



PERFORMANCE APPRAISAL AND MANAGEMENT

MBA IVTH SEMESTER

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1/1/2020



UNIT I

PERFORMANCE APPRAISAL

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

Objectives of Performance Appraisal

Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. To provide a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.
7. To review and retain the promotional and other training programmes.

Advantages of Performance Appraisal

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.

3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
 - a. Through performance appraisal, the employers can understand and accept skills of subordinates.
 - b. The subordinates can also understand and create a trust and confidence in superiors.
 - c. It also helps in maintaining cordial and congenial labour management relationship.
 - d. It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

PERFORMANCE MANAGEMENT PROCESS

Performance management can be defined as a systematic process to improve organizational performance by developing the performance of individuals and teams working with an organization. It is a means of getting better results from the organization, teams and individuals by understanding and managing their performance within a framework of planned goals, standards and competence requirements.



In other words, performance management is the process of managing an organization's management strategy. This is how plans are converted into desired outcomes in organizations.

The process of Performance Management is comprised of

three important parts

(1) Planning Managee Performance and Development;

(2) Monitoring Managee Performance and Development

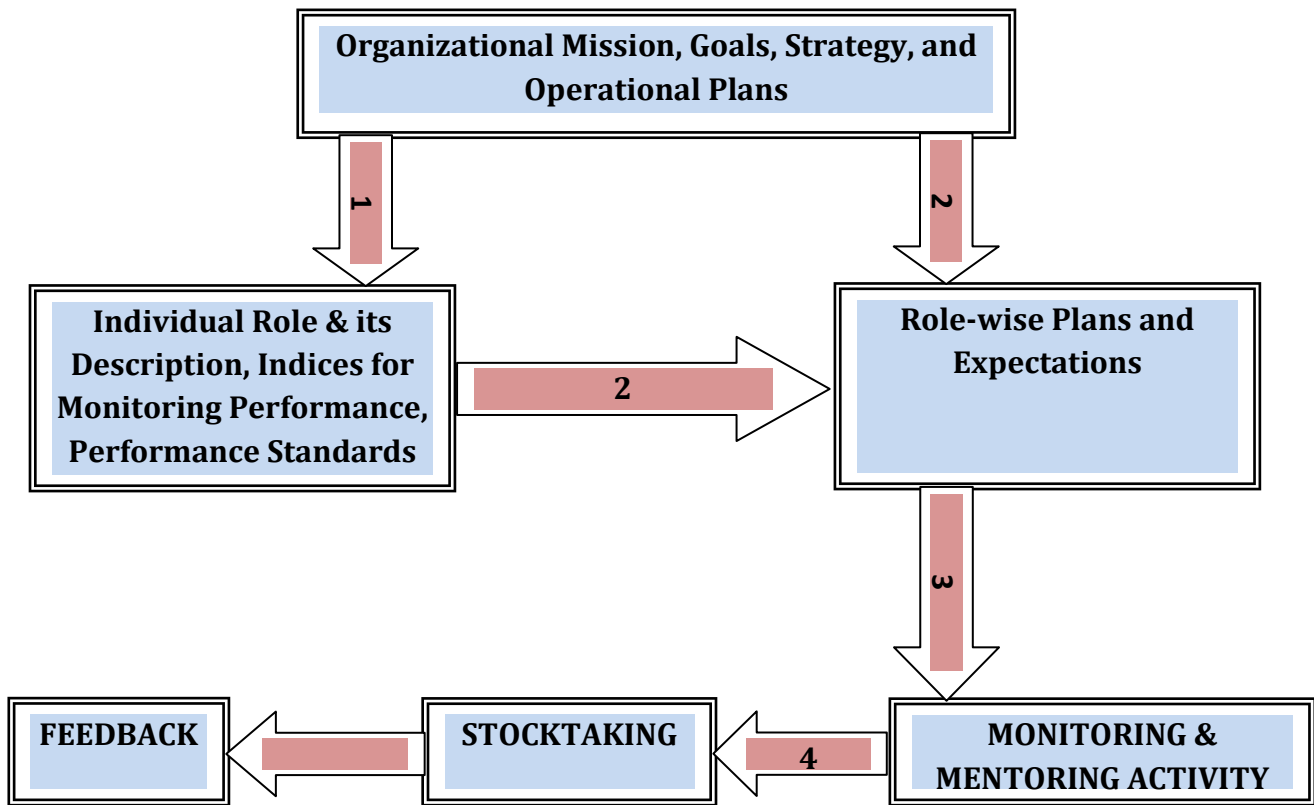
(3) Annual Stock Taking.

These occur in a specified sequence.

Planning is made at the beginning of the year while monitoring and mentoring is continued throughout the year as the plans are executed. Stocktaking takes place at the end of the year. Each one of these phases requires certain concrete actions by the managers and the managee. Both these parties (manager and managee) provide appropriate inputs by keeping the whole process in perspective.

The whole process of the performance management can be approached in a different mode. Planning, review and stock taking can happen throughout the year, more specifically at the time of periodic review during the monitoring and mentoring phase. As such, these three phases are dynamic and a continuously interact with one-another.

The plans are periodically reviewed and feasibility is tested the context of changing events and influences that could not be adequately forcing. Since the process involves in both the managers and the manages it has a participatory character. The following flow chart exhibits performance management process in an organization.



The Performance Management Process

The chart exhibits the individual roles and their description, indices for monitoring performance. Performance standards naturally cascade from organizational mission, goals, strategy and operational plans. Since performance management aims to improve quality of

coordination among people in the organization, role-wise performance plans and expectations must flow from both.

Organization's mission, strategy and operational plan, and individual manager's role and his/her contribution to organizational process are cardinal inputs to performance plans. The performance plans of all the manager's in the organization must finally add up to the organizational goals to be achieved during the year. Manager's performance and development plans are subjected to monitoring and mentoring. Without cogent plans, for task accomplishment, it is not possible to decide a benchmark to achievement against set goals. Mentoring and development draws its direction from both development plan and requirements.

Mentoring can also include briefing the manager before each training and development activity – both on the job and off the job. Briefing focuses on the manager learning agenda. Debriefing the manager crystallize his/her learning achieved during the training. Stock taking both periodical and annual attempts to continuously assess the extent of work as well as learning opportunity that have been optimally avail by the manager. Inputs to stocktaking are provided by performance plans and monitoring and mentoring records.

Stock taking also provides several inputs to future performance plan. Review in task assignments, task systems and tools are also possible through stocktaking. An assessment of manager's development needs of future tasks and responsibilities is done more realistically to stocktaking.

There are certain special features that will make Performance Management more effective and qualitative in achievement of organizational goals. These include:

1. **Continuous process:** Performance management should be a continuous process and should be carried out throughout the year, in its totality i.e., planning manager performance and development, monitoring manager performance and mentoring manager development and annual stock taking. These three phases should be implemented sequentially.

2. **Flexible:** The Performance management process should be flexible and should ensure the manager and managee acting together. However, each one of these parties should have sufficient maneuverability to design their own process within the overall framework for performance management.

3. **Futuristic:** Performance management should be futuristic. All the three parts of performance management are oriented towards the future planning and improvement. Evaluation system gives necessary inputs for future actions.

4. **Participatory:** Performance Management is participatory in character. It provides for regular and frequent dialogue between the manager and the managee to address performance as well as development needs.

5. **Controlling:** Performance Management aims at measuring managee's actual performance against planned performance i.e., targets, standards or indicators.

6. **Behavioural in Content:** Performance Management is completely development nature and concerns itself vigorously with managee's psychological behavioural aspects and personality traits, which are critical inputs to the performance process. Performance Management specify these personal attributes and behaviour of each managee and meticulously assess the extent of their contribution to managee level of performance. This paves the way to identify managee's future development needs; and

7. **Win-Win Philosophy:** Performance Management provides the frame work in which manager must support their managees to succeed and to win.

Philosophy Behind Performance Management

1. To build performance sensitive organization
2. To create a culture of measures for achievements across all organizational functions
3. To differentiate and identify optimum performers, consistent performers and below par (expectation) performers
4. Driven around organizational values and competency model

UNIT II

VARIOUS ASPECTS OF PERFORMANCE APPRAISAL

An effective performance appraisal system that accomplishes an organization's goals should have essentially four elements:

1. **Based on observed job-related behavior.** Objective performance criteria should be based on some form of observable behavior related to the duties of the job. The criteria for evaluation is communicated to employees and goals and objectives should be reached through consultation between the manager and employee.
2. **Conducted by trained superior.** Persons conducting the appraisals, usually immediate supervisors, are trained in how the system works and how to deliver effective feedback on performance.
3. **Based on written policy and guidance.** Written guidelines for administering the appraisal system should be up-to-date, communicated to every employee assigned responsibility for conducting reviews and used by raters without deviation. Any exception should be approved before the fact and documented.
4. **Provide for employee feedback and input.** Employees who disagree with a rating should be given an opportunity to challenge the rating and have further explanation of how the rating was derived. These broad guidelines provide the general elements that can be applied to any number of appraisal systems. Application of the guidelines can be applied on a decentralized and flexible basis that will allow various employee groups to adapt performance appraisal to their own special needs.

Key points concerning performance appraisals:

- λ Performance appraisals are a tool supervisors can use to manage effectively.
- λ They are not "just" paperwork for the Human Resources department.
- λ When done correctly, performance appraisals achieve important management functions.
- λ They set goals for employees to improve performance and increase productivity.
- λ They also identify good performers and bad performers, and provide the written record to support a decision to fire someone who has not responded to attempts to improve performance.

Rules. Follow these two basic rules for effective performance appraisals:

1. Base all descriptions of performance on factors relevant to performance of the job.
2. Describe the performance in objective terms. Performance must be measured in terms of behavior or actions on the job that can be observed by a manager or supervisor. Avoid subjective, vague or overly broad descriptions such as "poor attitude" or "no initiative." Contrast the following examples of ineffective, vague descriptions of behavior with the more objective and specific descriptions of on-the-job activity.

