Performance And Reward Management
Prof. Susmita Mukhopadhyay
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture - 16
Implementing a performance management system in your organization
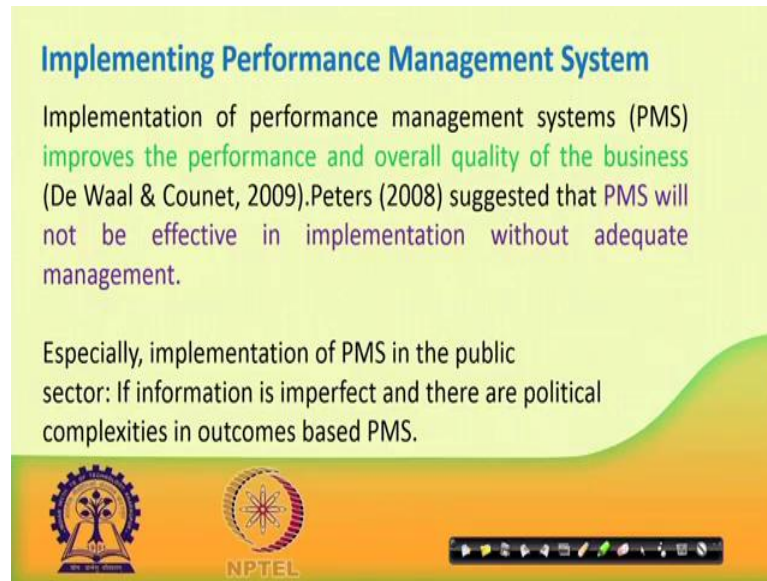
Welcome to the 4th week's module on this course Performance And Reward Management. The topic for today's discussions this week's discussion is Implementing a performance management system in your organization. In the last week's discussion we have started our introduction about how to implement a performance management system in an organization what the prerequisites for it. So, in this week we will discuss in depth more about implementation about a performance management system in an organization.

(Refer Slide Time: 00:56)

So, the concepts covered today are why we need to implement a performance management system, the challenges in implementing a performance management system, reasons behind poorly implemented performance management system.

(Refer Slide Time: 01:11)

Implementing Performance Management System

Implementation of performance management systems (PMS) improves the performance and overall quality of the business (De Waal & Counet, 2009).Peters (2008) suggested that PMS will not be effective in implementation without adequate management.

Especially, implementation of PMS in the public sector: If information is imperfect and there are political complexities in outcomes based PMS.

Now, when we talk of implementing a performance management system in an organization, we understand like why it is important because it improves the performance and overall quality of the business. Peters in 2008 suggested like if like performance management system will not be effective in implementation without adequate management.

So, we have to understand like we have to look through the whole process of implementation and you have to manage it well if we have to make it a success. So, especially implementation of the performance management system in the public sector is very like crucial, because if the information is imperfect and there are political complexities in outcomes then it will lead to like the political complexities in outcomes based performance management system. So, one has to do it very carefully.
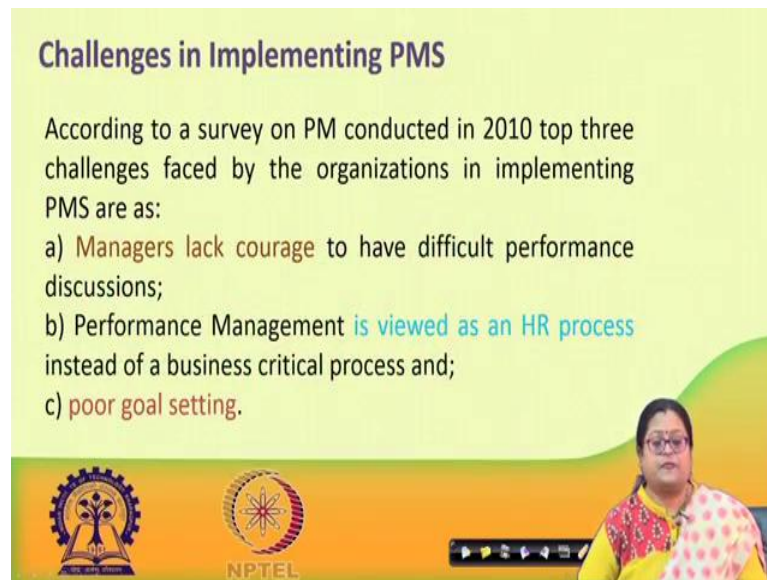
(Refer Slide Time: 02:21)

Though adequate management can provide effective guidance and means of control which can improve the program results. So, it is through only adequate management this can be improved. Often what happens like what we are going to discuss more over here is the how and resistances are encountered at certain points throughout the organization.

