employee engagement & motivation
 - recognition & rewards
 - career development
4. Supporting decision-making
 - talent management
 - resource allocation
5. Improving organizational efficiency
 - process improvement
 - QA

6. Facilitating comm? & collaborat?

→ clarifying expectations

→ team performance

7. Compliance & risk mgmt.

→ legal & regulatory compl-

→ risk mitigation

8. Enhancing customer satisfaction

→ customer focused goals

→ service improvement

9. Promoting organizational goals

→ values & behaviours

→ employee accountability

10. Enabling continuous improvement

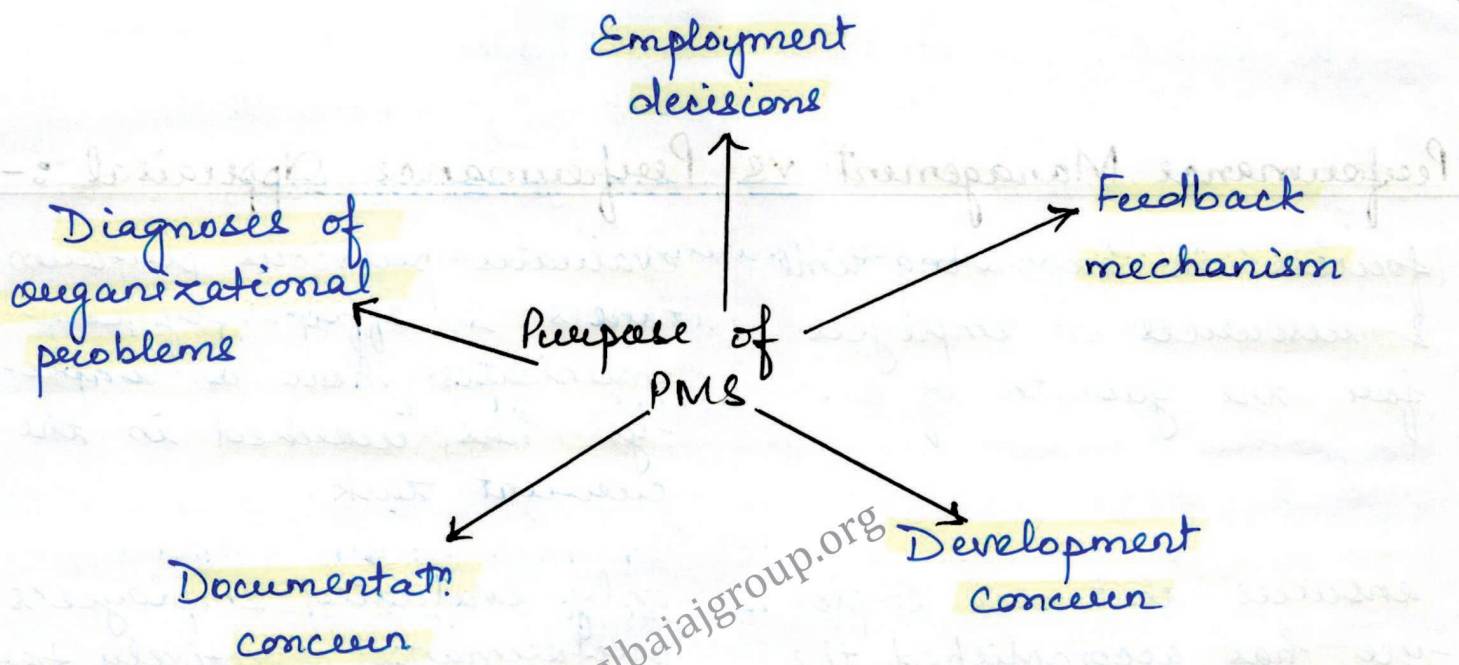
→ performance metrics

→ learning org?

Purpose of Performance Management:-

TWO FOLD Purpose -

1. to improve employees work performance by helping them realize & use their full potential in carrying out their firms missions.
2. to provide info? to employees & managers for use in making work related decisions.



