

Performance And Reward Management
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Lecture - 17

Implementing a performance management system in your organization (Contd.)

Welcome back in today's discussion. First, we will discuss a case of the Implementation of performance management system in an organization.

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And next we are going to discuss on some of the traditional methods of the performance management system.

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Case 1

Company Profile: One of the large shipbuilding company. It was established during British era. The total permanent workforce in this manufacturing company is nearly 5000.

Recently, the organisation has revised its performance appraisal system; earlier form is known as Annual Confidential Report (ACR) and Annual Performance Assessment Report (APAR) is being currently used.



So, this case has been developed by one of the team members here who is also acting as a associative over here teaching associative (Refer Time: 00:50) so, as a part of our research work. So, this we are using over here to explain the concept of the, how it has been implementation of performance management system matters.

So, what we will discuss over here is a real life case, which is on a shipbuilding company we have not disclosed about the name of the company over here for research ethics purpose, but this is on a real case on a shipbuilding company. So, it is one of a large shipbuilding company. So, it was established in the British era. So, the total permanent workforce in this manufacturing company is nearly 5000.

So, recently the organization has revised its performance appraisal system. So, in earlier form it was known as Annual Confidential Report and in place of that now Annual Performance Assessment Report is been kindly currently used. So, you find there has been a change in the name. Earlier, it was known as Annual Confidential Report and when you talk of Annual Performance Appraisal Assessment Report is the current form.

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The significant feature of previous Annual Confidential Report is the complete **secrecy** of the exercise, both in process and results, unless the rules specifically mentioned otherwise. **The Annual Performance Assessment Report is an improvement of the above, with the added feature of transparency and openness of the process.**



So, the what are the significant features and the differences in the features is that; the significant features of the previous Annual Confidential Report is the complete secrecy of the exercise both in processes and results. So, if not like it was required like things need to be disclosed to the like to every members. The Annual Performance Assessment Report is an improvement of the above with the added feature of like through the added feature of transparency and openness of the process.

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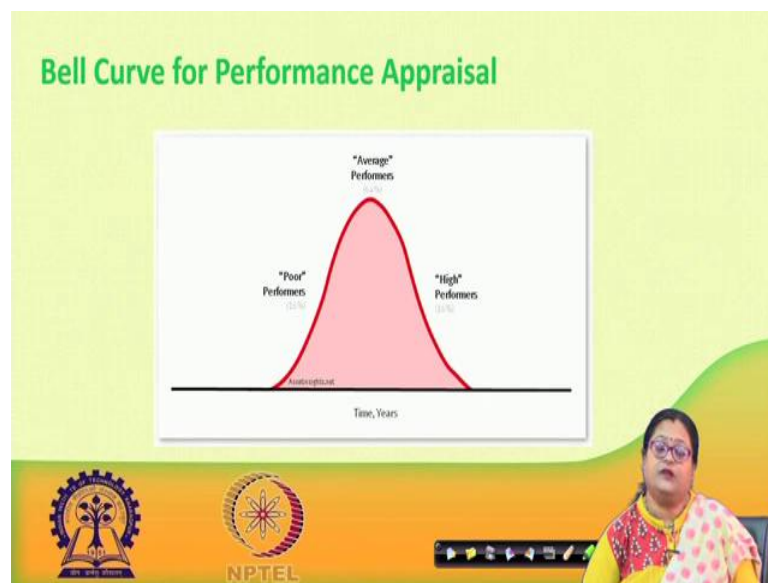
In the present Annual Performance **Appraisal Report an employee is rated by his Initiating officer, Reporting officer, Senior reporting officer.** After the assessment of performance was completed the final rating scores are normalized by the normalization committee. The normalized scores form the basis for drawing the Bell curve distribution of scores.



In the present Annual Performance Appraisal Report, an employee is rated by three persons his initiating officer, his reporting officer and the senior reporting officer.

So, after the assessment of the performance was completed, the final rating scores are normalized by the normalization committee. The normalized scores form the basis for drawing the Bell curve distribution of the scores. So, it appears like there is a lot of improvement on the process and like the whatever is discussed as a part of like the in terms of the more or less a person getting appraised by two-three different independent raters and like the then scores to reduce the inter rater biases, maybe scores are normalized and a Bell curve is drawn to show the differences in performance of the people, who are like who are being appraised by the appraisers.

