

Innovations in Performance Management Practices

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Abstract:

Organizations are innovating performance management practices as per the changing demands and to adjust with changing business environment. This study attempts to find out various new ways used by the organizations to carry out performance appraisal of employees in their organisations. The changing business environment forced many organizations to change their performance appraisal methods and approach. This study also tries to discuss what were the earlier practices and then shifting to new ways of appraising the performance. The organizations discussed, in this study have shifted from Bell Shape Curve OR Rank & Yank or Forced Distribution method to some other suitable method. The new trend in performance appraisal is regular feedback system through which organizations are ensuring improvement of employees' performance and also helps to lessen the stress associated because of the Bell Shape Curve method used. It not only motivates the employees but also resulted in increasing the moral amongst the employees. Many organizations have developed as 'App' for continuous performance evaluation and continuous feedback. This helped employees as well as managers and organizations to fulfill their objectives effectively.

Key Words: Performance Appraisal / Assessment, Performance Management, Performance Management System, Continuous Appraisal, Feedback.

I. Introduction

Organizations are innovating performance management practices as per the changing demands and to adjust with changing business environment. Today Organizations' are under tremendous pressure to be successful and withstand the increasing competition. As employees of every organization are instrumental in the success of that organization, employee's performance is the area of concern for all most all the organizations.

Performance:

Performance refers to what an employee does or does not do on the job.

Approaches to performance appraisal:

In earlier days performance appraisal was not regarded as very important one. Hence the performance appraisal /evaluation were not that systematic.

Earlier approaches to performance appraisal

- 1) Casual or Unsystematic.
- 2) Traditional and highly systematic
- 3) Behavioural Approach

Performance Appraisal / Assessment:

Process by which data about an employee's past and current performance in the organization is collected and reviewed.

Important Definitions of performance appraisal:

"Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary on making correct and objective decisions on employees."

Dale Yoder

"Performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and his potential for better job."

Edwin Flippo

II. Performance Management System

Performance management is an innovative appraisal and development system. This is intended with the improvement over traditional performance appraisal systems. Performance management tries to align individual goals with organizational goals.

Methods of Performance Appraisal are categorized in two broad areas:

- 1) Traditional methods of performance appraisal and
- 2) Modern methods of performance appraisal.

Each category consist various methods of performance appraisal, organizations uses methods of its choice according to suitability. The list of methods for each category is as follows.

Table 1

Traditional Methods		Modern Methods	
1)	Ranking Method.	1)	Management by Objectives (MBO)
2)	Paired Comparison Method.	2)	Behavioural Anchored Rating Scale (BARS)
3)	Grading Method.	3)	Assessment Centers.
4)	Forced Distribution Method.	4)	360 Degree Appraisal.
5)	Checklist Method.	5)	Balanced Score Card (BSC)
6)	Forced Choice Method.		
7)	Critical Incident Method.		
8)	Graphic Scale Method.		
9)	Essay Method.		
10)	Field Review Method		
11)	Confidential Report.		

In past most of the organizations' were using traditional methods to appraise the performance of its employees. The organizations earlier used Bell Shape Curve Method for performance appraisal.

Bell Shape Curve Method of Performance Appraisal:

Bell curve system of performance appraisal is a forced ranking system imposed on the employees by the management. Through this system, the organization tries to segregate the best, mediocre and worst performers and nurture the best and discard the worst. And this segregation is based on a relative comparison of the performance of the workforce against those engaged in a similar activity and ranking them accordingly.

Bell curve method assumes that employees in an organization can be divided into groups such as:

High Performers – Top 20%

Average Performers – The middle 70%

Below Average Performers – The bottom 10%.

This method has used by many organizations, but as the business environment has changed, this method found to be unsuitable. The organizations changed their methods of performance appraisal and shifted to modern methods.

Following are some of the modern methods prominently used by the organizations.

360 Degree Appraisal:

Multi Rater, Multi Source feedback used in most of the organizations. The objective of this method is to obtain feedback about employee performance in multiple roles and from various perspectives.

Balanced Score Card:

This method involves the systematic evaluation on financial and non- financial matters. It helps in identifying the areas of improvement.

Assessment Center:

The objective of this method is to evaluate the employee's potential or abilities for future tasks rather than the employee's past performance.

III. Literature Review

Earlier studies on the similar topics reveal,

Neeti and Santosh .C (2015) studied that employees have good knowledge of performance appraisal and have a positive attitude towards it as their promotion is purely based on performance appraisal and the ratings help to fix increments. During the course of study suggestions came from the employees for the need of counseling. Performance appraisal should be made more transparent and rationale.

Sayantani G, Niladri .D (2013) studied the impact of performance reward systems mainly Performance Related Pay, the role of resources in influencing educational outcomes and there liability of existing methods of assessing educational performance. They reported the findings which identify the methods of PMS in Indian and international education sector by introducing a new model in performance management system. This model uses three forms to collect information regarding the particular faculty from various sources that are the particular faculty, students and Head of the Department. All this information will be send to the Management for analysis and feedback. Major benefit is transparency.