Components of PMS :-

- Performance planning
- appraisal
- improvement plans (PIPs)
- Development & Training
- Recognition & rewards
- Performance metrics & KPIs

Performance Management vs Performance Appraisal :-

focuses on expending time & resources on employees for the growth of co.

ensures that the employee has accomplished the set goals or not.

guides employees so that they can perform better in future.

Continuous process

uses a mix of both qualitative & quantitative approaches.

conducted by managers & supervisors & other stakeholders

flexible

considered a strategic tool.

evaluates previous performances & effectively communicates how an employee has worked in the current task.

only evaluates employee's performance objectively for the year & gave final feedback.

evaluates an employee's mistakes & communicates how an employee could have given better efforts.

twice a year
uses a quantitative approach.

usually undertaken by HR dept.

inflexible

an operational tool for
↑ employee efficiency.

Performance Management & its challenges in current

scenario :-

Challenges that can prove to be an obstacle to effective performance management :-

- writing a poorly structured strategy
- failure to communicate the strategy to staff / stakeholders
- failure to achieve buy-in of the strategy
- not measuring progress
- not holding at least quarterly strategy review sessions
- not taking the time to define success & celebrate it along the way
- not adapting to changing circumstances
- not giving your team the necessary authority or tools to accomplish their jobs.
- steer the strategic planning process effectively to avoid these common pitfalls.

1. Measuring performance
2. Changing workplace dynamics
3. Lack of engagement
4. Data analytics
5. Aligning goals
6. Leveraging tech?

Performance Management as a System & Process :-

PMS includes the following actions —

- developing clear job description & employee performance plans & includes the key result areas (KRA) & performance indicators.
- selection of right set of people by implementing an appropriate selection process.
- negotiating requirements & performance standards for measuring outcome & overall productivity.
- providing continuous coaching & feedback during the period of delivery of performance.
- identifying the TND needs by measuring the outcomes achieved against the set standards.
- holding quarterly performance development discussions & evaluating employee performance.
- designing effective compensation & reward systems for recognizing those employees who excel in their jobs.
- providing promotional / career development support & guidance to the employees.
- performing exit interviews for understanding the cause of employee discontentment.

Performance Management Process -

systematic process of managing & monitoring the employee's performance against their key performance parameters or goals.

Stage 1 : Pre-requisites

defining the purpose clearly for existing & new employees / staff, depts. in order to make integrate all teams to meet co.'s target.

there are THREE stages where the co. defines their long & short term goals :-

1st — at organization level

2nd — department

3rd — team employee

Stage 2 : Performance Planning

there are THREE imp. attributes :-

1. results

2. behaviours

3. development plan

results — measure employees & dept. performance, performance gaps, achievements

behaviours — can be measured through observation & close monitoring

development plan — improve employees knowledge, skills & attitude (KSA)

Stage 3 : Performance Execution

creating PMS & building up stds.

responsibility & ownership — employee
— dept.
— org.

- role & responsibility of supervisor / manager —
- provide resources, tools & equipments
 - regular feedback
 - motivate team members
 - focus on development activities

Stage 4 : Performance Assessment

employee & manager both are responsible to measure & assess performance of employee against his targets.

Stage 5 : Performance Review

platform where the subordinate & supervisor exchange performance feedbacks & review their performances against given targets or goals to individual.

discuss about — performance
development plans
trainings
next year goals, targets & expectations

Stage 6 : Performance Renewal & Reconstructing

ongoing continuous process.

once performance has been reviewed & ends, the cycle for next performance appraisal starts.

it should align with next year org. mission, goals & objectives, integrated with dept. goals.

Modeling Approach :-

Functional blocks

" modules

Information flows

Establishing Performance Criterion of developing an

Effective Appraisal System :-

Effective Performance Appraisal — process of reviewing an individual's performance & progress in a job and assessing his potential.

systematic method of obtaining, analysing & recording info about a person doing a specific job.