SUBJECTIVE	OBJECTIVE
Lacks customer orientation	Does not greet the customers upon their entry
Chronically absent	Absent for 6 days during the last month
Does not care about quality	Has an error rate of 10%
Lacks interest in work	Does not complete the task assigned within the specified time

Most of all, performance appraisals must be an accurate reflection of what a person did on the job. Avoid the temptation to "soften" a negative appraisal. The purpose of negative appraisals is not to punish people. Rather, effective negative feedback should notify an employee of unacceptable behavior and give the him or her an opportunity to change that behavior before more serious discipline is imposed.

Differences between Performance Management and Performance Appraisal

Performance appraisals, also called performance evaluations, are tools used to measure the effectiveness of an employee; most organizations conduct performance appraisals once a year during an annual evaluation process.

A performance management system, however, is much more dynamic. It can use the performance evaluation tool but also incorporates other elements into the performance management cycle.

Performance appraisal is the key ingredient of performance management. In a work group members, consciously or unconsciously, make opinion about others. The opinion may be about their quality, behaviors, way of working etc, such an opinion becomes basis or

interpersonal interaction. In the same way, superiors form some opinions about their subordinates for determining many things like salary increase, promotion, transfer, etc. In large organizations, this process is formalized and takes the form of performance appraisal.

Concept of performance Appraisal

Appraisal is the evaluation of worth, quality or merit. In the organization context, performance appraisal is a systematic evaluation of personnel by superiors or others familiar with their performance. Performance appraisal is also described as merit rating in which one individual is ranked as better or worse in comparison to others. The basic purpose in this merit rating is to ascertain an employee's eligibility of promotion. However, performance appraisal is more comprehensive term for such activities because its use extends beyond ascertaining eligibility of promotion. Such activities may be training and development, salary increase, transfer, discharge, etc, besides promotion. A formal definition of performance appraisal is as follows:

it (performance appraisal) is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for the purposes of administration including placement, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally"

Beach has defined performance appraisal as follows:

"Performance appraisal is the systematic evaluation of the individual with regard to his or her performance on the job and his potential for development".

Thus, performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his job. It emphasizes on two aspects; systematic and objective. The appraisal is systematic when it evaluates all performances in the same manner, utilizing the same approaches so that appraisal of different persons is comparable. Such an appraisal is taken periodically according to plan; it is not left to chance. Thus, both raters and rates know the system of performance appraisal and its timing. Appraisal has

objectivity also. It's essential feature is that it attempts at accurate measurement by trying to eliminate human biases and prejudices.

Objectives of Performance Appraisal

1. **Salary increase.** Performance appraisal plays a role in making decision about salary increase. Normally salary increase of an employee depends on how he is performing his job. There is continuous evaluation of his performance either formally or informally. In a small organization, since there is a direct contact between the employee and the one who makes decisions about salary increase, performance appraisal can be an informal process. However, in a large organization where such contact hardly exists, formal performance appraisal has to be undertaken. This may disclose how well and employee is performing and how much he should be compensated by way of salary increase.

2. **Promotion.** Performance appraisal plays significant role where promotion is based on merit. Most of the organizations often use a combination of merit and seniority for promotion, performance appraisal discloses how an employee is working in his present job and what his strong and weak points are. In the light of these, it can be decided whether he can be promoted to the next higher position and what additional training will be necessary for him. Similarly, performance appraisal can be used for transfer, demotion and discharge of an employee.

3. **Training and Development.** Performance appraisal tries to identify the strengths and weaknesses of an employee on his present job. This information can be used for devising training and development programmes appropriate for overcoming weaknesses of the employees. In fact, many organizations use performance appraisal as means for identifying training needs of employees.

4. **Feedback.** Performance appraisal provides feedback to employees about their performance. It tells them where they stand. A person works better when he knows how he is working; how his efforts are contributing to the achievement of organizational objectives. This works in two ways. First, the person gets feedback about his performance and he may try to overcome his deficiencies which will lead to better performance. Second,

when the person gets feedback about his performance, he can relate his work to the organizational objectives. This provides him satisfaction that his work is meaningful. Thus, given the proper organizational climate, he will try his best to contribute maximum to the organization.

5. Pressure on Employees. Performance appraisal puts a sort of pressure on employees for better performance. If the employees are conscious that they are being appraised in respect of certain factors and their future largely depends on such appraisal, they tend to have positive and acceptable behavior in this respect. Thus, appraisal can work automatically as control device.

Performance Appraisal Methods

Managers can choose from seven performance appraisal methods.

1. Written Essays:

The Written essay is a performance appraisal technique in which an evaluator writes out a description of an employee's strengths and weaknesses, past performance, and potential. The evaluator would also make suggestions for improvement.

2. Critical Incidents:

The use of critical incidents focuses the evaluator's attention on those critical or key behaviors that separate effective from ineffective job performance. The appraiser writes down anecdotes that describe what the employee did that was especially effective or ineffective. The key here is that only specific behaviors, not vaguely defined personality traits, are cited.

3. Graphic Rating Scales

One of the oldest and most performance appraisal methods is graphic rating scales. This method lists a set of performance factors such as quantity and quality of work, job knowledge, cooperation, loyalty, attendance, honesty, and initiative. The evaluator then goes down the list and rates and employee on each factor using an incremental scale. The scales typically specify five points; for instance, a factor such as job knowledge might be rated from 1 (—poorly informed about work duties||) to 5 (—has complete mastery of all phases of the job||).

4. Behaviorally Anchored Rating Scales.

One increasingly popular performance appraisal approach is behaviorally anchored rating scales (BARS). These scales combine major elements from the critical incident and graphic rating scale approaches. The appraiser rates an employee according to items along a numerical scale, but the items are examples of actual behavior on a job rather than general descriptions or traits.

5. Multi-person Comparisons:

Multi-person comparisons compare one individual's performance with that of one or more others. It's a relative, not an absolute, measuring device. The three most popular approaches to multi-person comparisons include group order ranking, individual ranking, and paired comparison. The group order ranking requires the evaluator to place employees into a particular classification such as —top one-fifth|| or —second one-fifth.|| The individual ranking approach requires the evaluator merely to list the employees in order from highest to lowest. In the paired comparison approach, each employee is compared with every other employee in the comparison group and rated as either the superior or weaker member of the pair. After all paired comparisons are made, each employee is assigned a summary ranking based on the number of superior scores he or she received.

6. Objectives:

MBO is also a mechanism for appraising performance. In fact, it's the preferred method for assessing managers and professional employees. With MBO, employees are evaluated by how well they accomplish a specific set of goals that has been determined to be critical in the successful completion of their jobs.

7. 360 Degree Feedback:

360 degree feedback is a performance appraisal method that utilizes feedback from supervisors, employees, and co-workers. In other words, this type of review utilizes information from the full circle of people with whom the manager interacts. Companies such as Alcoa, Pitney Bowes, AT&T, DuPont, Levi Strauss, and UPS are using this innovative approach. Users of this approach caution that, although it's effective for career coaching and helping a manager recognize his or her strengths and weaknesses, it's not appropriate for determining pay, promotions, or terminations.

8. Compensation and Benefits

Would you work 40 hours a week or more for an organization for no pay and no benefits? Although we might consider doing so for some —social cause|| organization, most of us expect to receive some compensation from our employer. An effective and appropriate compensation system can help attract and retain competent and talented individuals who can help the organization accomplish its mission and goals.

Managers must develop a compensation system that reflects the changing nature of work and the workplace in order to keep people motivated. Organizational compensation can include many different types of rewards and benefits such as base wages and salaries, wage and salary add-ons, incentive payments, and other benefits and services.

As levels of skills tend to affect work efficiency and effectiveness, many organizations have implemented skill-based pay systems, which reward employees for the job skills and competencies they can demonstrate. In a skill-based pay system, an employee's job title doesn't define his or her pay category; skills do. For example, the highest pay a machine operator at Polaroid Corporation can earn is \$14 an hour. However, because the company has a skill-based pay plan, machine operators can earn up to a 10 percent premium if they broaden their skills and perform tasks such as material accounting, equipment maintenance, and quality inspection. Skill-based pay systems seem to mesh nicely with the changing nature of jobs and today's work environment.

As one expert noted, —*Slowly, but surely, we are becoming a skill-based society where your market value is tied to what you can do and knowledge are what really count, it doesn't make sense to treat people as jobholders. It makes sense to treat them as people with specific skills and to pay them for these skills*".

Although many factors influence the design of an organization's compensation system, flexibility is becoming a key consideration. The traditional approach to paying people reflected a time of job stability when an employee's pay was largely determined by seniority and job level. Given the dynamic environments that many organizations face in which the employee skills that are absolutely critical to organizational success can change in a matter of months, the trend to make pay systems more flexible and to reduce the

number of pay levels. However, whatever approach managers take, they must establish a fair, equitable, and motivating compensation system that allows the organization to recruit and keep a productive workforce.

9. Career Development

The term career has several meanings. In popular usage, it can mean advancement, a profession, or a lifelong sequence of jobs. For our purposes, we define a career as the sequence of positions held by a person during his or her lifetime. Using this definition, it's apparent that we all have, or will have, a career.

The concept is as relevant to unskilled laborers as it is to software designers or physicians. But career development is not what it used to be. Although career development has been an important topic in management courses for years, we have witnessed dramatic changes in the concept. Career development programs were typically designed by organizations to help employees advance their work lives within a specific organization. The focus of such programs was to provide the information, assessment, and training needed to help employees realize their career goals. Career development was also a way for organizations to attract and retain highly talented people.

Those purposes have all but disappeared in today's workplace. Widespread organizational changes have led to uncertainty and chaos concerning the concept of a traditional organizational career. Downsizing, restructuring, and other organizational adjustments have brought us to one significant conclusion about career development: The individual, not the organization, is responsible for his or her own career! Therefore, one must be prepared to do what is necessary to advance one's career. One must take responsibility for designing, guiding, and developing one's own career. Your career will be managed by you, not by the organization.

The idea of increased personal responsibility for one's career has been described as a boundary less career in which individuals rather than organizations define career progression, organizational loyalty, important skills, and marketplace value. The challenge for individuals is that there are no norms and few rules to guide them in these new

circumstances. Instead, individuals assume primary responsibility for career planning, career goal setting, and education and training.

