

EMERGING TRENDS IN PERFORMANCE MANAGEMENT – A REVIEW

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Abstract: *Global businesses are operating in the midst of challenging times. An organisation today, in order to be profitable and ahead of its peers, needs to compete in more markets, operate across more platforms and manage more stakeholders than ever before. The complexity of the current business landscape is further accentuated by the rise of additional challenges such as the ever-changing talent, technology and economic landscape.*

In the last four decades, Performance Management has remained a static process that consisted primarily an annual appraisal. Line management viewed the process as something which the HR department required managers to deliver and complied accordingly. Today, Performance Management is one of the principle tools executives, line managers, and employees are able to use to achieve their collective goals. The change in application of Performance Management has been enabled by software that provides management with a way to achieve its operational and strategic goals. This article reviews the current trends in performance management in the global scenario.

INTRODUCTION

Performance management is a system designed to identify the ways to achieve organizational goals through constant assessment and feedback leading to improvement of employee performance. Performance management, unlike the performance appraisal or annual evaluation process, is an ongoing assessment of employees in a manner geared to match their goals to the organizational goals. It also makes strong use of goal-setting and metrics to identify progress and areas of individual strengths. Performance management has many benefits that the traditional annual evaluation does not. Luecke identifies three reasons “why performance management matters.”

1. Shareholders (those with a vested interest in the organization) observe better results, because the human assets of the organization are top-notch and working in unison toward key goals.
2. Managers are more successful, because their subordinates are doing the right things correctly.
3. Employees experience greater job security, career advancement, and fatter paychecks, thanks to outstanding performance

The world of Performance Management and Appraisal's is changing very quickly. This document outlines the major trends in Performance Management that are taking place globally.

HISTORY OF PERFORMANCE MANAGEMENT

Performance management systems, in various forms, have been employed for nearly two millennia. In the third century AD, the Chinese were not only using performance appraisal systems but were critiquing each other's biases in their evaluations of their employees (Murphy and Cleveland). During the Industrial Revolution of the 18th century, factory managers became aware of the importance of their employees' performance on their production outputs (Grote and Grote,; Murphy and Cleveland,). The development of the philosophy of performance evaluation systems in America has been attributed to such researchers and philosophers as Peter Drucker and Douglas McGregor, who developed ideas of management by objectives (MBOs) and employee motivation (Evans, 4; Murphy and Cleveland,). Spreigel reported in 1962 that by the early 1960s more than 60% of American organizations had a performance appraisal system. The system's popularity stemmed from the Army's implementation of a performance management system for its officers (Murphy and Cleveland,). Since then, researchers have continued to develop theories of how different performance evaluation methods can contribute to the success of the organization.

MEANING AND DEFINITION OF PERFORMANCE MANAGEMENT

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.

According to Armstrong and Baron (1998), Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals.

GOALS OF PERFORMANCE MANAGEMENT

Performance management systems can serve six important purposes (Cleveland & Murphy, 1989)

- Strategic: It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals.
- Administrative: It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases.
- Communication: It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.
- Developmental: It includes feedback, which allows managers to coach employees and help them improve performance on an ongoing basis.
- Organizational maintenance: It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions (for example, whether employees perform at higher levels after participating in a training program).
- Documentation: It yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This information can be especially useful in the case of litigation.

STEPS IN PERFORMANCE MANAGEMENT

Performance management is a natural process of management. As defined by the total quality expert William Deming, it consists of these basic activities:

- Plan – decide what to do and how to do it.
- Act – carry out the work needed to implement the plan.
- Monitor – carry out continuous checks on what is being done and measure outcomes in order to assess progress in implementing the plan.
- Review – consider what has been achieved and, in the light of this, establish what more needs to be done and any corrective action required if performance is not in line with the plan.

According to Armstrong the processes of performance management consist of:

- Planning: agreeing objectives and competence requirements and producing performance agreements and performance improvement and personal development plans.
- Acting: carrying out the activities required to achieve objectives and plans.
- Monitoring: checking on progress in achieving objectives.
- Reviewing: assessing progress and achievements so that action plans can be prepared and agreed.

EMERGING Trends in Performance Management

Integrated Assessment

Integrated computerized human resources systems allow your department managers to ensure each employee has met every training requirement through a variety of assessment methods. Multiple assessment methods allow managers to gain a more complete understanding of an employee's performance. The results from each type of assessment can be entered into the system on the same day the assessment was accomplished. Assessment methods can include oral or written examinations, observation of employees during job performance and the results from employee training programs.

Aligning SMART Objectives with Company Goals

Anyone working in performance related HR will be familiar with the concept of SMART objectives — an acronym used to set goals that are specific, measurable, achievable, relevant and time-bound. Quite often though, objective setting comes from the top down: a lengthy, trickle-down process which requires superiors to set goals first. A more effective way of planning goals advocated by leading management thinkers such as the to share organisational goals with employees and have them set their own goals relative to these.

Regular Check-In Meetings

Top companies including Adobe, Microsoft, Accenture and Deloitte are all moving away from annual review meetings — some are even scrapping them altogether — in favour of regular check-ins between managers and employees. These one-to-one meetings allow managers to regularly keep track of progress and personal development plans to be constantly updated in line with this. For HR, a change to continuous performance monitoring involves preparing both employees and managers for the change, which means time spent communicating and predicting how it will affect them.

In-the-Moment Feedback

Along with regular meetings, new performance management trends are also advocating that managers and colleagues give feedback in a more timely way. This process has been shown to be more effective than once a year feedback sessions, so long as the feedback is the right ratio of positive to constructive (around 3:1 is ideal). General Electric have got on board with this approach and now use a feedback app where managers and colleagues can record feedback online at any time.