Performance Appraisal — assessment of the real & relative worth of the employees in a systematic and subjective way.

→ Characteristics :-

1. system must be bias-free
2. relevant
3. should be acceptable to all
4. reliable, dependable, stable & consistent
5. must be able to objectively differentiate b/w a good employee & an ineffective employee.
6. must be practical, sound, clear & unambiguous.

→ Reasons for performance appraisal :-

1. Make your people feel valued.
2. Set new goals
3. Resolve grievances
4. Strengthen bonds
5. Refocusing your team
6. Oversight on current projects
7. Assess the training needs of your team.

Key Result Areas (KRA) :-

- measurable indicators of an employee's performance in context of business operations and are used to track progress.
- helps employees track performance traditionally or on a PMS.

Working :- should be well-defined, quantitative & straightforward to track
helps employees align their roles in the co.

Importance :-

- summarize an employee's role in an org?
- motivate employees
- ↑ employee engagement

- when KRA matches the accomplished tasks,
- they become fair & unbiased to — appraise reward recognize.

→ Deadlines & timelines help — organize tasks
allow to prioritize
to help meet due dates

→ help employees understand their roles.

→ when employees know what they are supposed to do & accomplish, they are likelier to produce better results & ↑ prod productivity.

Benefits :-

1. linking each job role to overall business strategy.
2. achieving organizational alignment, top-down comm? balanced & bottom-up participatn.
3. setting clear goals for employees to be efficient.
4. evaluating performances fairly.
5. providing feedback tailored to an employee's requirements.

Knowledge, Skills and Abilities (KSA) :-

→ KSA are the special qualifications & personal attitudes att ites one needs for a particular job position,

Objective :- measurement of those qualities & distinguish one candidate from the other.
factors that identify the best candidate for the job in a group of people.

List of KSAs —

communicatⁿ skills

analytical

techⁿ

leadership

interpersonal

problem-solving ability

adaptability

teamwork

→ every employee should be assessed formally & is writing atleast once a year.

→ assessment parameters :-

→ ability to perform work

→ level of proficiency

→ employees' conduct

→ cooperatⁿ w colleagues, customers & managers

→ individual's punctuality

Key Performance Indicators (KPI) :-

→ quantifiable measurements used to gauge a co.'s overall long-term performance.

→ measure a co.'s success vs a set of targets, objectives or industry peers.

→ determine - strategic
- financial
- operational achievements

→ Types :-

1. Strategic KPIs — most high-level
indicate how co. is doing
used by executives

eg:- ROI
profit margin
total co. revenue

2. Operational KPIs — tighter time frame
measure how co. is doing
month over month
used by managing staff

3. Functional KPIs — specific depts. / funcⁿ. in a co.
provide greatest value to one
set of users.

eg: finance dept. may keep track
-ck of how many vendors
they register in their account-
ing info?

4. Leading / Lagging KPIs — describe nature of data
being analyzed
no. of overtime hours
worked

profit margin for a
flagship product

→ Examples :-

Liquidity ratios

Profitability "

Solvency "

Turnover "

Customer Experience Metrics & KPI

No. of new ticket requests

No. of resolved tickets

Avg. resolution time

Avg. response time

Top customer service agent

Type of request

Customer satisfaction rating

Process Performance Metrics & KPI

Prod. efficiency

Total cycle time

Throughput

Error rate

Quality rate

Marketing KPIs

Website traffic

Social media traffic

Conversion rate on call-to-action content

Blog articles published per month

Click through rates

UNIT - II

MANAGING PERFORMANCE

Methods of managing performance of all the levels

of management (including labour) :-

- Performance mgmt. is an ongoing process of —
 - setting goals
 - evaluating progress
 - providing feedback
 - creating development plans to improve employee performance.
- Importance :- to ensure that everyone is aligned to the org's objectives & working effectively to achieve them.
- Methods of managing performance at diff. levels :-
 1. Senior management — responsible for setting the strategic decision of the org.
 - ensure everyone works to achieve their goals.
 - setting clear objectives & KPIs for the org.
 - monitoring progress