In today's discussion we will focus on the challenges of implementation of the performance management system. So, in order to do that we have to think like the whole of the implementation as small small sub projects which should include like all the cultural and environmental issue into the concern, so that the performance management system can be carefully implemented. So, you have to look at that it as a big project with small small sub projects and we have to work on the like the what could be the challenges at each of these points and how to work on it.

(Refer Slide Time: 03:52)

Now, what are the challenges in implementation of a performance management system is, according to the survey done in 2010 the top three challenges of performance management system implementation are managers sometimes lack courage to have difficult performance discussions. Performance management system is viewed as an Hr process instead of a business process, critical process and poor goal setting. What happens managers may sometimes feel like or they feel it difficult to introduce difficult performance discussions.
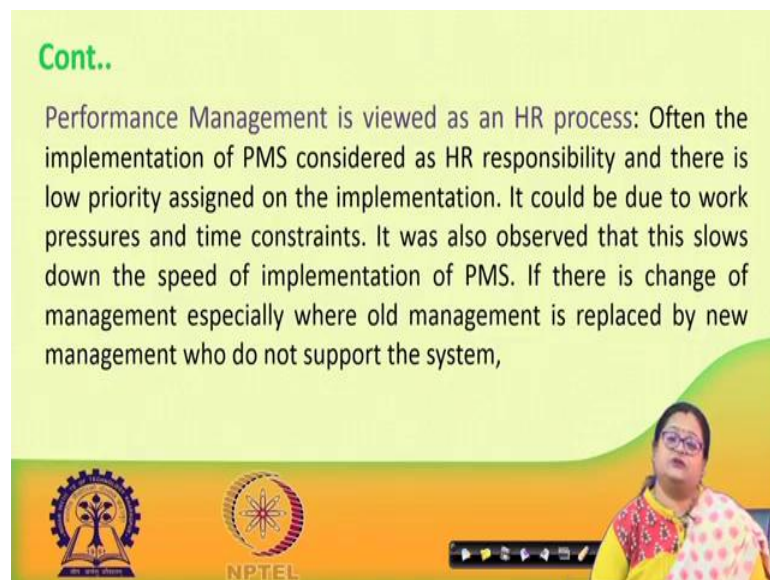
Because if we have seen that if you remember the errors that we discussed in the last class, that there could be errors of central tendencies. But people generally feel like why should I displease someone by giving some reviews which are on the maybe on the negative end. So, I do not know like how they are going to react to these things what like what major outcome it may lead to. So, it is better to be on the like a central part and the central tendency error happens.

Because sometimes it happens like the people there is a gap of understanding between how the organization wants to introduce what is performance understands, what are the performance standards and you will see in like due to the selective perception, selective retention people understand it in a different way. The people on whom who are going to carry out that performance sees it in a different way.

So, there could be a gap of understanding between the people want to introduce it and the people who have to carry those things forward, carry out those orders. So, and sometimes managers have difficulty in like discussing about this performances, like if I have to give a feedback which is maybe about a person's poor performance how do I do, like if I have to tell like again not met the standards how do I do, because I may feel like do I myself know what is expected and what will the person think if I give a negative feedback.

So, these kind of questions maybe there in a managers mind, which may lead to the dilemma of giving him or her the courage to have a discussion about difficult performances and like how to handle it.
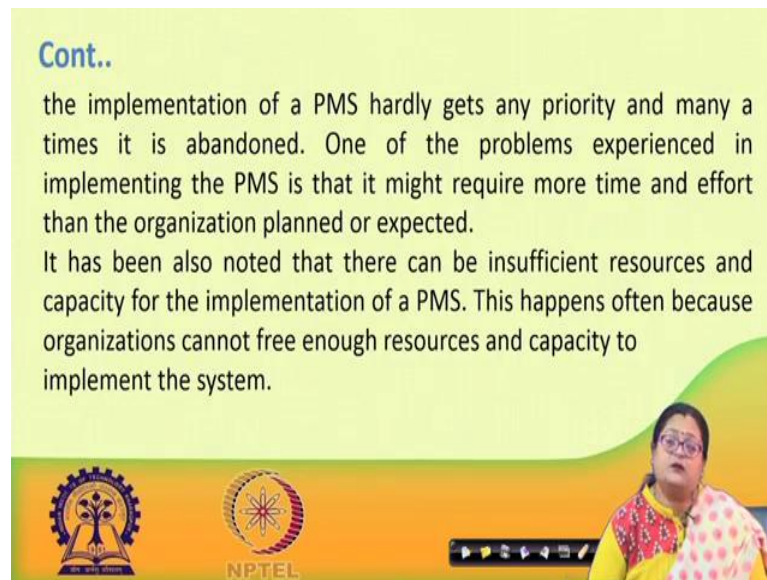
(Refer Slide Time: 06:52)