One of the first career decisions you have to make is career choice. The optimum career choice is one that offers the best match between what you want out of life and your interests, abilities, and market opportunities. Good career choice outcomes should result in a series of positions that give you an opportunity to be a good performer, make you want to maintain your commitment to your career, lead to highly satisfying work, and give you the proper balance between work and personal life. A good career match is one in which you are able to develop a positive self-concept, to do work that you think is important, and to lead the kind of life you desire.

Once you have identified a career choice, it's time to initiate the job search. We are not going to get into the specifics of job hunting, writing a resume, or interviewing successfully, although those career are important. Let's fast forward through all that and assume that your job search was successful. By taking an active role in managing your career, your work life can be more exciting, enjoyable, and satisfying.

Uses of Performance Appraisal

In many organizations, an appraisal system assists in achieving numerous goals. However, in few firms performance appraisal is used in measuring and improving individual as well as organizational performance. The most common issue with performance appraisal is that a lot is expected from one form of performance appraisal system plan. For instance, a plan that is strategically designed to improve and develop employee skills may not be used in deciding wage increases. Although, if an appraisal plan is well designed it can be used in accomplishing the set objectives as well as performance.

1. **Human Resource Planning:** It is important to record data/information of employees in a firm so that it is easy to identify the potentials of who deserves to be promoted or have any area to improve. Performance appraisal also helps in revealing if there is insufficient number of workers. An appraisal system should be designed and planned after considering the strengths and weaknesses of the HRM of the organization.

2. **Recruitment and Selection:** Through the process of performance analysis, organizations can determine the performance potential on an applicant. Studies show that successful employees display specific behavioral traits while performing tasks. The data processed through performance evaluation help in setting standards for behavioral interviews. In the process of selection, the employee rating can also be used as a variable against which test scores are compared.
3. **Training and Development:** Training and development is crucial for any employee as it acts as way to communicating what is expected and how. Performance appraisal helps in drawing attention to these specific needs of training. For example, if an employee's job involves the skill of creative writing and by the process of evaluation it reveals that he or she lacks in it or has poor knowledge about it, the employee will need appropriate training sessions. When managers of a firm lack the capability of administering disciplinary action, they need the necessary training to deal with this problem. Hence, identifying deficiencies and obstacles can be overcome by training and development sessions which develop and improve individual's skills allowing them to perform better. An appraisal process does not train and develop individuals but determines the training needed by providing data.
4. **Career Planning and Development:** Career planning can be described as a never-ending cycle in which an individual sets profession goals and means to achieve them throughout his or her lifetime. However, career development is a more formal approach used by organizations. It involves recruiting suitable qualified and experienced people when required. Performance appraisal can determine an employee's potential through assessing its weaknesses and strengths. The data is also useful to counsel junior staff member and assisting in career plans.
5. **Compensation Programs:** Performance appraisal evaluations help in making decisions dealing with wage or salary regulations. It is believed that organizations should reward employees with increase in pay when excellent performance is achieved. In order to increase performance, an organization should implement well planned and designed performance appraisal systems and award the efficient workers. This not

only increases performance but also keeps employees motivated to achieve better in future.

6. **Internal Employee Relations:** Performance appraisal evaluation can provide crucial information used in making decision about the internal employee relations i.e promotion, demotion, transfers and dismisses etc. For example, performance appraisal data are also used for decisions in several areas of internal employee relations, including promotion, demotion, termination, layoff, and transfer. Also, an employee's performance in one job may be useful in determining his or her ability to perform another job on the same level, as is required in the consideration of transfers. When the performance level is unacceptable, demotion or even termination may be appropriate.
7. **Assessment of Employee Potential:** Some organizations attempt to assess an employee's potential as they appraise his or her job performance. Although past behaviors may be a good predictor of future behaviors in some jobs, an employee's past performance may not accurately indicate future performance in other jobs. The best salesperson in the company may not have what it takes to become a successful district sales manager, where the tasks are distinctly different. Similarly, the best systems analyst may, if promoted, be a disaster as an information technology manager. Overemphasizing technical skills and ignoring other equally important skills is a common error in promoting employees into management jobs. Recognition of this problem has led some firms to separate the appraisal of performance, which focuses on past behavior, from the assessment of potential, which is future-oriented.

UNIT III

PERFORMANCE AUDIT

A **performance audit** is a way for employees to understand how well they are doing in terms of their performance so that they can make informed decisions about their practices. It is performed by a third party and seeks to understand if the operations and procedures are effectively keeping costs low, using resources efficiently, and meeting their objectives. performance audit helps those individuals perform their jobs more effectively and make decisions where operations, resources and costs are concerned.

The 'Es' of a Performance Audit

These three elements often referred to as the ***three Es*** are considered to be the most crucial elements of performance audit.

1. **Economy**- The first 'E' stands for economy. This is the act of trying to reduce costs and keep a manageable budget. A performance audit can recognize overlaps in services and duplicates which may be wasting money.
2. **Efficiency**- An organization has access to many resources and part of the performance audit makes sure they are using their resources the best way possible. If not, the audit can help to point out ways to more efficiently use their resources.
3. **Effectiveness**- This is the 'E' that focuses on whether the operations are meeting objectives. Performance audits can be used to look at each separate department or they can look at the entire operation.

Developing Performance Standards

While performance elements tell employees what they have to do, the standards tell them how well they have to do it.

Definition

A performance standard is a management-approved expression of the performance threshold(s), requirement(s), or expectation(s) that must be met to be appraised at a particular level of performance. A Fully Successful (or equivalent) standard must be

established for each critical element and included in the employee performance plan. If other levels of performance are used by the appraisal program, writing standards for those levels and including them in the performance plan is not required but is encouraged so that employees will know what they have to do to meet standards higher than Fully Successful.

General Measures

Performance standards should be objective, measurable, realistic, and stated clearly in writing (or otherwise recorded). The standards should be written in terms of specific measures that will be used to appraise performance. In order to develop specific measures, you first must determine the general measure(s) that are important for each element. General measures used to measure employee performance include the following:

- ✚ Quality addresses how well the work is performed and/or how accurate or how effective the final product is. Quality refers to accuracy, appearance, usefulness, or effectiveness.
- ✚ Quantity addresses how much work is produced. A quantity measure can be expressed as an error rate, such as number or percentage of errors allowable per unit of work, or as a general result to be achieved. When a quality or quantity standard is set, the Fully Successful standard should be high enough to be challenging but not so high that it is not really achievable.
- ✚ Timeliness addresses how quickly, when or by what date the work is produced. The most common error made in setting timeliness standards is to allow no margin for error. As with other standards, timeliness standards should be set realistically in view of other performance requirements and needs of the organization.
- ✚ Cost-Effectiveness addresses dollar savings to the Government or working within a budget. Standards that address cost-effectiveness should be based on specific resource levels (money, personnel, or time) that generally can be documented and measured in agencies' annual fiscal year budgets. Cost-effectiveness standards may include such aspects of performance as maintaining or reducing unit costs, reducing the time it takes to produce a product or service, or reducing waste.

For each element, decide which of these general measurers are important to the performance of the element by asking the following questions:

- ✚ Is quality important? Does the stakeholder or customer care how well the work is done?
- ✚ Is quantity important? Does the stakeholder or customer care how many are produced?
- ✚ Is it important that the element be accomplished by a certain time or date?
- ✚ Is it important that the element be done within certain cost limits?

Specific Measures

Once you've decided which general measures are important, you can develop specific measurers. It is these specific measures that will be included in the standard. To develop specific measure(s) for each element, you must determine how you would measure the quantity, quality, timeliness, and/or cost-effectiveness of the element. If it can be measured with numbers, clearly define those numbers. If performance only can be described (i.e., observed and verified), clarify who would be the best judge to appraise the work and what factors they would look for. (The first-line supervisor is often the best person to judge performance, but there may be situations, depending on what is being measured, when a peer or the customer receiving the product or service would be the best judge.)

The following questions may help you determine specific measures. For each general measure, ask:

- ✚ How could [quality, quantity, timeliness, and/or cost effectiveness] be measured?
- ✚ Is there some number or percent that could be tracked?

If there is no number, and the element can only be judged, ask:

- ✚ Who could judge that the element was done well? What factors would they look for?

Writing Standards

Once you've established the specific measures that apply to the elements, you can begin to write the standards. Before writing the Fully Successful standard, you must know the

number of levels that your appraisal program uses to appraise elements. For example, if you are under an appraisal program that uses two levels to appraise elements, the Fully Successful standard would describe a single point of performance, above which is Fully Successful, and below which is Unacceptable. If, however, your appraisal program uses five levels to appraise elements, you would describe the Fully Successful standard as a range, above which is higher than Fully Successful, and below which would be Minimally Successful (or equivalent). How you write the Fully Successful standard depends on the number of levels your program uses to appraise elements.

If a specific measure for an element is numeric, for example, you would list the units to be tracked and determine the range of numbers (or the single number in a program that appraises elements at two levels) that represents Fully Successful performance. If the specific measure is descriptive, you would identify the judge, list the factors that the judge would look for, and determine what he or she would see or report that verifies that Fully Successful performance for that element had been met.

Examples

Included below are examples of elements and standards. The specific measures are in italics; the performance (or range of performance) that actually establishes the level of the standard are in boldface type.

Element: Guidance and Technical Assistance

Fully Successful Standard in an appraisal program that appraises elements at five levels (to meet this standard, all of the bullets listed must be present or occur):

- ✚ No more than 3-8% errors per quarter, as determined by the supervisor.
- ✚ At least 60-80% of customers agree that the employee is willing to assist and that the information they receive is helpful.
- ✚ Employee initially responds to customer requests for assistance within at least 1-8 working hours from receipt of request.

(If this standard had been written for an appraisal program that appraised elements at only two levels, the standard would have been "no more than 8% errors per quarter, "at least 60% of customers agree," and "up to 8 working hours from receipt of request.")

Element: Team Participation

Fully Successful Standard in an appraisal program that appraises elements at five levels (to meet this standard, all of the bullets listed must be present or occur):

The supervisor and team members are satisfied that the incumbent:

- ✚ Usually assumes an appropriate amount of work/responsibility for group projects;
- ✚ Typically demonstrates a willingness to assume other responsibilities as needed; and
- ✚ Generally shares knowledge of office procedures/equipment with other members of the team.