2. **Middle management** — responsible for translating the org's strategy into action.

ensure employees work towards achieving their goals.

manage performance by setting clear objectives & KPIs
provide regular feedback & coaching
create development plans

3. **Front-line management** — responsible for supervising employees

ensure to meet performance expectations

manage performance by setting clear goals & expectations

4. **Individual contributors** — responsible for performing specific tasks contributing to overall success of org.
manage their own performance

360 Degree Performance Appraisal :-

→ 360 degree appraisal, aka 360 degree feedback system or multi-rater feedback is a comprehensive performance evaluation process that gathers frequent feedback from multiple sources.

→ Key components :-

- self-assessment
- manager "
- peer "
- subordinate "
- external stakeholder assessment

1st developed by General Electric (GE), USA in 1992.

→ Importance :-

- holistic performance assessment
- increased self awareness
- targeted development
- enhanced comm? & collaborat?
- reduced bias & subjectivity
- alignment & org? goals
- employee engagement & motivat?
- continuous improvement

→ Process :-

1. Preparat? & planning
2. Data collect?
3. Data compilat? & analysis
4. Feedback session
5. Development & follow-up
6. Continuous improvement
7. Documentat? & record keeping

1. Preparation & planning

- identify purpose & goals
- select participants
- choose a tool
- ensure anonymity
- training

2. Data collection

- data entry - distⁿ of questionnaires
- analysis - data collectⁿ period
- anonymous feedback
- reminder commⁿ

3. Data compilatⁿ and analysis

- data entry
- analysis

4. Feedback session

- feedback review
- goal setting

5. Development & Follow-up

- development plan
- follow-up assessments
- support & resources

6. Continuous improvement

- evalⁿ of the process
- iterate & adjust

7. Documentatⁿ & record keeping

- record keeping

→ Benefits :-

1. comprehensive feedback
2. developmental insights
3. fairness & objectivity
4. team & organizational development
5. complete assessment
6. facilitates teamwork
7. shares perceptions
8. allows for anonymity
9. promotes self-awareness
10. identifies skill gaps

→ Disadvantages :-

1. time-consuming
2. may not always be +ve
3. may not account for dishonesty & inaccuracy
4. fosters distrust
5. can be counter-productive
6. execution can falter at multiple stages

→ SIX parties involved :-

1. Top mgmt.
2. Immediate supervisor
3. Peers
4. Subordinates
5. Self
6. Customers

Performance Feedback & Counseling methods :-

Performance Feedback / Review -

- a summary of the ongoing feedback the employee has received throughout the specified time period & working on them on their goals for the future.
- Importance :-
 - gives ^{self} performance summary to employees
 - defines goals for the future
 - provides clear & objective feedback
 - states areas of improvement
 - written record
- Pre-review :-
 - have frequent conversations with your employees on their goals & performance
 - train supervisors in reviews
 - supervisors should rate employees equitably
 - discuss halo/horn effect & how to avoid it.
 - communicate process to all employees
 - do it frequently
 - let employees know that performance review is coming up & ask them to put together areas they would like to discuss.

→ During the review :-

- go over each areas & the employee in a conversational manner.
- give thorough examples to give employees a good understanding
- focus on strengths
- do not ignore improvement areas
- go over goals together
- take I/P from employees
- describe how goals are in-line & organizational goals
- work upon these goals throughout the year.

→ Post-review :-

- commit to employee development
- continue to work & employee throughout the year on their performance & goals
- get employees opinions & thoughts

Counseling Methods

→ Counseling - dyadic relationship b/w 2 persons, i.e., a counselor & a counselee.

may be formal or informal.

→ Formal counseling - planned & systematic way of helping the subordinates by experts.

→ Informal counseling - concerned & day-to-day relationships & the manager & the subordinate where help is offered.

→ involves — helping employees to understand their own performance
find their place in relation to others
identify ways of improvement.