Sometimes what happens like performance is viewed as an HR process. So, often it is there is a misconception like the implementation of the performance management system is an HR implementation of the performance management system is an HR responsibility and there is a low priority which is assigned to the it is implementation. So, it could be due to like work pressures, time constraints or whatever and these slows down this speed of implementation.

(Refer Slide Time: 07:43)

So, if there is sometimes what happens if there is a change in management specially by the of the old management by a new one, then what happens like the because the new management may or may not like believe in the same performance goals standards as the old management ability. So, there could be like the hardly the implementation of performance management system may get any priority and many times it is abandoned.
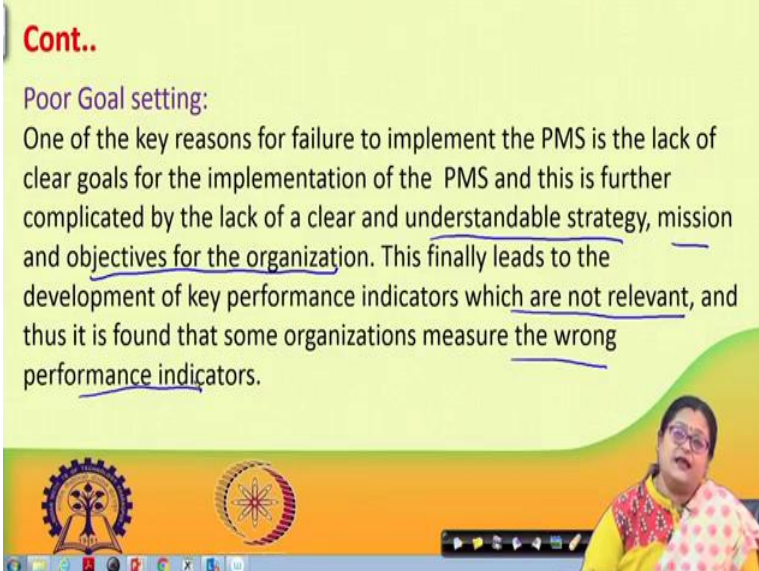
So, what it is required to be discussed over here say implementation of a performance management system is not easy, it will face many hurdles it will have many setbacks and it may require more time and effort than it was originally planned and expected for.

So, that is why in the last section when we concluded we focused on the cost benefit analysis like sometimes the cost of implementation of a performance management system if it is not well planned, well worked out, well pre tested may outweigh the benefits from the system. So, what is has been noted here also like if there are insufficient resources and capacity for the implementation of a performance management system.

So, this happens because like enough resources and capacity cannot be freed by the organization for the implementation of the system. People have to be really dedicated for working on the system see how it is working, and take the feedback from people rework on it and see how it is working. So, it requires the people who will be dedicated for it

resources will be there which will be dedicated for this purpose and sometimes organizations may not have enough resources for this.

(Refer Slide Time: 09:54)

Poor goal setting; one of the key reasons which is which may lead to failure of implementation of the performance management system is the lack of clear goals by the organization and which are like in terms of clear goals in terms of like understandable strategy, mission and objectives for the organization.

So, if the vision mission goal objectives are not clear to the organization perform, because performance management means aligning of the goals of the organization with the goals and objectives set at the departmental level and at the individual level. If what I want to become what I am and what should I do these things are not clear, then what happens it may lead to the development of like performance indicators which are not relevant and it is found like some organizations are measures the wrong performance indicators.

