

The Process of Performance Management: A Study of its Characteristics

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ABSTRACT

In this paper the nature, aims, characteristics, concerns and guiding principles of performance management are described. In addition, the differences between performance appraisal and performance management are examined and reference is made to the views of a selection of practitioners on performance management.

INTRODUCTION

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements.

Processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It focuses people on doing the right things by clarifying their goals. It is owned and driven by line management.

The overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contributions within a framework provided by effective leadership.

Specifically, performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be). The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization.

Importantly, performance management is concerned with ensuring that the support and guidance people need to develop and improve are readily available.

- Empowering, motivating and rewarding employees to do their best. Armstrong World Industries
- Focusing employee's tasks on the right things and doing them right. Aligning everyone's individual goals to the goals of the organization. Eli Lilly & Co
- Proactively managing and resourcing performance against agreed accountabilities and objectives. ICI Paints
- The process and behaviors by which managers manage the performance of their people to deliver a high-achieving organization. Standard Chartered Bank
- Maximizing the potential of individuals and teams to benefit themselves and the organization, focusing on achievement of their objectives. West Bromwich Building Society

Performance management is a planned process of which the primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outputs in the shape of delivered performance compared with expectations expressed as objectives. In this respect, it focuses on targets, standards and performance measures or indicators. It is based on the agreement of role requirements, objectives and performance

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improvement and personal development plans. It provides the setting for ongoing dialogues about performance that involves the joint and continuing review of achievements against objectives, requirements and plans.

But it is also concerned with inputs and values. The inputs are the knowledge, skills and behaviors required to produce the expected results. Developmental needs are identified by defining these requirements and assessing the extent to which the expected levels of performance have been achieved through the effective use of knowledge and skills and through appropriate behavior that upholds core values.

Performance management is a continuous and flexible process, which involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and co-operation rather than control or coercion.

Performance management focuses on future performance planning and improvement rather than on retrospective performance appraisal. It functions as a continuous and evolutionary process, in which performance improves over time.

It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs. It is mainly concerned with individual performance but it can also be applied to teams.

The emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution-related pay, but its developmental aspects are much more important.

ANALYSIS

There are five issues that need to be considered to obtain a full understanding of performance management:

- The meaning of performance;
- The significance of values;
- The meaning of alignment;
- Managing expectations;

- The significance of discretionary behavior.

Performance is often defined simply in output terms - the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it.

The Oxford English Dictionary confirms this by including the phrase 'carrying out' in its definition of performance: 'The accomplishment, execution, carrying out, working out of anything ordered or undertaken.' High performance results from appropriate behavior, especially discretionary behavior, and the effective use of the required knowledge, skills and competencies. Performance management must examine how results are attained because this provides the information necessary to consider what needs to be done to improve those results.

Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right - the product of mental and physical effort applied to tasks - and can be judged apart from results.

This definition of performance leads to the conclusion that when managing performance both inputs (behavior) and outputs (results) need to be considered. It is not a question of simply considering the achievement of targets, as used to happen in 'management by objectives' schemes. Competency factors need to be included in the process. This is the so-called 'mixed model' of performance management, which covers the achievement of expected levels of competence as well as objective setting and review.

Performance is about upholding the values of the organization - 'living the values' (an approach to which much importance is attached at Standard Chartered Bank). This is an aspect of behaviour but it focuses on what people do to realize core values such as concern for quality, concern for people, concern for equal opportunity and operating ethically. It means converting espoused values into values in use: ensuring that the rhetoric becomes reality.

One of the most fundamental purposes of performance management is to align individual and organizational objectives. This means that everything people do at work leads to outcomes that further the achievement of organizational

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goals. This purpose was well expressed by Fletcher (1993), who wrote:

The real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping each employee understand and recognize their part in contributing to them and in so doing, manage and enhance the performance of both individuals and the organization.

Alignment can be attained by a cascading process so that objectives flow down from the top and at each level team or individual objectives are defined in the light of higher-level goals. But it should also be a bottom-up process, individuals and teams being given the opportunity to formulate their own goals within the framework provided by the defined overall purpose, strategy and values of the organization. Objectives should be agreed not set, and this agreement should be reached through the open dialogues that take place between managers and individuals throughout the year. In other words, this needs to be seen as a partnership in which responsibility is shared and mutual expectations are defined.

Performance management is essentially about the management of expectations. It creates a shared understanding of what is required to improve performance and how this will be achieved by clarifying and agreeing what people are expected to do and how they are expected to

behave. It uses these agreements as the basis for measurement and review, and the preparation of plans for performance improvement and development.

CONCLUSION

Performance management is concerned with the encouragement of productive discretionary behavior. As defined by Purcell and his team at Bath University, School of Management (2003): 'Discretionary behavior refers to the choices that people make about how they carry out their work and the amount of effort, care, innovation and productive behavior they display' Purcell and his team, while researching the relationship between HR practice and business performance, noted that 'the experience of success seen in performance outcomes helps reinforce positive attitudes'.

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