→ Analysis of performance of job
Identification of training needs for further improvement.
can be treated as a job or a profession.
done as a service to earn the living

→ Importance :-

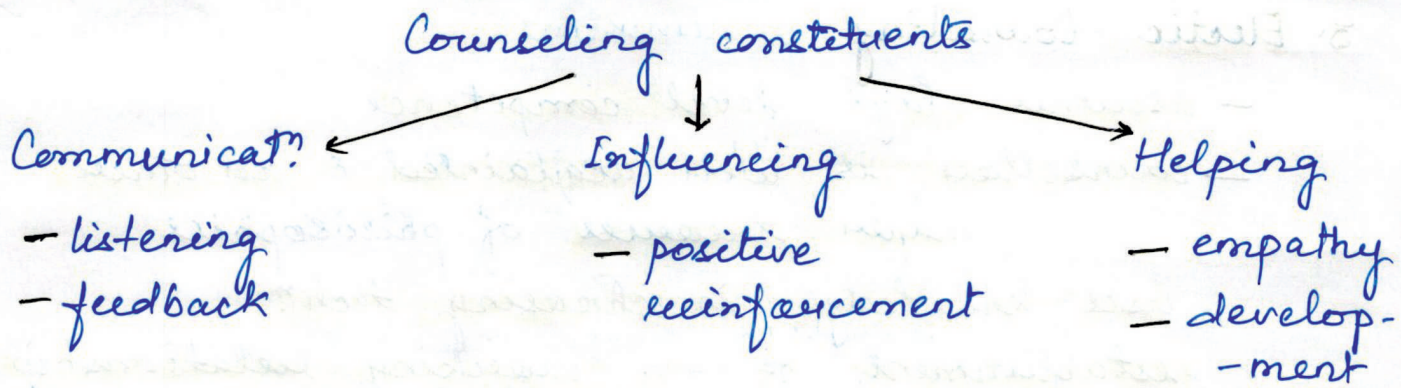
- valuable source of timely & effective advice
- seek advice whenever necessary.
- must be received from a knowledgeable, experienced & expert person.

→ Process:-

1. Relationship building
2. Assessment of problem of client
3. Transforming problem statements of client into targeted goals
4. Developing an action plan
5. Review & feedback
6. Termination

→ Constituents :-

- i. Communication
- ii. Influencing
- iii. Helping



→ Methods :-

1. Directive counseling

- the counselor plays an active role as it is regarded as a means of helping people how to learn to solve their own problems.
- aka counsellor-centered counselling
- Steps
 - analysis
 - synthesis
 - diagnosis
 - prognosis
 - counselling
 - follow-up

2. Non-Directive counseling

- the counsellee or client or pupil is the pivot of the counseling process.
- growing process
- independence & integrit^y of the client
- counsellee provides all infoⁿ about his problems
- aka permissive counselling
- analyze, synthesize, diagnose difficulties
- predict future development of his problems
- take a decision about the solⁿ
- analyse strengths & consequences.

3. Eclectic Counseling

- assumes high level competence
- counsellor is well acquainted w all other major theories of philosophies use knowledge in choosing tech?
- establishment of +ve working relationship w client
- counsellor or pupil must be accepted as he is & should be understood.
- shift & interpret all available material.