So, it is very important like what I want to become. So, as I was discussing again in the last example here we will discuss the same example in this context, like sales who is an effective salesperson. If I want to define it, then I need to define what I mean by effective salesperson, what if done should show that the person has functioned effectively. But beyond that first I need to connect that sales person's job with the organization's
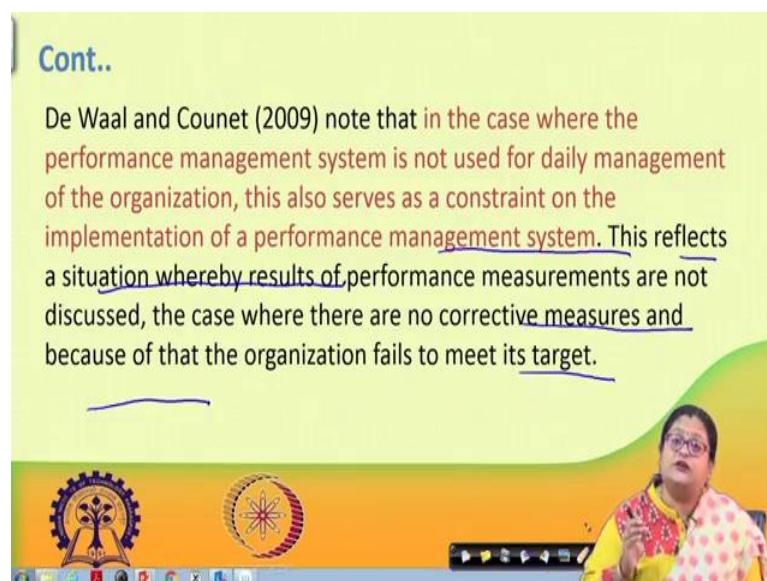
objective like what kind of organizations, what is that like organizations image that I am going to have in the mind of my customers.

If it is like a who is reaching new customers and creating a great base in the like and system, that is one way like how we are reaching our customers and with new products and your different innovative ways of selling. But if it is like they were maintaining on the customers relationship and like taking feedback on them looking for their satisfaction so, then the objective is different and the job of the effective sales person will get defined in different ways if my these two objectives are different.

So, for like to be in a, for better customer relationships management maybe taking feedback from the customers, answering to their calls whenever they are like calling as these kind of services are more important and a person salesperson who focuses on these kind of issues and helps to retain back the old customers are more close to the goal. But he may not be like gaining much of new customers.

So, these, but if we it is like creating a greater pool of customers, then a salesperson who is taking feedback from old customers and answering to their calls promptly. So, they and but it is taking less of effort in creating new customer base is not an effective performer. So, what defines effective performance depends on what are the we have to understand for measuring that whether we have taken the proper indicator or not.
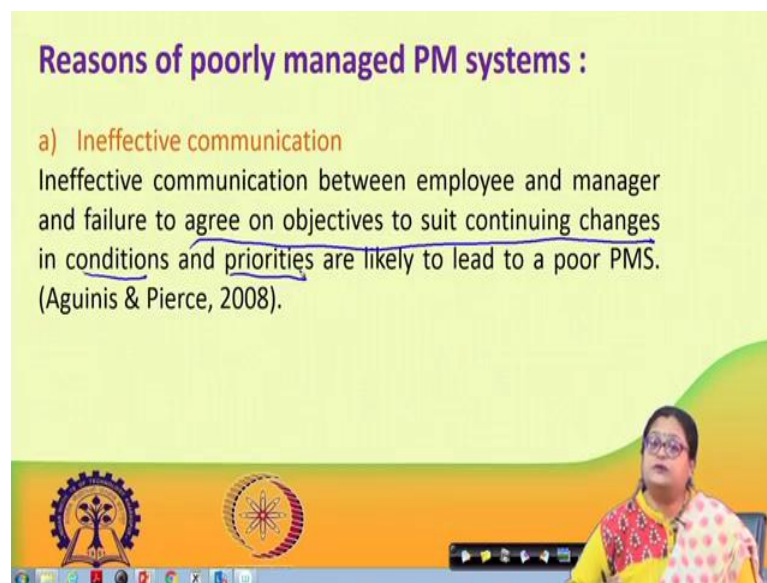
(Refer Slide Time: 14:13)

De Waal and Counet in 2009, noted that in case where the performance system is not used for daily management of the organization, this also serves as a constraint on the implementation of a performance management system. So, this elaborated means like in situations whereby results of performance measurements are not discussed, the case where there are no corrective measures and because of that organization fails to meets it's target. If you remember we have always discussed about shared goals, we have always tried to discuss about shared goals knowledge sharing taking feedback.

So, feedback about where you are, what you want to become, how far you have reached what is the gap between the expected performance and the your actual performance. So, these has to be discussed on a like more or less more frequently if not on a day to day basis. So, where we find like the results are not discussed properly and that there is no correct, corrective measures taken, then the organization also fails to meet it is target.

