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Organizational Effort towards Performance Management System: A Key to Success

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Abstract
The basic purpose of performance management system is to create the alignment in between the organizational objectives and its subsystems to achieve the organizational objectives. Developing and managing performance management system is not an easy task. There should be consensus among employees when goals are developed. The effective implementation of performance management system is the key to success for organizations looking for achievement of the organizational goals. The main goal of performance management is to ensure that the organization as a system and its subsystems work together in an integrated fashion for accomplishing optimum results or outcomes. This article begins with a review of definitions and descriptions of performance management system and demonstrates its impact on individual employee performance and motivation towards organizational effectiveness.
Keywords: organizational effort, performance appraisal, performance management system, balance scorecard, employees' performance.

1. Introduction

Performance management is about managing the performance, whereas "performance" according to the Oxford English Dictionary, can be defined as "The accomplishment, execution, carrying out and working out of anything ordered or undertaken." Performance can be regarded as behavior, the way in which the organizations, teams, and individuals get work done (Armstrong, 2001). According to McNamara (2006) performance management is a complete process which throws light on the overall organizational performance to the departments and at the employees' level. It also tends to focus on the process to provide products or services in the organization. Before that Chandler (1970) proposed the shift of performance management from organizational structure to the employees for achieving better performance. As Cokins (2008) defined the multidimensional organization structure in order to manage employees' performance.

Performance management system (PMS) is a complete process, which is based on the workforce performance and fulfillment of organizational objectives at all levels. The basic philosophy behind the performance management system is to develop the alignment between the organizational objectives, with the employees' skills and capabilities, moreover it emphasizes on the development and improvement of the overall system. People mostly misinterpret the scope of performance management with the performance appraisal. In actual performance appraisal is judging the past performance while performance management system is an ongoing process to measure the fulfillment of objectives. Nankervis (2004) while doing his research in an Australian Institute finds that there are very few organizations which shared their organizational objectives with their employees.

Most of the organizations have used performance appraisal as compared to the performance management in which the focus is made in the comparison between the performance standards being made by the organization and the actual performance of the employees while no one actually compares the performance against the organizational objectives. Performance management is the continuous effort while we work in the organization for quality control, in quality based organization the objective of the performance is made on achievement or fulfillment of the goals rather than established standards. No doubt in performance management system which is actually the sub part of quality control having some performance standards but these performance standards are very much aligned with the organizational objectives.

2. Theoretical Background

Organizations often struggle to identify factors that accurately capture progress on organizational goal attainment (Zuckerman, 2006). Further, Martz et al., 2001 defined these factors as the "few key" areas of a plan where things must go right in order for the plan to succeed., and call it critical success factor (CSF) or key performance indicators (KPIs). "Productivity measures, like all performance measures, serve to provide direction and motivation, particularly when targets and objectives are specified (Martz et al., 2001). Amaratunga and Baldry (2000) further comment, performance measurement incorporating non-financial measures have been a topic of great interest throughout most of the 1990s. This is because non-financial measures overcome the limitations of just using financial measures. The major initiatives taken by most of the organizations toward effective performance management system were discussed below:

Vision/Strategy: Performance management should be linked to the mission statement; derived from vision, mission and strategy. These facilitate a PMS capable to drive both the individual and corporate goals. Individual goals should evolve through a cascade of integrated goal and standard setting (Torrington and Hall, 1991; Heckscher et al., 1994; Bevan and Thompson, 1991).

Organization Size: The number of staff can approximate a company's size (Hagedoorn et al., 1994). There are many opinions in favour of the positive relationship between organizational size and performance e.g Singh (2004); Folta et al., (2006), Schweitzer (1997), Zhang (2006), Omta et al., (1994) argues that large firms tend to obtain more economies of scale than their counterparts; therefore larger firms achieve better performance.

Resources: Researches are being done to find a clear relationship between firm‘s resources and its performance (Agrawal et al., 1996). Mann et al., (1999) have identified some best practices in resource management e.g. Post investment evaluations, use of activity based costing etc.

Self-Assessment/Continuous Improvement: Self-assessment presents organizations an opportunity to measure ―quality culture. Through a systematic use of various frameworks, the strength and weaknesses in various areas can be measured to check whether quality efforts are deployed in the right way. Self-assessment gives an opportunity for management by objectives. Further, it helps in the performance appraisal / measurement for continuous improvement by creating self-motivated workforce, developing standards for benchmarks. These in turn facilitate deployment of the organization's policy in the right direction (Zairi 2005; Rowley 2000; Hofstede 1980).

Leadership Style: The role of senior management is to create a climate for change by developing ambitious product and operating standards. Moreover, they are also responsible for highlighting successfully revitalized units as models for the entire company, and provision of the broad direction or vision rather than a detailed approach to change (Tharoor, 2005).