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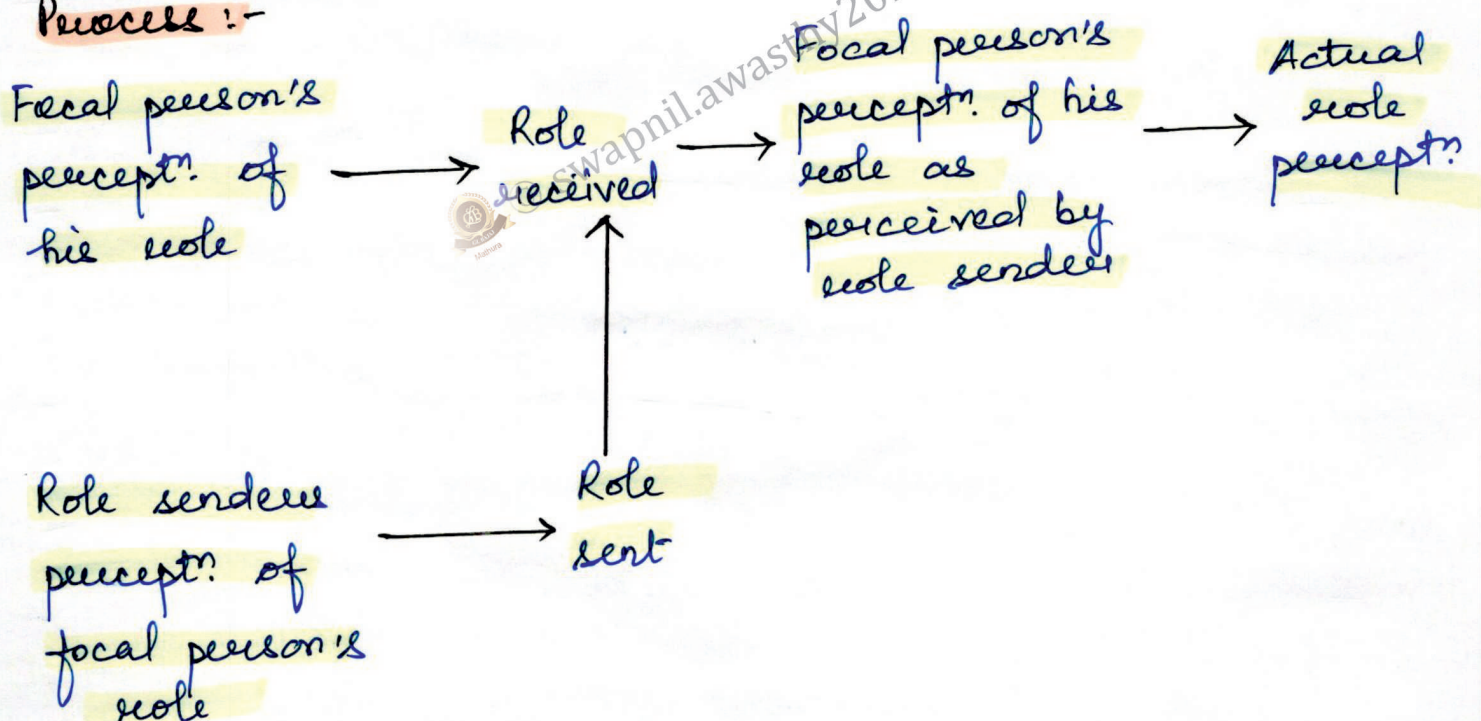
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Performance Analysis for individual & organiza-

- tional development :-

- Management By Objectives (MBO) — a process by which management at diff. levels & their subordinates work together in identifying goals & establishing objectives consistent with the org's goals & attaining them.
- method of self evaluation
- evaluates employee performance based on set goals.
- Role Analysis — process of defining a role in the context of its work system, intentions of expectatⁿ of imp. persons, detailing specific tasks under each funcⁿ, & elaborating the process, steps & critical attributes required for effective role.

Process :-



→ Organizational Development :-

1. Formulating long range goals
2. Developing specific objectives
3. " departmental "
4. Setting group & individual goals
5. Formulating & implementing action plans
6. Reviewing goal progress.

CONTEMPORARY ISSUESPotential Appraisal :-

- A future - oriented appraisal whose main objective is to identify & evaluate the potential of the employees to assume higher positions & responsibilities in the organizational hierarchy.
- helps to identify what can happen in future. can be measured through —
 - self-appraisal
 - peer
 - superior
 - MBO
 - psychological & psychometric tests
 - management games
 - leadership exercises
- role is also to determine the potential of a given employee to occupy higher positions in org. hierarchy.
- Importance :-
 - inform employees about their future prospects
 - help co. check out of an appropriate succession plan

- update training efforts from time to time
- advise employees about what they must learn to develop career prospects.