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So, this is how the Bell curve looks like. So, the poor performers around the one side, average performers and the other tail is the high performers.

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Bell curve is drawn in the manner that not more than 10% executives fall in the category of 'subject matter expert' representing a rating of 5. Similarly 10% or less than 10% executives are graded as an 'ordinary performer' representing a rating of 1.

In the new system employee targets are SMART;
Specific, Measurable, Attainable, Relevant and Time based.



So, the for the organization, the Bell curve was drawn in such a way like not more than 10 percent of the executives, who will fall in the category of subject matter expert rating having a rating of 5. Similarly, 10 percent or less than 10 percent executives are graded as an ordinary performer having a rating of 1.

So, in the new system the employee targets are like smart in terms of specific, measurable, attainable, relevant, and time based. So, if you see till here it shows like everything has been followed in letter and spirit as what are the requirements of the performance management system and its implementations.

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APAR

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PART - I: PERFORMANCE PROFILE

Sl. No.	Key Performance Area (KPA) (Project KPAs / Departmental KPAs, MOU KPAs, Developmental KPAs, as applicable)	Targets (SMART)	Targets Achieved (SMART)	Weight (W) %	Actual Achievements (Rating (R) on 5 point scale i.e. 5-4-3-2-1) (Refer Table (i) of 3 (b)(ii) of Guidelines) Ratings = $\frac{\sum R}{\sum W}$		
					IO	RO	SRO
	Project KPAs / Departmental KPAs						

So, if you can go through this we will find like the in this like the key performance areas are given like, what are the key performance areas and what are the like if you see, what at the project KPAs then what are the departmental KPAs so, developmental KPAs et cetera.


So, and the target setting is smart in nature, targets achieved according to these smart things and what are the weightages given and the what are the actual achievements ratings and 5 point scale given by the initiating officer, then reporting officer, senior reporting officer and weightage are multiplied with ratings to by 100.

So, all these shows like everything has been tried to be very specific and in a measurable like it in a measurable way. And it is following showing the standards are set and goals are like achieved and what is the difference between the actual and the desired performance; all these things are getting measured.

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PART – II. MANAGERIAL COMPETENCIES

Sl. No.	Managerial Competency	Weight (%)	Ratings on 5 point scale (i.e. 5-4-3-2-1) Ratings = $\frac{W \times R}{100}$ Refer Table 3(c)(bb)(i) to viii) & (c)(cc) of guidelines		
			IO	RO	SRO
1	Job Knowledge (Technical, functional specific proficiency)	12.5 %			
2	Planning and Organization ability (Ability to plan activity, prioritize and execute them in an orderly fashion)	12.5 %			
3	Problem Analysis and Decision Making (Ability to comprehend circumstances of the problem and logically attempt to solve them)	12.5 %			
4	Team Building and Coordination (Competency to work together in a group and manage hierarchy)	12.5 %			
5	Interpersonal Sensitivity (Ability to understand to needs and difficulty of fellow workers)	12.5 %			
6	Initiative and Implementation (A readiness to seize opportunities, proactive seeking of opportunities)	12.5 %			
7	Communication Skills (Ability to listen and speak effectively i.e. hardly misheard)	12.5 %			
8	Strategic Thinking and Implementation (Ability to take decisions under uncertainty skilled at anticipating long-term trends, Ability to think in anticipation of adverse reactions)	12.5 %			
Total (Overall ratings of Managerial Competencies)		100%			
40% of total marks obtained i.e. Overall ratings of Managerial Competencies (i.e. sum of $\frac{W \times R}{100}$) x 40%					



So, whenever in the part-II of that form shows, what are the managerial competence is required. Here also you see like the job knowledge and for what are the clear specifically define like the technical, functional and specific proficiencies is required, what is the weightage. Whenever we are talking of the weightage, we are talking about the criticality of that factor, how important it is for competency is.

So, planning and organizational ability, problem analysis and decision making, team building and coordination, interpersonal sensitivity, initiative and implementation, communication skills, strategic thinking and implementation. So, what you find over here like each of them has been defined very clearly like job knowledge is defined as the technical functions and specific proficiency planning and organizational ability.