GENERAL ELECTRIC – GE

The performance appraisal is very critical for any organization. The organization known to be pioneer in performance appraisal is GE – General Electric is one of the successful organizations with the performance appraisal system known as “Rank & Yank.” The organization use to fire the bottom 10% employees every year, resulting in consistently improvement in performance of the employees. This method became so popular that many organizations started using the same method for performance appraisal in their organization also. On passage of time the ill effects of the method felt badly, because of the changed scenario in reference to changed business environment, etc.

The organization rethought their performance appraisal system and decided to change to the new performance appraisal method.

Then the organization also decided to move from annual appraisal to continuous appraisal and feedback.

INFOSYS:

Adopted iCount, the new system of performance appraisal; prior to that Infosys also practicing bell shape curve method for performance appraisal. The new system iCount is open ranking of employees’ performance. The focus of new system is on individual rather than relative performance. Changing business environment and increasing completion forced Infosys to change from the established bell shape curve method to the new iCount.

As part of iCount, employees are offered feedback and subjected to reviews throughout the year rather than just an annual appraisal.

This new system imparts more flexibility on the part of Manager, not only flexibility but it also empowers the managers.

IBM:

The system introduced by Infosys is quite similar the system named “Checkpoint” developed by IBM the American organization. The new system focuses on achieving targets throughout the year.

ACCENTURE:

Goodbye Annual Performance Appraisals. Real-time Feedback Helps Employees Be Their Best.

The new appraisal system introduced by Accenture has removed all ratings. It also practicing bell shape curve as method of performance appraisal. It is said that the earlier system was performance management & the new system is “performance achievements” Employees set the objectives & targets according to their role and project using an online tool called “My Performance Tool”. The objectives are reviewed by supervisor. Supervisor gives his reviews and also tells about the employee’s strengths and areas of development. The employee need to work on the areas of improvement mentioned in the feedback.

IV. Objectives

To study the performance appraisal processes and method or approach used.

To study changes, and innovative performance appraisal practices used by the organizations.

V. Methodology

This is an objective based study carried out with the help of secondary data. The relevant information is collected about various organizations. The changes or innovations adopted by these organizations are studied. Secondary data collected from organizations’ websites, journals & past researcher’s work.

Analysis & Discussions:

As in most of the organizations performance appraisal has become annual ritual, time consuming exercise. Neither employers’ nor employees’ were fully convinced about its practicability.

It is also observed that the performance management system has undergone drastic changes. The changes in the business environment forced these organizations to innovate their performance appraisal system.

The MNC's have started their businesses in India, increased competition which is also one of the factors to innovate in PMS. The recent approach of performance appraisal is to improve & develop the employees.

All the organizations under discussion have shifted from Bell Shape Curve OR Rank & Yank OR Forced Distribution method to some other methods. This clearly implies the non-suitability of this method with the changed circumstances. The organizations now a day's emphasizing on competency of the employees, these brought remarkable changes in various human resource management practices such as recruitment & selection, performance management etc.

The shortage of competent workforce changed the way of doing performance appraisal, Due to shortage of competent workforce; retention of the employees has become a matter of prime importance in recent times. Organisations are prominently using performance appraisal for retention and developmental purpose. Hence a shift from age-old method of rank & yank was necessary. Further the method was putting lot much stress on employees, which also affected their performance at workplace. Then this method was also responsible for rift among the employees.

Therefore many organizations introduced continuous performance appraisal rather than annual or half-yearly appraisals. Many organizations have stopped using performance appraisal for hike in salary and other compensation decisions. More emphasis is on regular appraisal and feedback. Regular or continuous appraisal and feedback helps to adjust and improve performance of employees. The reviews also help to direct the efforts of employees in achieving organizational goals & strategies.

Then now a days the nature of working is also shifted from individual to team work, in which it is necessary to evaluate the performance of the team and not of an individual, this also forced many organizations to change and innovate their performance appraisals.

The new way appraising not only evaluate the performance of the employee but it also increases the communication between manager & employees.

Many organizations have developed the App; for performance evaluation; which facilitate the easy and timely appraisal of performance and feedback.

The shift found in the performance appraisal is from unsystematic / casual way to systematic annual or half yearly analytical methods and now it is shifting towards continuous or regular feedback approach methods.

The new trend in performance appraisal is regular feedback system through which the organizations are ensuring improvement of employees' performance and also helps to lessen the stress associated because of the Bell Shape Curve method used. It not only motivates the employees but also resulted in increasing the moral amongst the employees. Many organizations have developed as 'App' for continuous performance evaluation and continuous feedback. This helped employees as well as managers and organizations to fulfill their objectives effectively.

Suggestions

In today's competitive era the organizations must understand the availability of competent manpower. Hence the organizations must focus on retention of competent manpower for which they should practice friendly HR practices; one among them is performance appraisal. The performance appraisal should be looked from the perspective of motivating, developing and retaining them and not to put them under stress.

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