→ Purpose :-

- advise employees about overall career development & future prospects.
- help co. to chalk out succession plans
- motivate employees to enhance their skills & competencies
- identify training needs.

→ Techniques :-

Self appraisals

Peer "

Superior "

Management games, etc.

→ Introducing a Potential Appraisal System :-

- Role descriptions
- Qualities required for completing the functions
- Rating mechanisms
 - rating through others
 - tests
 - games
 - records
- Organizing the system
- Feedback

Competency Mapping and its linkage with career

development and succession planning :-

- **Competency Mapping** :- a process org. use to identify and define the skills, knowledge, abilities, & behaviours their employee need to be successful at work.
- process involves creating a comprehensive framework that outlines the specific competencies required for diff. job positions in an org.

→ **Types** :-

- Technical
- Behavioural
- Leadership

→ **Steps** :-

1. Define the purpose
2. Collect data
3. Define competencies
4. Integrate

→ **Purpose** :-

- i. enhance performance & productivity
- ii. highlights skill gaps
- iii. aids in identifying & selecting the right candidates
- iv. aligns employee skills & organizational goals
- v. provides a structured career path

→ Cons:-

- i. development & implementation can be complex & time-consuming
- ii. assessing 'competencies' leading to potential bias in evaluation & decisions
- iii. measuring behavioural competencies can be challenging
- iv. employees might feel pressured
- v. ensuring consistent applⁿ of competency assessments across orgⁿ can be difficult.

→ Skills required:-

analytical skills

commⁿ " "

data collectⁿ " "

attention to detail

project mgmt. skills

strategic thinking

→ Methods:-

1.) Assessment Centre

(a) Group Discussions

Assessment Centre

mechanism to identify the potential for growth.

a procedure that uses a variety of techniques to evaluate employees for managerial purpose and decisions.

use of situational test to observe specific job behaviour.

elements related to the job are simulated through a variety of tests.

- complex process
- requires investment in time.
- should safeguard itself from misunderstandings & deviations in its implementation.

Group Discussions — candidates are brought together as a committee or project team & 1 or > no. of items to make a recommendation on.

Advantages :- ideas can be generated shared 'tried out' responded by others have professional applⁿ.

→ **Stages** :-

FIRST — decide the competencies for the position they are assigned to.

SECOND — identifying the location in a competencies need to work at the position in the orgⁿ structure.

THIRD — identify the tasks that need to be accomp-
- lished
identify objectives of the funcⁿ

→ **Steps** :-

Assessment Centre

Critical Incidents Technique

Interview techⁿ competency mapping

Questionnaire

Psychometric tests

Competency Mapping Process :-

1. Conduct a job analysis
2. Identify core competencies
3. Define proficiency levels
4. Validate the competencies
5. Organize the competency framework
6. Document " " descriptions
7. Integrate into HR processes.

Succession Planning :- a business strategies cos. use to pass leadership roles down to another employee or group of employees.

systematic process of recognizing & creating future leaders.

→ Need :- developed to analyse the vacancies $\hat{=}$ might take place when an employee leaves the org?

→ Process :-

Identify Key Business Areas and Positions



Ascertaining competencies for key areas & positions



Identify interested & potential candidates and assess them as per the competencies