Element: Analytical Results and Specifications

Fully Successful Standard in an appraisal program that appraises elements at five levels (to meet this standard, all of the bullets listed must be present or occur):

The Research Manager is routinely satisfied that:

- ✚ The method measures that appropriate variable.
- ✚ The results are relevant.
- ✚ The method is scientifically sound.
- ✚ There is a well-written protocol.
- ✚ The method is accurate, precise, reproducible, fast, and cost-effective

DRA's Process

Data Reliability Audit (DRA) is basically performance audit to ensure accuracy and precession level of observations. Performance audit assesses the degree of economy, efficiency, and effectiveness in the use of human, financial, and material resources at a level of organization unit, organization, or certain actions. This type of internal audit examines processes and systems of an auditee in particular.

Using the DRA, performance audit also fulfils the requirements and the correctness of performance measurement results.

Conducting Performance Reviews

Performance reviews are an integral part of performance management, as they allow each employee to receive feedback – be it praise for outstanding contributions, suggestions for areas for improvement, or to plan for career growth by setting performance and development objectives for the year ahead.

On this page, find out how you can prepare for, and conduct a performance review, with tips on how you can improve the performance review process over time.



When to hold performance reviews

The time of year you select to conduct performance reviews is important. Peak periods should be avoided as you need to be able to give each employee the attention they deserve. It is worth noting that the process of reviewing employee performance should be ongoing. Aim to discuss each employee's development with them as and when issues arise, rather than putting it off until a formal review. This keeps the lines of communication open, as it helps to ensure that nothing in a formal performance review will come as a complete surprise.

Making regular notes throughout the year of each employee's performance will allow you to accumulate information that can be discussed during the reviews. Details of any new qualifications gained by an employee, participation in seminars, industry conferences or courses, or involvement in special projects should all be recorded on file. This will allow for more in-depth discussions and give you a more rounded picture of the employee's contribution and professional growth since their last review.



Why do performance reviews?

- They benefit everyone
- Document performance issues
- Communicate positive feedback
- Recognize accomplishments and reward outstanding performance
- Correct deficiencies and improve performance
- Satisfy legal requirements
- Clearly communicate expectations
- Help achieve ASU's goals and mission
- Develop and motivate employees

Preparing for performance reviews

Prior to each meeting, draft an agenda to follow. Key points to be covered should include:

- ✚ Each employee's goals or KPIs and how well they have met these
- ✚ Areas where they have excelled
- ✚ Areas where improvement is needed

Remind your employees to assess their own performance too. Self-analysis can be as simple as considering the goals each employee achieved – or missed. Or consider asking staff to complete a more formal “SWOT” analysis by addressing:

- ✚ Their strengths and weaknesses
- ✚ Opportunities they have taken advantage of to enhance their performance
- ✚ Any threats that have impacted or may impact their performance

This can also be a good way to identify issues in your workplace that you may be unaware of, or highlight the need for staff training in particular areas.

During the performance review, typical points to address can include:

- ✚ The employee's quality of work and ability to meet particular metrics
- ✚ Dependability and punctuality
- ✚ Leadership, communication and team skills
- ✚ Progress made towards personal career goals
- ✚ Innovation and problem-solving skills

Importantly, establish a follow-up strategy for each staff member. Conclude the review with a discussion about the employee's goals and career aspirations, and develop a plan to achieve these. This lets your employees know that your company is invested in their personal career growth.

Example of a written performance review

Performance reviews should be completed with a written record of the employee's performance.

A performance review example is noted below:

Anna is working beyond expectations in her role as junior accountant. She brings a positive attitude to her role, copes well with pressure and has a consistent eye for detail.

Anna is able to work well within a team and demonstrates leadership to her junior colleagues. She has volunteered to be involved in a number of special projects, and she has developed outstanding relationships with a wide range of clients.

Anna has strong communication skills and is eager to progress her career, however she would benefit from additional development and training to further her knowledge of legislative and tax requirements.

Tips for performance reviews

There are additional ways to make your performance review process more effective. Some ideas you may want to consider are listed below.

Be aware of the setting

Not surprisingly, employees can find performance reviews intimidating. After all, their work is under scrutiny. That's why these meetings should ideally involve a conversation in a relaxed environment, to help settle nerves.

Simple gestures such as conducting a staff review in a more casual setting such as a local café can go a long way to making the performance review less intimidating, especially for employees who aren't usually comfortable with giving feedback.

Maintain a balanced discussion

When you're speaking with employees, make a point of providing positive feedback as this can help to maintain motivation as well as letting staff know what they're doing well.

However, aim to balance the conversation with constructive criticism that lets each staff member know where their performance could be improved.

Where weakness is identified, highlight options for further training and professional development or discuss opportunities to be mentored. This allows each staff member to know you are offering solutions to encourage professional growth.

Handled professionally and thoughtfully, a performance review can be a win-win for everyone, leaving staff re-energised and clear about their career progression within your company. It also gives you the reassurance of knowing you have addressed areas of improvement while inspiring staff to deliver their best effort for the year ahead.

Performance Management Documentation

Performance management can be one of the most arduous parts of managing staff.

Here are 8 things to remember when recording your annual staff assessments.

1. Follow a consistent format.

The payoff is that a well documented assessment makes it easy for you (and your employee) to review performance progress – or regress. It can help reduce your legal risk if an employee needs to be performance managed or perhaps dismissed.

To help guide you through how to document the performance reviews, here are some key components worth factoring in.

2. Record essential information

This should come at the top of the document and include the basics such as the date, employee name, department, employment status, manager's name and performance period. Get this information right now, and you will only need to make minor amendments for the next review.

3. Have a performance goals rating system

To determine the rating you wish to assign to each of your employee's performance goals, we suggest using a numerical system – for example:

- 1. being outstanding**
- 2. exceeds targets**
- 3. meets targets**
- 4. needs improvement**
- 5. unsatisfactory**

NA for developing or not applicable

Using this system means when you and the employee both give a separate rating it should be clear what your agreed rating will be. This also helps form the discussion points around Key Performance Indicators, and whether the employee is performing as expected.

4. Include job skills and personal attributes

These objectives might include sections such as Accountability, Initiative, Attention to Detail and Teamwork. Your review document should include space for the employee to comment including examples that back up the rating they give themselves. There should also be a space for you (or the manager) to comment in addition to a section for explaining the final rationale for the agreed rating.

Remember to record your observations about your employee's job performance as objectively as possible, and tie your conclusions to hard data. By supporting your assessment with specific examples the employee can see exactly where they can improve. If the employee's work is substandard, you suspect they might need to be performance managed, or even dismissed being able to provide documents that outline the steps you took to try and correct any performance issues will help reduce your legal risk if the matter ends up in court.

5. Include a position description review

Before going any further, it's important to review your employee's existing position description to make sure it's still relevant. During the course of a year, or even six months, many aspects of your employee's role can change as your business grows or targets shift. Now's the time to make any updates necessary to ensure your employee's position description and key performance indicators reflect their current and ongoing role.

6. Have development objectives

This is where you ask the employee to indicate what areas they would like to focus on during the coming months. In this section of the review document you can include questions such as: What new skills or behaviors would you like to work on in the coming year to support you in your role? Or: Are there any professional development opportunities you would like to undertake, relevant to your career goals?

7. Overall performance review rating

Ask the employee to give an overall rating of their performance for the year. Then you do the same, and together you agree on the final rating. This is also where some forethought into the final message you would like to leave the employee with can be helpful. For example, *Performance Reviews* suggests writing down three things the employee did well during the year and two areas that most need improvement. Then, ask yourself: “What’s the single most important take away I want the employee to remember?” Refine your message to one key idea as your overall impression of their performance.

8. Make sure you both Sign off!

It seems obvious, but be sure both you and the employee sign and date the document to show you’re in agreement about its contents. Technology now ensures companies can digitally document when a document is read, updated, and signed off. In the past HR administrators would utilize paper files and perhaps a spreadsheet.

Performance Document Components: How They Work Together

To create a performance document you need a performance template. The performance template contains a document type, template sections, and a process flow, which you must create before you create the performance template.

Document Types

Document types categorize the types of performance documents that are valid for an organization, such as an annual evaluation, a semiannual evaluation, a project evaluation, and any others you require. You set the dates to determine the time period that a document type is valid.

Performance Template Sections

Sections form the structure of a performance document. In the sections you configure the types of content that can be rated and the processing options for ratings. You also determine the sources of content, and how the performance documents integrate with

profiles and Oracle Fusion Goal Management goals. Sections can also contain options for managers and workers to provide final feedback about the evaluation.

You can configure up to five different section types. Your organization may require an annual performance evaluation that includes any or all of these sections:

- ✚ Profile Content to rate worker competencies
- ✚ Goals to rate worker goals
- ✚ Overall Summary to provide the overall rating of the worker
- ✚ Worker Final Feedback
- ✚ Manager Final Feedback

Each of these requires separate sections that you add to a performance template to support the process flow used by the template.

Process Flows

Create process flows to determine which tasks workers and managers perform as part of the evaluation process. For example, you can include tasks to set goals, managers to evaluate workers, and workers to evaluate themselves. You can create as many process flows as needed to correspond to the different evaluation requirements of your enterprise.

The process flow dictates which sections are required for the performance template. For example, if the process flow includes the task for managers to rate workers, you must set up Profile Content or Goals sections where managers can rate workers on competencies or goals, or an Overall Summary section where managers provide an overall rating.