So, that there is no ambiguity in understanding what is meant by the planning and organizational ability. It has been defined as planning is an ability to plan activity prioritize and execute them in an orderly fashion. Then problem analysis and decision making this has been defined as the ability to comprehend constituents of the problem, and logically attempt to solve them.

Team building and coordination has been defined as competency to work together in a group and ensuring harmony. Interpersonal sensitivity or ability to understand to the needs and difficulty of fellow workers; initiative and implementation readiness to seize opportunities proactive seeking of opportunities; communication skills or ability to listen and speak effectively that is hardly misunderstood. Strategic thinking and implementation has been defined as the ability to take decisions under uncertainty skilled at anticipating long term trends ability to think in anticipation of adverse reactions.

And overall ratings in the managerial competencies been given 100 percent weight, and in the weightages you find like all are equally important kind of 12.5% rating is given and again if it is on the right hand side, it is like the three people are given the rating by three different people who are observing that particular employee. So, what you find over there? The 40 percent of the total marks of tender will be considered overall ratings of managerial competencies that is sum of W into R by 100 into 40 percent.

$$\text{Managerial Competencies} = \frac{(W \times R)}{100} \times 40\%$$

So, proper calculations are there based on their understanding of what is the importance of each of these factors and what is the weightages and what like calculations all that you are going to do to understand the managerial competencies. So, till here it was like looking very fine and giving us the feeling like the yes, performance management system has been introduced in both letter and spirit and everything is getting followed properly.

So, there now we look into the real picture, because sometimes what happens what we are repeating again and again, performance management system and its implementation is not only a mere change in the name that you understand from performance appraisal to the performance management system. But it is a change in philosophy of how you understand, what are the things, what is the important of the things, who all are responsible, what kind of activities that you need to do, when you need to do it, who all are involved and many other things.

So, it is a different way rather of looking into the whole process and it is a different, like it is a change in the philosophy how you believe like your employees are important contributors to bring in the very high level changes in your organization and contribute positively to the growth of the organization and its competitive advantage. If you are really serious about understanding in these connections and give lot of importance to it, then only the seriousness in implementation and your dedication to the purpose is going to come. Like for how you are going to do it, how much importance you give to the thing, how much time investment, resource investment you are making to it and whether you are trying to implement it in a nice way trying to take feedback about it improve on it to see that it really works.

Otherwise, it becomes a lip service and only a showcasing of facts that you maybe do at the very surface level, but a deep level maybe things are similar as you were doing when you are in the original system of performance appraisal.

So, let us see what is the real case over here like, how it is implemented.

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The real picture

A survey was conducted two years after the implementation of APAR.

It showed that Planning happens in **ad hoc manner**, more as a reaction to change and often is poorly executed as contrary to the name SMART.



So, a survey here was conducted 2 years after the implementation of the APAR. So, it showed that the planning happens in an ad hoc manner, more as a reaction to change and is often poorly executed as contrary to the name SMART.

So, we may tell like we do have a SMART goal, but we need to look into the process to understand the way things are done here, is it really the SMART goals processes followed or not. So, when we talk of that the planning is done in an ad hoc manner more as a reaction to change and less of being proactive in nature. So, somewhere you may sense like that the connection of the vision, mission, strategy is not here. Maybe we do not understand like what is the importance of proactive planning so, which will help us to connect to the vision and the mission of the organization.

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People also **do not feel included** in the decision making process as there is a top down approach. As it is an old company and public sector one, the organisational structure is bureaucratic. The employee opinion surfaced from the survey is that **annual targets are not discussed, agreed** and set with the appraiser in an unambiguous manner .



Next is people do not feel included in the decision making process as there is a top down approach. So, it is an old company and public sector one, the organizational structure is quite bureaucratic. The employee opinion surface from the survey is that annual targets are not discussed, agreed and set with the appraiser in an unambiguous manner.

So, we can understand the basic premise of the performance management system, to having a good performance management system in place is to have a shared vision of like what we want to achieve their shared sense of shared goal and communication. And that is facilitated when there is a lot of discussion between the employees and the employer, and the appraiser and the appraisee and there is a lot of trust building and a lot of faith and people are free to communicate to give their opinion on facts.