↓
Develop & implement
succession strategies

↓
Evaluate effectiveness

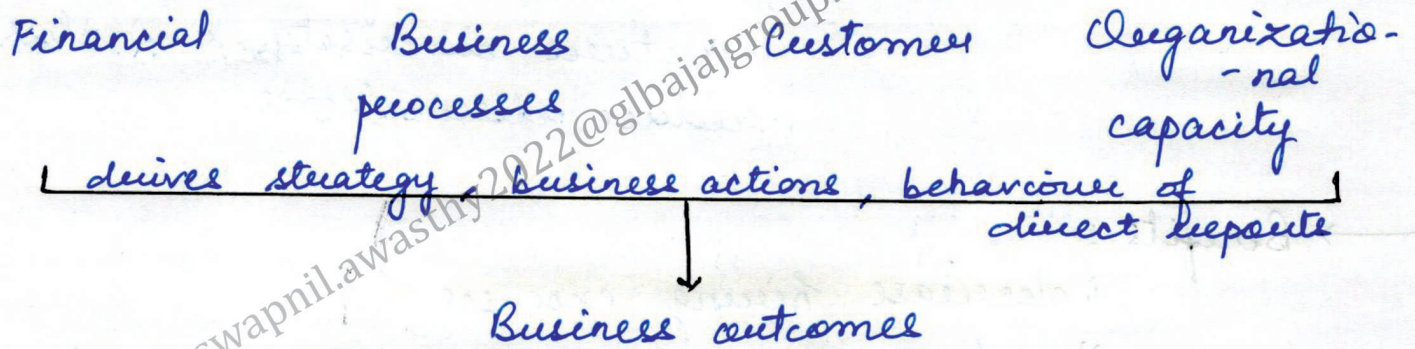
→ Importance :- allows an org? to —
prepare for the future
grow smoothly
maintain diversity & inclus?
reduce disruptions

→ Benefits :-

- i. decrease hiring expenses
- ii. reduce time to hire & time to fill
- iii. support continuous workflow despite disruptions
- iv. promote engagement & retention
- v. have higher performance
- vi. plan & prepare for retirements

Balance Scorecard :-

→ a strategic planning framework that cos. use to assign priority to their products, projects, and services, communicate about their targets or goals and plan their routine activities.



→ Vision :-

* Financial

Focus — the financial performance of the business

KPIs — Revenue

OPEX

Net profit

* Customer

Focus — customer satisfaction

KPIs — level of return

lifetime value

customer satisfaction?

* Internal

Focus — efficiency of the business

KPIs — machine downtime

inventory level

unit costs

* Learning and Growth

Focus — internal knowledge & innovation

KPIs — employee retention

level of new prod. ideas

employee satisfaction

→ The concept of BSCs was first introduced by David Norton and Robert Kaplan in 1992.

→ Initially developed for for-profit orgs? but later used by non-profits & govt. agencies.

→ Aim :-

1. clarify strategy
2. monitor progress

→ Benefits :-

1. better strategic planning
2. improved strategy comm? & executn?
3. better alignment of projects & initiatives
4. better mgmnt. information
5. improved performance reporting
6. better organisational alignment
7. " process "

→ Limitations :-

1. vague concept & approach
2. no set of std. goals or performance measures
3. restricted to four perspectives only
4. suggests nothing about what should be done

→ Features :-

1. serves as a planned strategy
2. can be copied from one model to another
3. strategic performance metrics
4. quantifiable data & informat?
5. serves to improve the performance & operat? of an org?

→ Elements :-

- customer value
- internal processes
- innovat? & improvement
- organizational learning goals
- financial metrics
- operations
- strategic goals.

Online Appraisal :-

→ a digital platform that gives HR leaders, managers, and employees all-the-time access to performance management information.

→ aka digital performance appraisals.

→ online tools — software platforms
video conferencing
digital forms

→ Advantages :-

1. accessibility
2. efficiency
3. standardization
4. data analytics
5. real-time feedback

→ Disadvantages :-

1. Technical issues
 - poor internet connectivity
 - system errors
2. lack of personal interaction
3. Impersonal nature
4. Incomplete assessment
5. Lack of confidentiality

UNIT - IV

REWARD SYSTEMS

Compensation :-

→ refers to any payment given by an employer to an employee during their period of employment. In return, the employee will provide their time, labour & skills.

→ compensation can be in form of — salary
wage
benefits
bonuses
paid leave
PF
stock options

→ Objectives :-

- ensure employees are fairly compensated
- attract the right employees
- create reward structure
- promote loyalty
- adhere to legal compliance

→ Types :-

Direct financial compensation
Indirect " "
Benefits
Perks