De-Coupling Reward

Performance management experts recommend running pay reviews and performance reviews separately. Having pay directly tied to performance has been shown to have a negative impact on both staff motivation and performance. As well as performance, pay reviews should be taking into account other factors including market rate, increases in responsibility, and skills and knowledge.

New performance management software tools will be rapidly adopted

Perhaps the biggest trend to impact HR is the simplification of the performance management process. Paper based performance management is the stuff HR nightmares are made of. Before performance management software, HR teams spent weeks analysing data in order to determine what actions needed to be taken. Now, HR are able to use performance management software to collate data on the training and development needs of the whole organisation by running a report that takes just seconds to complete.

Organisations are looking for software tools to help ensure that employees receive ongoing performance feedback. Yet, as Josh Bersin points out in his Predictions for 2017, the trend towards a more agile, continuous, feedback-based approach to performance management has “left the incumbent HR software providers flat-footed” and “the big software vendors...do not have the software yet”.

As a result, organisations will rapidly adopt a new generation of performance management tools such as our own Clear Review software. Such tools enable employees to receive and request feedback in real-time, send automated email reminders to ensure employees and their managers check-in with each other regularly, provide online agendas for effective one-to-one conversations and give HR and senior management visibility of whether regular performance discussions are taking place. These tools also enable agile objectives and shorter-term priorities to be agreed and monitored, as opposed to traditional performance management software which typically ties organisations into an annual goal setting cycle.

More Scrutiny on Gender Bias in Performance Management

The beginning of 2016 saw some performance management analysts picking up on the existence of gender-related bias in outdated performance management processes. According to findings from Kieran Synder, 58.9 percent of performance reviews received by men in the tech sector contain critical feedback compared to a whopping 87.9 percent of the reviews received by women. As a result, they can expect an increasing emphasis on ensuring performance reviews in the future is free from bias. One of the ways this may be tackled is through providing training for managers on best practices when they are writing their performance reviews and ensuring they are always taking a forward-looking approach.

Increasing Impact of Social Media

We're already seeing social media taking on a role in the recruiting sector and it looks like it will also impact performance management. In the future, social media interfaces will be part of the software design to make it as user-friendly as possible. Software will be designed to function in real-time to allow for constant feedback and regular updates between managers and co-workers.

Shorter-Term Objectives

In line with the abandonment of performance ratings, companies are setting more regular objectives with shorter time frames. Yearly goals and meetings are rapidly being replaced with more regular, informal check-ins and shorter-term objectives. Performance is being constantly monitored, as opposed to analysed just once a year. At U.S. company Cargill, the switch to ongoing performance discussions has resulted in 70 percent of employees saying they feel more valued.

Focus on achievements and learning

The tone and tenor of performance feedback sessions will also likely shift. With frequent review conversations, managers will get to share not just feedback on things that need to be different / change, but will also feel encouraged to focus on the ‘here, now and forward’.

Annual performance review discussions will be managed with a strong emphasis on performance development, and conducted within a supportive framework that encourages reflections on achievements and learnings as against rating and rankings.

Succession Planning

Once organisations have Performance Management systems in place, they can leverage the data collected to implement Succession Planning systems. These systems allow HR to identify:

- Successors for critical and non critical roles
- High Potential staff who are then put through accelerated learning and development programs

The benefits of conducting Succession Planning are many, but one of the most significant benefits is that employees see the organisation as developing career paths for them and this binds them closer to the organisation. Succession Planning has a direct contribution to retention as well as a bottom line saving for recruitment.

Employee autonomy will become a huge perk

Independence and autonomy will become critical to employees — and a perk that performance management systems cannot ignore. In order to get the most out of our workforce, managers should coach and support, rather than micromanage. As such, we predict that more companies will place employees in the driving seat and give them greater control over their own goals, personal development, careers and even their hours. Companies like Deloitte make employees responsible for arranging their regular one-to-ones with their manager, reducing the burden on managers to keep track of who they need to check-in with.

Walmart made headlines this year with its decision to give workers more power over their schedules. Employees now have more certainty over their hours and Walmart is able to improve staffing levels during peak shopping times. This flexible nature can also be seen in companies such as Microsoft and Sweaty Betty, who now offer flexi time to their workforces.

Increased Integration of HR Functions

Research shows there is a clear movement to integrate HR functions into more holistic, strategic approaches to human capital management. Some integration opportunities include:

- Aligning employee goals (ECM) with corporate goals (CPM)
- Linking reward and recognition programs to performance
- Targeting learning and development toward performance gaps
- Identifying skills and competencies of top performers for retention and succession planning

Focusing on the future

Appraisals were very backward focused. What happened? What went well? What did you do wrong? What is your grade? Increasingly (and its a good thing!) there is a focus on the objective setting, development plan, and the future. How will we improve? How do we achieve more in the coming year? This is a particularly positive change that leads to improved conversations. Carefully implemented system shows a positive trend. The decisions regarding performance management must always depend on the future requirements of the organization. So a good performance management system should mainly focus on the changing environment of the organization, business and industry

CONCLUSION

The world of performance management is drastically changing from what it was just a decade ago. More companies are choosing to focus on company goals rather than employee metrics. The older, data-based methods of evaluation have proved to be ineffective. Instead, business leaders will employ several different ideas in 2017. As more companies adopt these ideas in 2017, employee satisfaction will rise

and businesses will see less turnover. Every organisation needs to understand the benefits of revised performance management methods and work towards better practices.

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