Performance Templates

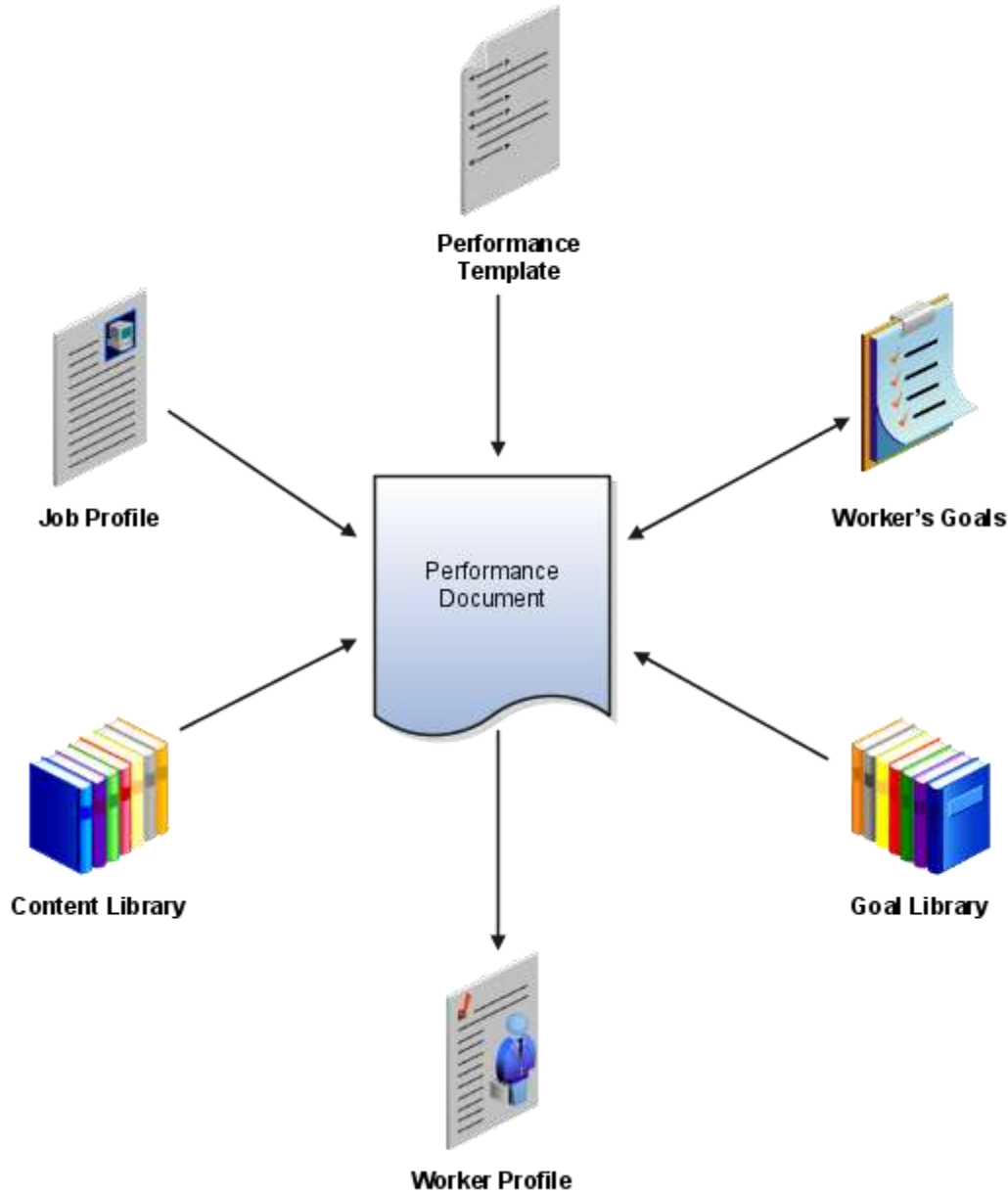
Performance templates bring together the information that is used to create performance documents. In the performance template, you select the roles that can access the performance documents created from the template, specify the processing rules for the

document, and enter the periods for which the performance documents are valid. You also select the document type, sections, and process flows to use, and any additional content on which to rate workers. You can edit sections as required in the template.

Performance Documents: How They Work with Profiles and Goals

During a performance evaluation, the line manager or worker can update a performance document to include competencies from the worker's job profile and content library, and performance goals. Goals can be created directly in the performance document, or additionally, if Oracle Fusion Goal Management is used, added from the goal library and worker's goals. When the performance document is completed the worker's person profile is updated to reflect competency proficiency levels in the performance document. Workers and managers can maintain goals either in the performance document or using the Goal Management business process, and the goals are updated in both locations.

This figure illustrates the sources of competencies and goals for the performance document, and how profiles and goals are updated from the performance document.



Adding and Updating Content in the Performance Document

When created, the performance document may contain competencies and goals that the performance template is configured to provide. These can include competencies from the content library or from the worker's job profile. If Goal Management is used, goals from the template may include the worker's own goals and others selected from the goal library. During the evaluation process workers and managers can add additional competencies from the content library, create new goals, and add goals from the goal library. They can

also update the performance document to transfer any changes in job competencies, or goals from the Goal Management pages, to the document to ensure that they have the most recent content. The ability to add and update competencies and goals from these sources depends on the settings for the template used to generate the performance document.

To update the competencies and goals in the performance document, they use the **Update Goals and Competencies** action on the pages used to evaluate the worker or set document content.

When adding competencies by updating from the job profile, only those that are associated with the job to which the performance document applies are added. Competencies associated with profiles for which the worker has another active performance document are not added. However, managers and workers can add these competencies directly to the performance document by adding them from the content library.

Managing Goals in Two Locations

If Goal Management is enabled, any goals that managers or workers create in the performance document or add from the goal library are also added to the pages used to manage goals when they save the performance document. When goal plans are used, these goals are added to the active performance goal plan that contains the goal start date. If goal plans are not used, the goals are added to the worker's performance goal list.

Goals that they edit in the performance document are updated in Goal Management so that the primary goal information is consistent in both locations. They can update the goal name, description, status, and dates in the performance document, which are captured in the pages used to manage goals when they save the performance document. Weights added to a goal in Goal Management are transferred to the performance document only when the goal is added to the performance document. Changes to the weight in Goal Management after the initial transfer are not reflected in the performance document. Goal weights are never updated from the performance document to Goal Management. Comments added to goals in the My Goals or Goal Details pages appear in the performance document; those

made in the performance document do not appear in Goal Management pages. Goal ratings appear only in the performance document, however. Goals can have additional attributes that display in the Goal Management pages but do not appear in the performance document.

When managers or workers edit the worker's existing goals in Goal Management, the changes are reflected in the performance document when it is opened, or when they perform the Update Goals and Competencies action. To copy new goals into the performance document from the goal management business process they must use the Update Goals and Competencies action in the performance document.

Updating Profiles from a Completed Evaluation

When the performance document is completed the application updates the worker's profile to include the changes made in the performance document, if the performance document is configured to do so. Updated content includes the competencies and their rating levels provided by the manager. The ratings provided by the worker are not included. After the performance document is completed, it becomes a static document, and any changes to the job competencies are not reflected in the performance document.

Completing Goals in the Performance Document

When the performance document is completed the goals are updated in Goal Management. After that process concludes, managers and workers can no longer update goals in the performance document either directly, or by using Goal Management. They can continue add or update goals in Goal Management, but those changes are not reflected in the performance document.

The potential appraisal refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future – oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy. Many organizations consider and use potential appraisal as a part of the performance appraisal processes.

The purposes of a potential review are:

1. to inform employees of their future prospects;
2. to enable the organization to draft a management succession programme;
3. to update training and recruitment activities;
4. to advise employees about the work to be done to enhance their career opportunities.

Techniques of potential appraisal:

1. Self – appraisals
2. Peer appraisals
3. Superior appraisals
4. MBO
5. Psychological and psychometric tests
6. Management games like role playing
7. Leadership exercises etc.

Potential appraisal helps to identify what can happen in future so that it can be guided and directed towards the achievement of individual and organizational growth and goals. Therefore, potential should be included as a part of the Performance appraisal in organizations.

The Potential for Improving Performance, or PIP, measures the performance of the average worker versus the best person performing a particular task. Large differences suggest that performance can be improved by bringing average performance up closer to the best performance. Small differences suggest little potential for improvement.

The following are some of the requirements and steps to be followed when introducing a potential appraisal system:

Role Description: A good potential appraisal system would be based on clarity of roles and functions associated with the different roles in an organization. This requires extensive job descriptions to be made available for each job. These job descriptions should spell out the various functions involved in performing the job.

Qualities Required: Besides job descriptions, it is necessary to have a detailed list of qualities required to perform each of these functions. These qualities may be broadly divided into four categories

- (1) technical knowledge and skills,**
- (2) managerial capabilities and qualities,**
- (3) behavioral capabilities, and**
- (4) conceptual capabilities.**

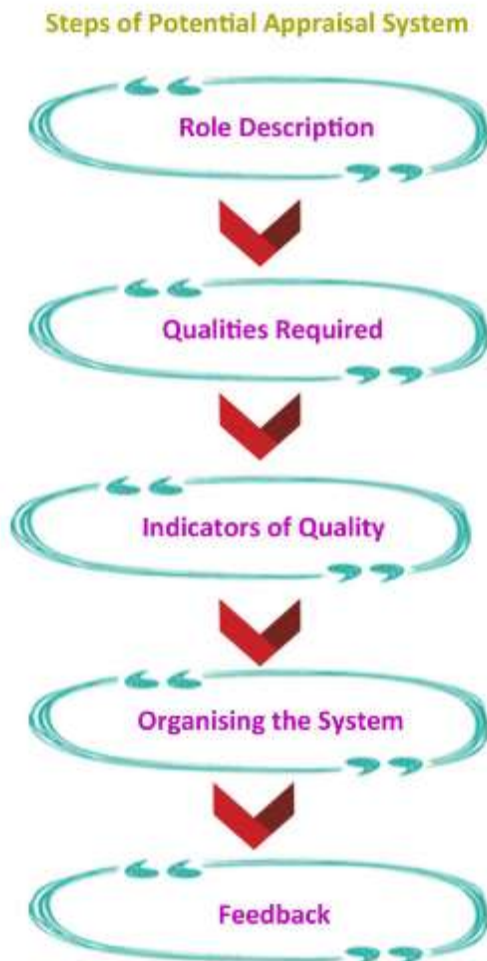
Indicators of Qualities: A good potential appraisal system besides listing down the functions and qualities would also have various mechanisms for judging these qualities in a given individual. Some of the mechanisms for judging these qualities are -

- (a) rating by others,**
- (b) psychological tests,**
- (c) simulation games and exercises,**
- (d) performance appraisal records.**

Organizing the System: Once the functions, the qualities required to perform these functions, indicators of these qualities, and mechanisms for generating these indicators are clear, the organization is in a sound position to establish and operate the potential appraisal system. Such establishment requires clarity in organizational policies and systematization of its efforts.