So, here what you find like the people where do not feel included in the decision making process, because it is a top down approach, it is not like what you can do, but it is what you have to do kind of approach and the targets are not discussed with them and agreed upon. So, maybe this is in the basic premise of the performance management system also it is; like it is not getting followed over here.

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Especially in the present case, where Bell curve method is followed to assess executives on an organizational level. Often officers are appraised by managers, who are **outside** of the officer's department and are **not fully aware** of their performance. Thus it makes the system open to the bias and prejudice of supervisors, which further gives rise to dissatisfaction among employees.



So, specifically here in the present case, what happens is often of officers are appraised by managers, who were outside the officer's department and are not fully aware of their performance. So, does it makes them open to bias and prejudice of the supervisors, which further gives rise to dissatisfaction amongst the employees.

So, someone who does not know what are the requirements of my job, someone who does not know how I need to function comes as an expert and gives his opinion and appraises the performance of the individual is what gives sometimes gives rise to dissatisfaction amongst the employees. Because they have a doubt about actually the expertise of the expert in actual like doubt about whether they are the correct person to like judge how we are performing or not.

So, there is a lot of lack of trust and faith in the process and from that it gives rise to dissatisfaction.

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Even if a formal evaluation is given only once a year, an employee should be made aware of his or her performance periodically throughout the year.

Additionally, there are certain components, (eg SMART targets) which are present in the policy level but there is gap in implementation process.



So, what happens is like even if there is a formal evaluation which is given only once a year, a employee should be made aware of his or her performance periodically throughout the year. This is where will be getting evaluated on, but this is currently we see you are lacking on it, please try to improve on it and all this kind of feedback is really given.

So, there are; also there are certain components of like the SMART targets, which are written in paper and pencil at the policy level, but when you are talking of implementation there is really a gap in its when we talk of implementing a SMART goals.

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Recommendation

The way goal of the company is distributed throughout the hierarchies should be printed so that everyone has clear understanding of what needs to be done.

To reduce human error peer evaluation can be included in the assessment process, also Bell curve mechanism can be backed by other measures of performance appraisal.



So, what was a recommended given as a part of this study is like, the way the goal of the company is distributed throughout the hierarchies should be printed so that everybody has a clear understanding what needs to be done.

To reduce human error peer evaluation could be included in the evaluation process, also Bell curve mechanism can be backed by other measures of performance appraisal. Also so that like we get to understand the whole picture of like even understanding, what are those good things in the subject matter experts, what are those things which are with the differentiates the subject matter experts from a person who needs to improve and how that person can like improve on those facts.

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Job roles are inadequately defined and not always mapped against available competence in the organization. The training need assessment should adopt more scientific approach.

Monitoring of performance and providing feedback on regular basis should be integrated into performance management system at the company.

So, what happens like the job roles are sometimes seen adequately defined and it is not mapped against the available competence in the organization? So, whether the internal skill assessment has to been done or not and whether the job rolls and whether the competency mapping all the people have been done or not, and whether these job roles are properly mapped with these competencies is a big. Like question that we need to deal over here and the training and need as training need assessment like it should adopt more scientific approach, like whenever we are talking of training need assessment, this is a very important issue in discussion.

Because the organizational need again like what it wants to become and what it has at present and what is the gap in the required future competencies and the present skill set

and how to like fill up that gap will give rise the need for training in the organizational level, then that is translated down to the departmental level and coming to the individual level. Then which individual possesses what kind of knowledge and what are the things that the training that they need to develop upon needs to be discussed when you are talking of training need assessment.

So, another important thing is monitoring of performance and providing feedback on a regular basis, it should integrate it into the performance system, management system of the company. So, getting like regular feedback and how checking on how what is the improvement on performance even if like it is like shown that yearly a actual an evaluation is done, but throughout the year in the small self test, self checks and evaluations are done to improve on the performance then ultimately on the day of the final evaluation results will be much better.

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The existence of post appraisal interview is also important to the appraisee. They should be given a chance to convey their opinion to the top management.

The appraisees also expect that their comments and suggestions should be taken into account while conducting appraisals.