Employee Involvement: Companies can generate loyal and satisfied customers through loyal and satisfied employees. BMW (2005) says that the employee-orientation of corporate policy ensures long term profitability of the company, by eliminating negative effects on costs. The cost can be in the form of employees' absenteeism due to boredom, lack of interest; as policy is not supposed to be aligned with their goals and progress etc.

Empowerment: Empowerment transfer authority from employers to employees. It enables employees to take their own responsibility. This concept is not only limited to the dimension of power shifting, but also includes the extent of usage of a variety of skills, abilities and job satisfaction etc. (Hackman et al., 1980)

Communication / Feedback / Knowledge Sharing: Communication can increase responsiveness and understanding among organizational members. Effective communication helps in removing the workflow ambiguities through knowledge sharing; and in turn enhances coordination of workflow (House and Rizzo, 1972; Cegala et al., 1982; Jones et al., 1979).

Reward/Recognition: Work rewards refer to the intrinsic and extrinsic benefits that workers receive from their jobs (Herzberg, 1966; Katz and Van Maanan, 1977). It is claimed that team reward systems emphasize cooperation, the sharing of information, knowledge, loyalty and expertise to increase firm's performance (Milkovich et al., 1993; Kalleberg, 1977).

3. Shift from Performance Appraisal to Performance Management

Performance Appraisal is the system to appraise the past performance of the employee and based on the performance decision regarding the employee's promotion and regarding other benefits can be made. Usually a supervisor or the immediate boss is responsible for it to write the appraisal of the employees. It is quite debatable that the appraisal is good or bad, some people think that the appraisal is quite justified while others think that it is not a fair system as the biased can be an element which can ruin the real benefit for it. In this article we are not going to argue that performance appraisal is good or bad but the topic is that a shift from the performance appraisal to performance management is currently rising.

There is a lot of research has been made on performance appraisal but unfortunately it did not give any satisfactory results as Wilson (1994) tends to describe the performance appraisal as it did not work for the employees as well as for the organization except developing the dissatisfaction. Soo Hoo (2004) concluded two of his researches that 90% of the employees found the performance appraisal as an ineffective mechanism. One of the reasons he deduced from his research was the managers avoid giving honest critiques because they don't want any conflict. Often time's managers dread the appraisal process as much as employees do, so they procrastinate and don't prepare adequately. Employees can be demoralized by ratings and statistics from the research said that 80% of people see themselves in the top 25% of all performers. So 55% will be really demoralized by honest feedback about where they stand.

We come to know from all above discussion that performance appraisal is not doing something extra for the organization and the organization awarded employees based on the appraisal unable to get the required result. Reward does not change the performance of individuals who work exclusively for reward. Better remuneration system can never be a good option for the organization in achieving its objectives. On the counterpart it can de-motivate the employees due to unequal distribution of rewards on the basis of performance appraisal.

Glendinning (2002) suggests that performance management is the system which is supposed to be the need of the hour for organizations and a replacement of old performance appraisal system. He further argued that an organization without a performance management system has no vision for its future. Gravette (2006) with her research concluded that employees must be familiar with the performance management system, working in the organization and there should be a discussion with the employees about the scale and the measures which are to be used for the performance evaluation.

On the whole consequences of performance appraisal may lead to the decline in overall performance of the organization. On the other side, managing employees' performance is the system which enables the organizations to achieve their goals by utilizing the skill level of their employees. It begins when an employee joins the organization and ends when he leaves the organization.

4. Major aspects of PMS

Seven aspects of performance management we need to consider as critical in making performance management more effective:

- Formulation of an effective performance management policy and framework.
- Getting to know and understand the job functions of all employees.
- Understanding the link between employees' jobs and the organization's goals.
- Defining performance measures.
- Monitoring employees' performance on a daily basis.
- Measuring employee performance.
- Reducing / getting rid of things that hinder or prevent good performance.
- Teamwork between supervisors and subordinates in improving performance.

Performance management and getting the required behavior is one of the core issues which most of the organization fails to analyze in order to achieve the required goals (Weatherly and Malott 2008). Organizational behavior should be developed between the individual in such a way which is performance oriented and behavior should be analyzed and then modified to develop the required behavior (Whiting et al., 2008).

The success of the system is correlated with employees' expectations, if the employees' expectations are fulfilled with the appraisal system, then there exists positive relationship and vice versa. The other thing which must be kept in mind while developing the goals that it should be in accord with the employees and organizational capability (Latham and Borgogni, 2008). Individuals should be accountable in promoting of a performance management system which actually promotes the quality culture. Turusbekova et al., (2007), describes the need of the quality management system in the organization to get the desire behaviors of workers because workers some time violate the rules and detract the quality processes.

The basic purpose of performance management system is to create the alignment in between the organizational objectives and its subsystems to achieve the organizational objectives (McNamara, 2006). In the modern organization there should be a balanced performance management system to achieve the objectives. By strategically using the performance management, organizations can develop its performance standards, can develop the measures and then reports the findings further improvement and in this a continuous process keep running.