(Refer Slide Time: 15:52)

Some of the reasons for poorly managed performance management systems are first one is of course ineffective communication. Ineffective communication between the employee and manager and failure to agree on objectives to suit continuing changes in conditions and in priorities or who are going to lead to poor performance management system.

So, this we have told like repeatedly because it is important like there should be proper communication between the employer and the employee and both need to agree this is

very very important both need to agree on objectives to suit continuing changes, like what are the changes in conditions and what should be the priorities.

The priority as I set about these are the priorities of your performance these things are the they are the most important things that needs to be done should be understood in the same way and accepted agreed upon by the employee also. This can only be done if there is a lot of information sharing, discussion, sitting together to arrive at a common goal. So, we for with ineffective communication, these because these things cannot be achieved, so, it leads to poor performance management.

(Refer Slide Time: 17:39)

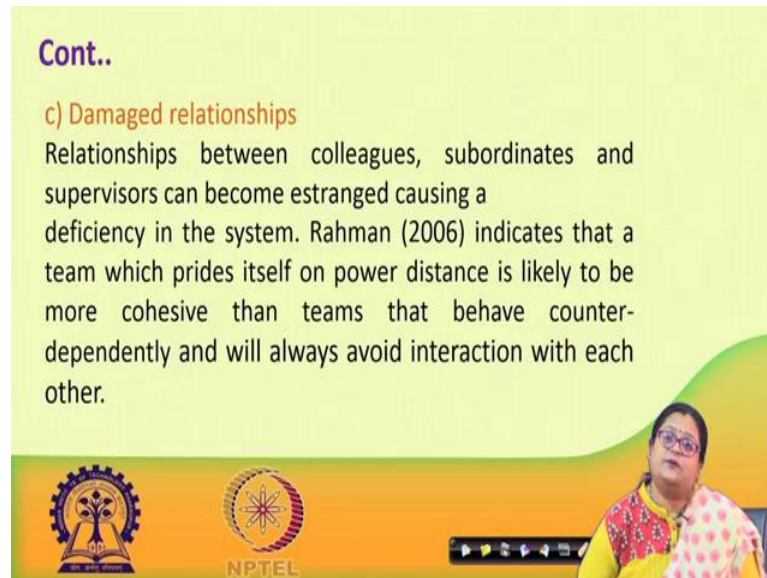Misleading information; another important point is about poor performance management is misleading information non availability of standardized system in any organization may lead to multiple chances for fabrication of information. So, this we have discussed already like we find like if you have told like if there is no proper communication between the employer and the employee and there is a gap in between and like there is no direct communication.

So, and there are so, people may try to make meaning of things in their own way, instead of understanding what is the meaning that is actually conveyed to them by the organization and if there is a high level of subjectivity in the performance decisions of the employees. So, what happens? So, I try to interpret facts in different ways based on my own understanding. So, this one thing goes wrong the whole chain goes wrong. So, it

also leads to feedback being provided in an ineffective and inappropriate manner leading to employee resentment that is why in the earlier sections when we are discussing about training for the raters so, that they can get rid of the raters biases in giving the feedback and become more effective in giving feedback and give feedback in an appropriate manner.

(Refer Slide Time: 19:36)

Damaged relationships: So, relationships between the colleague subordinates and supervisors can become estranged causing and deficiency in the system. Rahman in 2006 indicates that a team which prides itself on power distance is likely to be more cohesive than teams that behave counter dependently and will always avoid interaction with each other. So, if what happens like we have to understand this all these happens because like why giving feedback sometimes we forget or we do not understand to differentiate the performer from the performance.

We forget to give feedback about the performance of the person, but rather to try to judge the actions of the person and being judgmental about the persons and we give positive or negative feedback not about the performance of the person but about the performer himself or herself that in many cases we lead to estrange relationships between like the colleagues, subordinates and supervisors who may feel like uncomfortable in talking to each other or like sharing things with each other, hearing to each others

problems also and there is a like lot of communication barriers happen, which it disturbs the like positive implementation of the system.

So, damaged relationships is a major issue like which we need to avoid because we have to understand this is a bigger goal of the organization that we are moving forward to. And if we giving any feedback constructive feedback about how a person needs to improve and all, how the performance of the person needs to improve and all how to give that feedback and how to like we should be open to receive feedback also is a very crucial training that people need to take, otherwise it may lead to damaged relationships.