Feedback: If the organization believes in the development of human resources it should attempt to generate a climate of openness. Such a climate is required for helping the employees to understand their strengths and weaknesses and to create opportunities for development. A good potential appraisal system should provide an opportunity for every employee to know the results of assessment. He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organization to appraise his potential, and the results of such an appraisal.

A good potential appraisal system provides opportunities continuously for the employee to



know his strengths and weaknesses. These are done through periodic counseling and guidance sessions by either the personnel department or the managers concerned. This should enable the employee to develop realistic self-perceptions and plan his own career and development.

Potential Appraisal Vs. Performance Appraisal

Potential Appraisal is forward looking process whether **performance appraisal** is backward looking process. Any good or worse assessment results of performance appraisal may not be a good factor for potential appraisal. But current performance of an employee could show evidence somewhere whether he/she is flexible for new working conditions.

UNIT IV

Feedback, Counseling and Coaching

Performance Feedback

Performance feedback is the **on-going** process between employee and manager where information is exchanged concerning the performance expected and the performance exhibited. Constructive feedback can praise good performance or correct poor performance and should **always** be tied to the **performance standards**.

Characteristics of constructive feedback

Constructive feedback is:

1. Specific rather than general. To be told that one is "dominating" will not be as useful as being told that, "In the meeting that just took place,
 - ✚ you switched topics without asking if there were additional comments,
 - ✚ you cut people off mid-sentence, and
 - ✚ you interrupted others."
2. Focused on behavior rather than on the person. It is important that we refer to what a person does. Thus we might describe a person as having "talked more than anyone else in this meeting" rather than saying the person is "a loudmouth." The former allows for the possibility of change; the latter implies a fixed personality trait.
3. Given in order to help, not hurt. Too often people give feedback to make themselves feel better.
4. Directed toward behavior which the receiver can do something about. It is pointless and frustrating to be reminded of a trait over which one has no control.
5. Well-timed. Feedback is most useful at the earliest opportunity after the behavior you want to address has been demonstrated (depending on the person's readiness to hear it, privacy, time available for discussion, etc). Feedback presented at an inappropriate time may do more harm than good.

6. Limited to the amount of information the receiver can use rather than the amount you would like to give. To overload a person reduces the possibility that the feedback will be used. Additionally, if you give more information than can be used you are likely satisfying some individual need rather than attempting to help the other person.
7. Checked for clarity. Ask the receiver to rephrase the feedback received to verify that it corresponds to what you had in mind. No matter what the intent, feedback is often perceived as threatening thus subject to considerable distortion or misinterpretation.
8. Followed up on at a later date. Be aware of the effects of your feedback.

Giving negative feedback: correcting poor performance

- Note poor performance immediately upon observing it.
- Specify what does not meet expectations.
- Refer to **performance standards**.
- Note the effect of observed performance on work group/organization.
- Model or restate appropriate performance.
- Describe negative consequences.
- Obtain agreement on the problem.
- Mutually seek solutions.
- Agree on action plan.
- Encourage improvement.
- Set date for check (if appropriate).
- Don't belabor a point.
- Move forward after the discussion.
- Avoid giving correction in public.

Giving positive feedback: praising good performance

- Praise immediately on observing good performance.
- Be specific about what was good about performance; refer to **performance standards**.
- Note how meeting (or exceeding) standards helps work group/organization meet strategic objectives.
- Encourage maintaining this level of performance.

Counseling

The goal of counseling is to help employees develop in order to achieve organizational goals. Sometimes, the counseling is directed by policy, and at other times, leaders choose to counsel to develop employees. Regardless of the nature of the counseling, leaders should demonstrate the qualities of an effective counselor (respect, self-awareness, credibility, and empathy) and employ the skills of good communication.

While the reason for counseling is to develop subordinates, leaders often categorize counseling based on the topic of the session. Major categories include performance counseling, problem counseling, and individual growth counseling (development). While these categories help leaders to organize and focus counseling sessions, they must not be viewed as separate and distinct types of counseling. For example, a counseling session that mainly focuses on resolving a problem may also have a huge impact on improving job performance. Another example is a counseling session that focuses on performance may also include a discussion of opportunities for growth. Regardless of the topic of the counseling session, you should follow the same basic format to prepare for and conduct counseling

Counseling has a powerful, long-term impact on people and the effectiveness of the organization. It is talking with a person in a way that helps him or her solve a problem. It involves thinking, implementing, knowing human nature, timing, sincerity, compassion, and kindness. It is much more than simply telling someone what to do about a problem.

The process of employee counseling has three phases: rapport building, exploration and action planning, these are discussed below:

1. **Rapport Building:** Initially the counselor-manager should level himself with his employee and tune himself to his orientations. General opening rituals like offering a chair, closing the door to indicate privacy, asking the secretary not to disturb are all important in demonstrating the manager's genuine interest in employee's problems. The counselor must

listen to the feelings and concerns of the employee carefully and attentively. Leaning forward and eye contact are important signs of active listening. The employee must feel that he is wanted and the counselors is interested in him genuinely.

2. **Exploration:** Besides active listening, the counselor should help the employee find his own weaknesses and problems through open and exploring questions. He should be encouraged to open up fully and talk more on the problem. This would enable both parties to uncover various dimensions of the problem clearly. Once the key issue is identified, (e.g., inability to get along with colleagues, not being promoted despite hard work, boss does not like his work etc.,) it should be diagnosed thoroughly. Open questions like- why do people pick arguments with you? On what occasions did you try to get ahead in the race? Who are coming in your way and why? — may help the employee visualize the problem from different angles. The whole exercise is meant to generate several alternative causes of a problem.
3. **Action Planning:** Counseling should finally help the employee find alternative ways of resolving a problem. The list of alternatives could be generated after two or three brainstorming sessions. The merits and limitations of each course of action could also be identified and the best course of action picked up-keeping the background factors (boss, colleagues, work-related issues, competitive pressures etc.) in mind. The employee should be encouraged to self-monitor the action plan without seeking further helps from the counselor. The counseling sessions could be monitored and reviewed at regular intervals later on.

Leaders must demonstrate the following qualities in order to counsel effectively.

- **Respect for employees** — This includes the belief that individuals are responsible for their own actions and ideas. It includes an awareness of a person's individuality by recognizing their unique values, attributes, and skills. As you attempt to develop people with counseling, you must refrain from projecting your own values onto them.
- **Self-Awareness** — This quality is an understanding of yourself as a leader. The more you are aware of your own values, needs, and biases, the less likely you will be to project your feelings onto your employees.

- **Credibility** — Believability is achieved through both honesty and consistency between both the leader's statements and actions. Credible leaders are straightforward with their subordinates and behave in such a manner that earns the subordinates' respect and trust.
- **Empathy** — or compassion entails understanding a subordinate's situation. Empathetic leaders will be better able to help subordinates identify the situation and then develop a plan to improve it.

Meaning of Performance Counseling:

- Counseling is a dyadic relationship between two persons i.e., a counselor and a counselee. A counselor offers help to the counselee in related issues like problem solving, target achievement etc. Counseling may be formal or informal. Formal Counseling is a planned and systematic way of helping the subordinates by experts.
- Informal counseling is concerned with day-to-day relationships with the manager and the subordinate where the help is offered but is not as per a formal plan.
- Performance counseling involves helping an employee to understand his own performance, find his place in relation to others and identify ways to improve upon. It focuses “on analysis of performance of the job and identification of training needs for further improvement”.
- Sometimes performance counseling is misinterpreted as a process of correcting or controlling the employees behaviour by giving him negative feedback in a positive manner. People make remarks say “I called him for counseling and taught him a good lesson.” Due to misuse of this term it carries some negative connotation in the minds of employees and is called by some jargons like ‘verbal threat’, ‘criticism’, and ‘negative’ feedback.

- Performance counseling is done in regular course of time. It focuses on the entire performance (tasks and behaviors) during a particular period rather than on a specific problem. However, specific problems may be discussed during counseling as a part of analyzing and understanding performance patterns. In performance counseling a counselor initiates the discussion as a part of an appraisal system.

Counseling aims at development of the counselee. It involves following objectives:

1. It helps in reviewing the progress made by an employee in concern with his objectives.
2. It also helps to develop various plans, which are necessary or required to improve the performance.
3. It provides a congenial work climate and healthy working atmosphere.
4. It also helps to realize the actual potential of a manager
5. It acts as a base to increase the personal and interpersonal effectiveness by giving regular feedback and judging an individual's interpersonal competence.
6. It also encourages to generate alternatives for dealing with various problems.

Constituents of Performance Counseling:

The process of counseling involves 3 main sub processes:

- i) Communication,
- ii) Influencing, and
- iii) Helping.