In total quality management (TQM) techniques, performance management system plays an important role in developing as well as measuring and achieving the objectives. The approaches like balance score card, metrics, indexes should be matched to the system in the quality process to the organizations (Stivers and Joyce, 2000). A balanced performance management initiative was taken by Kaplan and Norton (1992) to achieve the organization's vision strategically. Balance score card focusing on the four business prospective i.e. financial, customer satisfaction, business process and the organization learning and innovative culture.

A recent survey determined that the companies use an average of 13 management tools at the corporate level. These tools are intended to help with measuring or monitoring the performance of an organization, and within this the most popular performance related tool was the Balanced Scorecard (Rigby and Bilbodeau, 2005). In the absence of a basic strategic context, managers found it hard to agree on an appropriate set of measures of organizational performance (Ahn, 2001). Balance scorecard is the platform for measuring the organization performance having coordinating with financial and non financial aspects of business (Irwin, 2002).

5. Measures in Performance Management

Performance measures should identify the population to be measured, the method of the measurement, and the data source and time period for the measurement. Each measure should also be:

- objective
- easy to understand
- controllable by minimizing outside influences
- timely
- accurate
- cost-effective
- useful
- motivating
- traceable

Performance measures are quantitative or qualitative ways to characterize and define performance. They provide a tool for organizations to manage progress towards achieving predetermined goals, defining key indicators of organizational performance and Customer satisfaction. Performance measurement is the process of assessing the progress made (actual) towards achieving the predetermined performance goals (baseline). Measurement is managed using output measures and outcome measures. Output measures are calculations of recorded activity or effort expressed quantitatively or qualitatively. Outcome measures are an assessment of the results of a programme compared to its intended purpose.

Strategically goal setting, developing performance management system, individual accountability, rewards and recognition are some of the key elements for a quality performance management system. Beside this, a total quality process also focuses on the participation of all the stakeholders of the organization including the management, employees, suppliers and customers (De Waal et al., 2007; Chang, 2006).

Employees' performance depends on the effective performance management system (Buchner, 2007). The employee must have knowledge about their job what they must have to perform in order to fulfill its job target. In every organization the developed performance elements tell what the employees really have to perform and the performance standards tell the employees that how effectively they must have to perform. The performance elements are the indicators which can vary from organization to organization; it can be productivity, effectiveness, and objectivity. While the standards include certain objectives for which to employees must have to achieve. Performance standards and elements should be such that which must be calculated, attainable, fair and challenging.

Goals can only be achieved if both critical and noncritical elements are being properly communicated (Price 2006). At all the levels of the organization, there must be a system of measurement for measuring all the critical activities. Performance management is a continuous process in which the followup is being given after each and every activity is to perform and measure.

6. Conclusion

The role of HR in the present scenario has undergone a sea change and its focus is on evolving such functional strategies which enable successful implementation of the major corporate strategies. In a way, HR and corporate strategies function in alignment. Today, HR works towards facilitating and improving the performance of the employees by building a conducive work environment and providing maximum opportunities to the employees for participating in organizational planning and decision making process. Today, all the major activities of HR are driven towards development of high performance leaders and fostering employee motivation. So, it can be interpreted that the role of HR has evolved from merely an appraiser to a facilitator and an enabler.

Performance management is the current buzzword and is the need in the current times of cut throat competition and the organizational battle for leadership. Performance management is a much broader and a complicated function of HR, as it encompasses activities such as joint goal setting, continuous progress review and frequent communication, feedback and coaching for improved performance, implementation of employee development programmes and rewarding achievements. The process of performance management starts with the joining of a new incumbent in a system and ends when an employee quits the organization. Performance management can be regarded as a systematic process by which the overall performance of an organization can be improved by improving the performance of individuals within a team framework. It is a means for promoting superior performance by communicating expectations, defining roles within a required competence framework and establishing achievable benchmarks.

It is conceived that the effective implementation of performance management system is the key to success for organizations looking for achieving the organizational goals. The traditional approaches like performance appraisal create many hindrances and instead of playing an effective role in the organization develop a cold war between the employer and employees. Developing and managing a performance management system is not an easy task. There should be consensus among employees when goals are developed. Goals are such that which should be easily subdivided into different organization level. By using the balance card approach developed by Kaplan and Norton (1992) all the four prospective (financial, customers, process, and learning and growth) must be kept in mind. Management should be committed to develop the system and proper communication with the employees should be made. Clear measures should be adopted and employees at all levels must be aware with the adopted measures. Performance management is a continuous process; to follow up should be given to the employees so that employees can come to know regarding their performance in the organization.

As the performance management is a costly process and a lot of time and money involved in it so great care should be taken; only critical activities should measure which are necessary for achieving the organizational goals. However this does not mean that completely ignorant of non critical and additional performance elements. These are the supporting elements which provide the strategic support and act as a catalyst for achieving organization objectives.

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