(Refer Slide Time: 22:17)

So, when interactions to like took place appraisers could give feedback to their managers. Anytime feedback is conveyed it could be perceived as either a source of social facilitation, which will help to improve the employee's performance.

So, how our feedback is taken when it is taken? So, whether it is discussed interaction is there, whether like in the feedback it has been suggested how people can improve on their performance and what are the like targets to be achieved next whether it has been discussed properly, when to be reviewed again and what support that the employee needs to improve on the performance. If these things are discussed properly between the person who is the appraiser and the appraisee, then it leads to a social facilitation.

Another thing which could be then issue is unfair standards and rating systems. Poorly implemented performance management system can vary across the units and departments. So, what happens like due to poor communication sometimes what happens like, people do not get to understand clearly what is expected of them, what are the standards set and whether like it has been equally implemented throughout the organization. So, what are the processes of implementations?
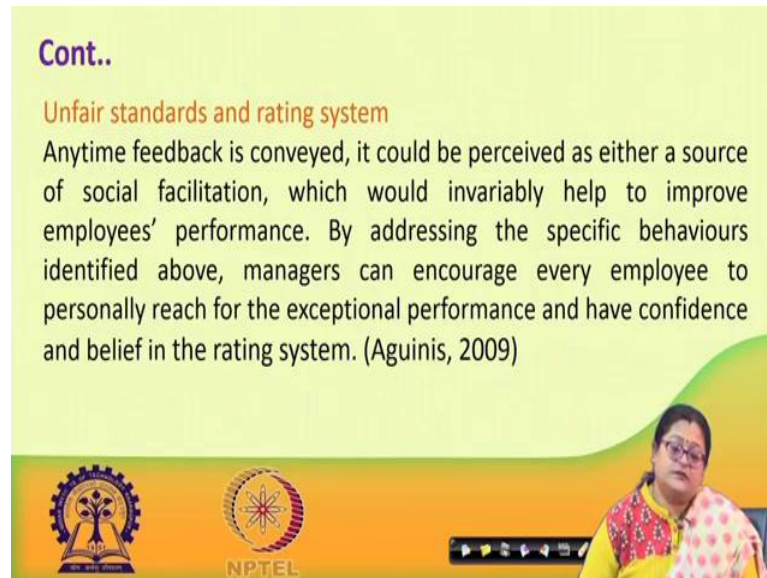
So, and what are the different criterias may be getting reward, getting a reward. So, when do you get rewarded and for what you feel like you have not met the standards. So, this needs to be clearly stated and communicated. So, what happens like if the performance management system is poorly implemented, then what happens? There could be some partiality based on the halo effect that we have across the different departments and units and departments so, resulting in unfairness and like non standardized system. Like a

For we understand like that the departments we understand that the departments are and the jobs also can classified based on their critical not critical and additional factors, but to be a critical factor what are the performance standards that should be standardized properly.

And every evaluator who is judging it, we should be using it in the same way and every employee should also understand like being in this department these are the expectations

from us and we need to achieve it. So, if these well stated policies are not there, then what happens? It may lead to unfairness and non standardized system.

(Refer Slide Time: 25:53)

So, anytime as we are discussing feedback is taken, it could be perceived as either a source of social facilitation which would invariably help to improve employee's performance. So, the by addressing the specific behavior which will be identified those cases, the managers can encourage every employee to personally reach the exceptional performance and have confidence and belief in the rating system.

So, whether this is done for every employee are we are biased to certain employees and to them only we are helping and we are not helping others to improve the performance merely to have a feeling of like discrimination and fair practices and in the rating system and how like the seniors are behaving towards the juniors and helping them to improve on their performance.

So, these and these could give rise to feeling of like partiality done to someone and some feeling of being left out by the others. So, these needs to be avoided because these are like real challenges to the implementation of a performance management system in an organization.

(Refer Slide Time: 27:23)

References

Aguinis, H. (2009) *Performance Management. 2nd ed. Upper Saddle River, NJ:* Pearson/Prentice Hall.

De Waal AA., Counet H., (2009) "Lessons learned from performance management systems implementations", International Journal of Productivity and PerformanceManagement, Vol. 58 Iss: 4.

Peters, B.G. 2008. 'The Napoleonic tradition'. The International Journal of Public Sector Management 21(2).

Aguinis, H., & Pierce, C. (2008) 'Enhancing the relevance of organizational behaviour by embracing performance management research'. *Journal of Organizational Behavior, 29* (1).

So, these are the references that we have for this chapter. So, please go through it, any queries we are open to discuss on it.

Thank you.