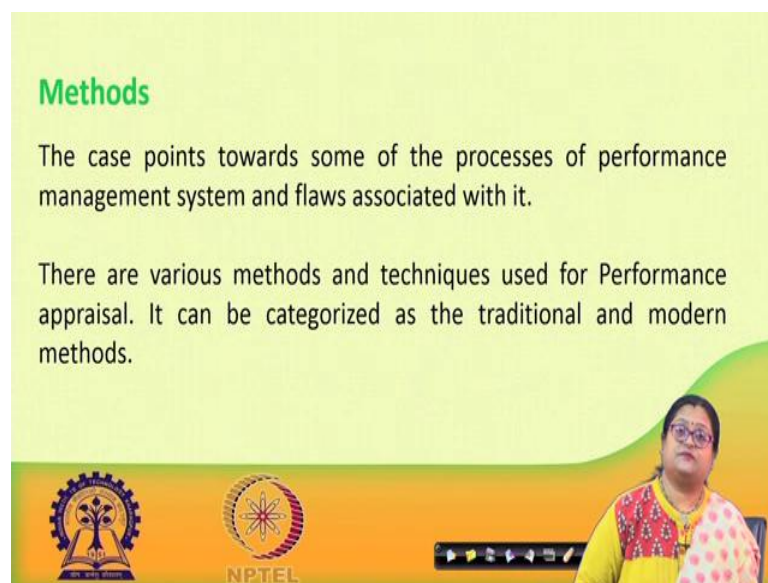
So, the post appraisal interview is also very important to the appraisee. So, because this in that the one way is that they get the feedback from the, their top management, but it they should also be the every employee should be given a chance to convey their opinion to the top management.

And in that it helps in developing both a lot of trust and emotional bonding because this process of appeal if something is wrong. And the person wants to re-evaluate maybe certain decisions made about the performance, appraisal decisions made about the person

and the person can appeal about it that again gives like more strength of the bond between the employer and the employee.

So, the appraisees also expect that their comments and suggestions should be taken into account while conducting the appraisal. So, that increases the self esteem of the person also if you see that there are suggestions that they have given and the comments that they have taking meant about some certain improving of the performance. So, that of the whole system has been taken care of while conducting the appraisals.

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Methods

The case points towards some of the processes of performance management system and flaws associated with it.

There are various methods and techniques used for Performance appraisal. It can be categorized as the traditional and modern methods.

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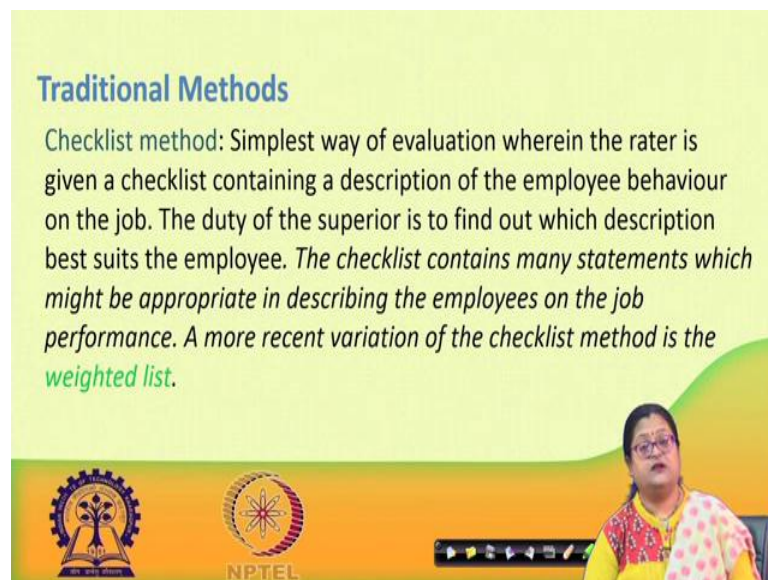
So, what is case points towards is like the some of the processes of performance management system and the flows associated with it. What it really shows is that, we may have certain plans in mind we may think like we will be doing things in certain way, but when it really comes to the execution of it, implementation of it; the way that we start with the execution, the way that we plan for the process, the way that we take the feedback, the way that we behave with the people. This should be well aligned and with the purpose of the performance management system and the guidelines were doing it like alignment with the goals properly.