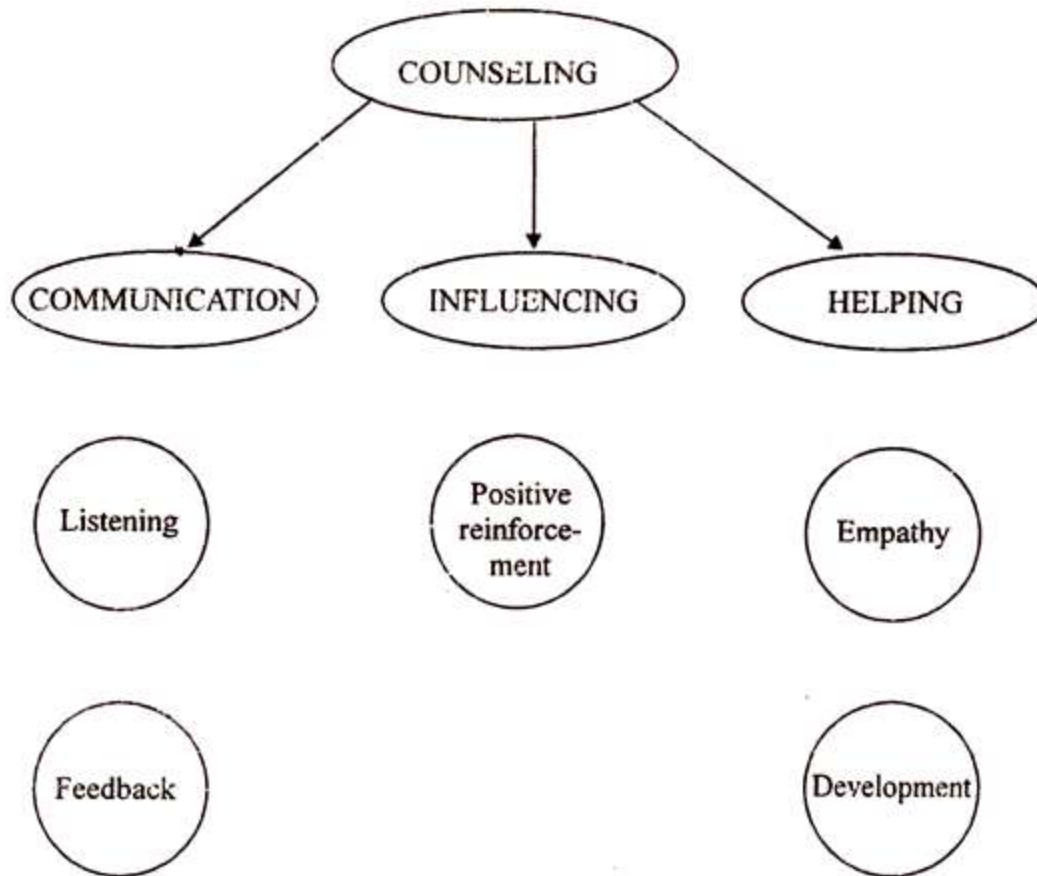


FIG 4.1 : A DIAGRAM SHOWING THE COMPONENTS OF COUNSELING

i) Communication:

It refers to the interaction between the superior and the subordinate. It may be the conversation in setting the goals of the department or individual goals. It may also include the discussion during performance review or appraisal feedback

While communicating to a person or an employee it should be kept in mind that an individual perceives every problem or an issue differently. So, in order to make communication complete it should be clearly understood by the recipient. People speak much more from their body gestures than words, which is a very important part of communication.

Hearing and listening are two different types of communication, which have varying degree of attentiveness. Listening to feelings and concerns is very important for effective counseling. No process is complete without feedback. Similarly, a communication process also involves feedback to know what the other person has understood.

ii) Influencing:

It means to make impact on a person in a relationship. This plays an important role in counseling too. Flanders (1970) makes distinction between two modes of influences, one called as direct mode of influence and the other as indirect mode of influence. The direct mode of influence means restricting the freedom of others like criticism or punishment while indirect mode of influence means to give more freedom to others like praise or recognition.

Some behavioural scientists say that change in a person can be brought through positive reinforcement and not negative reinforcement. Influencing would involve providing encouragement and reinforcing success so that a person can take initiatives and experiment with his new ideas.

iii) Helping:

In order to help or support a person one should know the need of an individual. A boss who shows concern for his employees can gain their support. The main purpose of performance counseling is to feel for the subordinate and empathies with him. Without such genuine concern, counseling may only degenerate into a ritual or fruitless exercise.

Process of Performance Counseling:

Step I – Rapport building

Step-II – Listen with intelligence and understanding

Step-III – Avoid being judgmental

Step IV – Define the problem

Step-V – Plan the action

Step-VI – Stay alert

Step-VII – Conclude the meeting

(i) Rapport Building:

This is essential to make a counseling period effective, it involves generating confidence in an employee so that he opens up and shares his perceptions, feelings, experiences and problems. This is like an initial phase of an interview. Firstly, the counselor should make the person feel comfortable by offering a chair, asking the secretary not to disturb, asking for the employee's choice for tea or coffee etc.

This makes the employee relaxed. This is also called as creating an acceptable climate. The employee starts feeling that he/she is an important person and the counselor is paying attention to understand him/her.

(ii) Listening with Intelligence and Understanding:

Listening is an important part of counseling. Some special body gestures like maintaining eye contact during conversation, leaning forward etc., communicate that the person is interested in listening or willing to participate in the communication process. The counselor listens to the employee problems patiently. Here the counselor

need to revert back and make the employee feel that he has been understood in the same way as desired.

Eg- A person says, "Efforts carry no worth in this organization.", "You do but no rewards". This shows that the employee is angry. Now the counselor should communicate this back to the employee by repeating the lines or asking a question like, Do you mean to say that in spite of lot of efforts people do not get what they deserve? Such a mirroring would help the employee to feel that he has been understood in the right way.

(iii) Avoid being Judgmental:

A counseling session helps people to understand better but not to criticize them or tell them that what they have done was literally wrong. This makes people defensive and non receptive. Then the communication ends up being a wasteful exercise.

(iv) Define the Problem:

It means to identify the actual problem. A counselor should encourage the employee to define the problem for himself with sympathetic listening and careful questions.

Like:

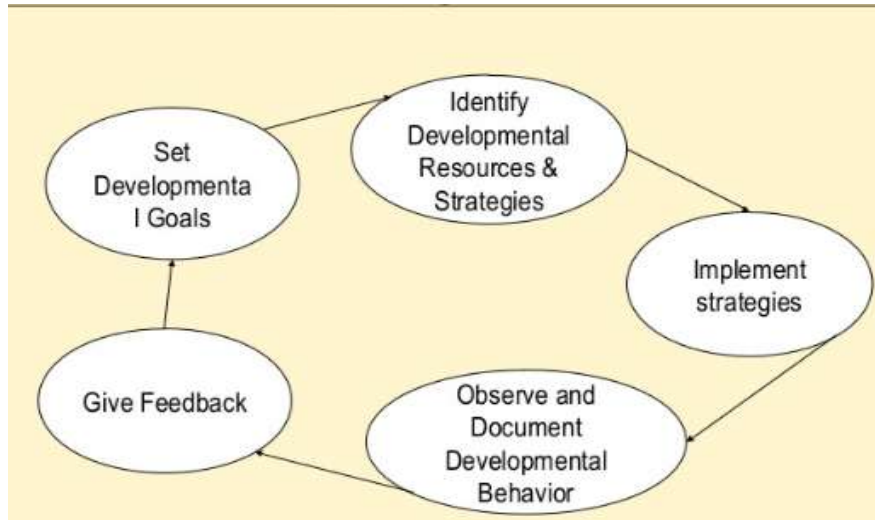
Is there anything else you think you want to tell me?

Are there other factors which preceded the problem?

(v) Plan the Action:

A counseling session should end up with a specific plan for the development of an employee i.e., identification of training need, job rotation, increased responsibility, etc. While planning the future course of action the counselor should encourage the counselee to generate more ideas by brainstorming. After the generation of these

alternatives the best one should be selected by assessing the advantages and disadvantages of the various options.



(vi) Stay Alert:

The meeting ought to be planned and it should be decided how to tackle the cases and change the direction in the light of

new ideas and information.

(vii) Conclude the Meeting:

A counselor should help out the employee in deriving a solution to the problem. The solution should be realistic which has practical feasibility. This can be initiated by raising questions like, “What do you think is the best way to deal with situation?”

Performance Coaching

Coaching, in its simplest form, means to train, tutor or give instruction. It is an excellent skill that can be used to enhance growth and performance, as well as promote individual responsibility and accountability. Performance coaching is an ongoing process which helps build and maintain effective employee and supervisory relationships. Performance coaching can help identify an employee's growth, as well as help plan and develop new skills. Using their coaching skills, supervisors evaluate and address the developmental needs of their employees and help them select diverse experiences to gain necessary skills. Supervisors and employees can work collaboratively on developing plans that might include training, new assignments, job enrichment, self-study, or work details.

There are many types of coaching elements that provide a framework of the coaching process. The following are examples of elements from the Idaho Division of Human Resources that are essential when it comes to performance coaching:

- **Building Trust** - Trust is key to coaching. The supervisor and employee relationship must have some level of trust for coaching to work. A mutual interest in the success of the other is critical. Trust can begin to develop through open, honest feedback and respect.
- **Defining the Issues** - The supervisor/manager should seek information from the employee to better understand the issue or performance in question. The emphasis is not on proving who is right or wrong, but on gathering information in a non-judgmental manner.
- **Coaching for Success** - Taking employees from compliance to commitment can be difficult. Finding or creating that factor means sometimes helping the employee get in touch with what matters to him/her - what are his/her internal goals. Sometimes this is best achieved through the use of open-ended questions leading to the employee's self discovery.
- **Creating a Plan of Action** - For the purpose of buy-in and commitment, the supervisor and the employee should jointly create an action plan. The plan should include performance goals that are simple, measurable and attainable.

Ongoing Mentoring and Protégé Development

Mentoring is about establishing and nurturing mutually beneficial relationships, either face-to-face or virtually. The format of a mentoring relationship can vary widely. We are most familiar with the traditional one-on-one format, in which a senior person mentors a junior person. Other forms of mentoring are reverse mentoring (junior mentors senior), group mentoring (multiple mentors and/or mentees), and even organization-to-organization mentoring. Mentoring can be formal, where a specific relationship is initiated, or informal, where an individual seeks or gives guidance and support but never sets up an intentional mentoring relationship

What is mentoring?

The purpose of mentoring, first mentioned in Homer's *Odyssey* (Garvey, 2011), was initially about individual development and experiential learning. As the United States moved through the Industrial Revolution, mentoring took on the flavor of career development and sponsorship; in the United Kingdom and Europe, however, mentoring remained a developmental activity. Mentoring relationships support mentees, or protégés, in developing confidence, competence, and credibility. Critical to the relationship are the protégé having opportunities to access challenging assignments to gain professional competence, being placed in high-trust positions that send positive signals to others, and receiving advice and counsel to help navigate the organizational cultures in which they work.

Typically, a mentor does not have direct reporting authority over the protégé, nor gives input on performance reviews. This can be very freeing for the protégé, who doesn't have to worry about something they said being used in unintended ways. For the mentor, it means not having to feel like they "wasted their time" if the protégé seeks employment elsewhere because of their positive mentoring experience.