Giving proper feedback openness to communication, feeling of like trust and feeling of being respected and it is a regular feedback. It needs to be discussed with people to give a importance on the communication system, and shared vision these things need to be they should not be only in letters, these needs to be practiced. And that is why we were

discussing like the both in letter and spirit otherwise it will be only in letters, but when it comes to the whether you feel like its will be truly done we will find certain things which are there, which needs to be improved.

So, in order to improve on the process of implementation in a better way, we will now focus slowly to the different methods and techniques used for performance appraisal. Because here we understand performance appraisal as a process where there has been a set standards and goals a set of expectations given and, your actual performance and how we see how we come to the conclusion like whether you have try reached the expected performance or not. So, it can be categorized as traditional and modern methods.

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Traditional Methods

Checklist method: Simplest way of evaluation wherein the rater is given a checklist containing a description of the employee behaviour on the job. The duty of the superior is to find out which description best suits the employee. *The checklist contains many statements which might be appropriate in describing the employees on the job performance. A more recent variation of the checklist method is the weighted list.*

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First we will discuss the different traditional methods then in the consecutive sessions we were going to discuss or the modern methods and like issues related to it. Now the traditional method; the first traditional method is the checklist method. So, it is the simplest way of evaluation where the rater is given a checklist containing a description of the employee behaviour on the job.

So, the duty of the supervisor is to find out which description base suits the employee. The checklist contains many statements which might be appropriate in describing employees on the job performance. So, what things people may be doing in the job? So, these are given as a checklist and the person has to put a tick to what all things the person is demonstrating on the job?

So, a recent variation of this is of the checklist method is a weighted list because as we were discussing about the critical nature of the events and the critical nature of the activities that are required also classifying activities required in the job into class like critical and not so, critical factors and some things that which may be additional or may be it also is very important to do like give a weightages to the; weightages which shows the importance of the different activities with respect to the like job role that the incumbent is placed into. So, the recent variation is that of the weighted list method.

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Critical Incidents Method: Here, the evaluator rates the employee on the basis of **critical events** and how the employee **reacts** in such **events** - essentially their **behavioural patterns** during those incidents. This includes both the positive and the negative traits of the employee. *This method objectively discusses an employee's performance during such incidents.*

Another important technique that has been like followed is a critical incidents method. Here the evaluator rates the employees on the basis of critical events and how the employee reacts in such events so, specifically their behavioural patterns during those incidents. So, these includes like both the positive and the negative traits of the employee; so, this methods it helps to objectively discuss and the employees performance during such events or incidents.

So, this is connected with the fact of understanding like if you are talking of performance and if when you introduce your discussion about performance. If you remember, we discussed performance is not only the combination of traits that we have, but also how these traits help us to act in a particular situation, that yields to certain result and that result needs to the ultimate outcome.

So, whenever we are talking of critical incidents method, then it happens like it is a set of observations done in which a critical incident is given and it is tried to find out in that particular situation with there may be storehouse of streets, that the person has the knowledge base that the person has, and how that person is going to like respond to this critical event and what that person is going to do.

In that risk and during those incidents only and the what is their level of how what things they have done and that will define their levels of performance. So, it is more contextualized with reference to the certain events and critical events and how the employees are going to react to those events.

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Rating scales: Simplest and most popular technique for appraising employee performance. The typical rating scale consists of several numerical scales each representing a job related performance criterion such as dependability, initiative, output and the like. Rating scales offer the advantages of adaptability, relatively **easy use** and **low cost**.

Next is the rating scales; it is the simplest and the most popular technique for appraising employees performance. So, the typical rating scales consist of several numerical scales each representing a job related performance criteria such as may be dependability, initiative output and the like. So, rating scales are like it offers advantage of adaptability, it is relatively easy to use and it is low cost, but there are you know like as we have already discussed about the raters biases also.

So, it may lead to certain biases like that positivity error, negativity error, central tendency error because people we have certain tendencies to like give certain kind of responses like always positive, always negative or somewhere in the middle.

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So, we will continue with these discussions in the next upcoming sessions also. So, these are the references that we have for this discussion that we had now. In the next like sessions we are going to continue further with the discussions of the traditional methods of performance appraisal, modern methods of performance appraisal and we are going to discuss more examples on it.

Thank you.