While developmental or career-focused mentoring can be beneficial for everyone, not all experiences are equal. Research indicates that women don't experience the same outcomes from mentoring as men. The mentors of most women in one study had less clout than the mentors of their male counterparts (Ibarra, Carter, & Silva, 2010). In addition, the men in that study, but not the women, received a special kind of mentoring—sponsorship, whereby the mentor advocates for their protégé with senior executives.

In addition, Johnson, Thomas, and Brown (2017) found that women of color in science, technology, engineering, and math (STEM) fields did not have access to quality mentoring, and some were even unable to find a mentor. In an earlier study, Thomas (2001) showed a two-track system where protégés of color had lower quality experiences than their white counterparts. Since white males fill most senior roles in companies, even in science museums, senior-level mentors are most often white males. Smith and Johnson's (2017) research suggested that male mentors treat their male and female protégés differently,

which results in different outcomes. Each of the studies cited offers tips for improving the quality of mentoring.

Who is a mentor, and who is a protégé?

A mentor is a person with knowledge and experience to share with someone else—the protégé—who doesn't yet have, but who would benefit from exposure to, that knowledge and experience. As noted earlier, mentoring has moved beyond the traditional one-on-one, senior-to-junior relationship and includes

- **Reverse mentoring:** the protégé is senior to the mentor. For example, in today's workplace with as many as five generations of individuals working together, Millennials often mentor senior and executive staff to help them gain a perspective of how the Millennial cohort perceives work and the world.
- **Peer group or network mentoring:** two or more people in a mentoring relationship where the mentor role shifts among the peer group members, who may have similar or different ages and positions. Many leader development programs use a cohort-based model in which participants have a range of ages, perspectives, experiences, and skillsets. A goal is for participants to become peer mentors for each other once the formal program ends. For example, a subset of the cohort from the 2011 NextGen program (sponsored by the Getty Leadership Institute) included mid-career professionals from different types of museums and in different positions. They brought knowledge of their individual networks into the mentoring relationship with their peers.
- **Group mentoring:** this can occur in three ways (Huizing, 2012)—one mentor working with a group of protégés; many (two or more) mentors working collaboratively with one protégé; and many mentors working collaboratively with many protégés. The last scenario differs from peer group mentoring because the mentor roles are assigned and do not shift.
- **Organization-to-organization mentoring:** an organization as a whole shares knowledge and experience with another organization, likely with some combination of traditional, reverse, and group mentoring.

How does mentoring work?

Formal mentoring can be initiated by either mentor or protégé and involves five phases:

1. **Taking stock and identifying long-term objectives.** The purpose of the mentoring relationship is determined first. What skills or perspectives does the protégé (or mentor) want to learn or develop? This information is then used to identify potential mentors (or protégés). For more on finding a mentor, see the sidebar below.
2. **Building rapport.** Once a request has been made and accepted, the mentor and protégé get to know each other during their first few meetings.
3. **Setting directions.** With a rapport established, it's time to get down to business. The pair or group discusses goals and expectations for the mentoring relationship.
4. **Taking the mentoring journey.** During the journey, it is important to check in about the relationship itself to ensure it is working for both mentor and protégé.
5. **Moving on.** After some predetermined period, the pair or group determines if the goals have been met and if it is time to end the formal mentoring relationship.

Traditionally, mentoring has been a face-to-face activity, but people can now easily engage in virtual mentoring. Obvious benefits include access to a wider range of potential mentors, working with someone who is not local, and flexibility in meeting arrangements. Both mentors and protégés may need to think differently about how to develop and nurture the relationship due to distance; frequent check-ins are especially important.

What are the benefits of mentoring?

A mentoring relationship may focus on career or individual development. The benefits to a protégé can include learning about the museum field, improving their strengths, expanding their network, and having experiences that may lead to future career opportunities. A mentor has the benefits of feeling valuable and giving back to their profession.

Mentoring can also be a professional development opportunity for both mentor and protégé. Mentors can practice important “soft skills” such as deep listening, perspective taking, cogent argumentation, reflection, and setting the context for learning and

development. Protégés also get the chance to practice some of these skills, as well as consider how to exercise leadership from their current position.

Some see being a mentor as a leadership development opportunity, which is supported by findings from my study of U.S. museum professionals' perspectives on leadership development (Johnson, 2012). When asked about the types of activities their museums used as strategies for developing leaders, 39% identified mentoring. In a recent article, the current dean of the Harvard Graduate School of Education, James E. Ryan (2017), identified five questions that leaders should always be asking: "Wait, What?"; "I wonder why/if...?"; "Couldn't we at least...?"; "How can I help?"; and "What truly matters?" A mentoring relationship may be one place to develop the confidence and competence in asking these types of questions.

What makes an effective mentor and an effective protégé?

Being a good listener is a critical skill for a mentor to have, but not the only skill (Harvard Business Review, 2004). An effective mentor

- Gets the relationship off to a good start
- Creates a foundation of support
- Challenges the protégé to develop a plan for success
- Gives actionable advice and feedback
- Resists the temptation to solve the protégé's problems
- Critiques the behavior, not the person
- Doesn't allow the protégé to become dependent on the mentor
- Knows when to say goodbye.

If you are considering taking on a mentor role, ask yourself a few questions. How effectively do you listen? Find out with this active listening self-assessment. How well versed are you at giving and receiving advice? Do you enjoy collaborative learning? Do you have facilitation and conflict management skills?

As with any other professional activity, getting training is important for being an effective mentor. The International Mentoring Association and the American Alliance of

Museums both have resources. The Cultural Human Resources Council of Canada has a helpful list of competencies for managers of cultural organizations.

An effective protégé

- ✚ Is clear about what they need from the mentoring relationship
- ✚ Does some prior research and comes to meetings ready to initiate conversations, not just respond
- ✚ Listens carefully, lets information percolate, and reflects on it
- ✚ Takes responsibility for their own learning
- ✚ Understands that they will at times feel challenged by a suggestion, idea, or task
- ✚ Tries to meet a challenge in order to learn and grow
- ✚ Is willing to experiment and work outside their comfort zone
- ✚ Respects time parameters and confidentiality
- ✚ Doesn't insist on special favors that the mentor has not offered.

Mentoring is the shared process of personal or career development. The most effective mentoring relationships are often mutually beneficial and involve a personal commitment from both the mentor and the mentee. Typically, these relationships develop organically between two people and aren't assigned, but they may grow out of an assigned relationship.

Benefits of Having a Mentor

- » Feel more connected to the organization
- » Receive support from others who have taken a similar path
- » Develop a successful style
- » Find challenging assignments and growth opportunities
- » Understand subtle expectations and shortcuts
- » Receive and interpret feedback
- » Connect to or expand your network
- » Learn from good examples as well as from mistakes
- » Develop greater self-confidence

Roles and Responsibilities

Mentor	Mentee/Protege
Challenge, motivate, inspire, and encourage	Be motivated to succeed in what you want to pursue
Focus on mentee's personal and professional development	Be willing to learn and act on the guidance you receive
Provide feedback on how to improve and offer advice	Be honest and self-aware
Strive to increase mentee's sense of competence	Be willing to commit a meaningful amount of time to the relationship and your own development
Offer alternative perspectives	Be respectful of your mentor's time and guidance
Share personal experiences	Drive the mentoring relationship
Serve as a role model	
Be patient and build trust	
Encourage self-directed reflection	
Provide support	

Performance Related Pay

Performance-related pay is a financial reward to employees whose work is considered to have reached a required standard, and/or above average.

Performance related pay is generally used where employee performance cannot be appropriately measured in terms of output produced or sales achieved.

Whilst the detail of real performance-related schemes varies from business to business, there are several common features:

- ✚ Individual performance is reviewed regularly (usually once per year) against agreed **objectives** or performance standards. This is the **performance appraisal**
- ✚ At the end of the appraisal, employees are categorized into performance groups – which determine what the reward will be

- ✚ The method of reward will vary, but traditionally it involves a cash bonus and/or increase in wage rate or salary

Performance-related pay has grown widely in recent years – particularly in the public sector. This is part of a movement towards rewarding individual performance which reflects individual circumstances.

There are several problems with performance-related pay:

- ✚ There may be disputes about how performance is measured and whether an employee has done enough to be rewarded
- ✚ Rewarding employees individually does very little to encourage teamwork

There is doubt about whether performance-related pay actually does anything to motivate employees. This may be because the performance element is usually only a small percentage of total pay.

APPRAISING FOR RECOGNITION AND REWARD

In a competitive business climate, more business owners are looking at improvements in quality while reducing costs. Meanwhile, a strong economy has resulted in a tight job market. So while small businesses need to get more from their employees, their employees are looking for more out of them. Employee reward and recognition programs are one method of motivating employees to change work habits and key behaviors to benefit a small business.

REWARD VS. RECOGNITION

Although these terms are often used interchangeably, reward and recognition systems should be considered separately. Employee reward systems refer to programs set up by a company to reward performance and motivate employees on individual and/or group levels. They are normally considered separate from salary but may be monetary in nature or otherwise have a cost to the company. While previously considered the domain of large companies, small businesses have also begun employing them as a tool to lure top employees in a competitive job market as well as to increase employee performance.

As noted, although employee recognition programs are often combined with reward programs they retain a different purpose altogether. They are intended to provide a

psychological—rewards a financial—benefit. Although many elements of designing and maintaining reward and recognition systems are the same, it is useful to keep this difference in mind, especially for small business owners interested in motivating staffs while keeping costs low.

DIFFERENTIATING REWARDS FROM MERIT PAY AND THE PERFORMANCE APPRAISAL

In designing a reward program, a small business owner needs to separate the salary or merit pay system from the reward system. Financial rewards, especially those given on a regular basis such as bonuses, profit sharing, etc., should be tied to an employee's or a group's accomplishments and should be considered "pay at risk" in order to distance them from salary. By doing so, a manager can avoid a sense of entitlement on the part of the employee and ensure that the reward emphasizes excellence or achievement rather than basic competency.

Merit pay increases, then, are not part of an employee reward system. Normally, they are an increase for inflation with additional percentages separating employees by competency. They are not particularly motivating since the distinction that is usually made between a good employee and an average one is relatively small. In addition, they increase the fixed costs of a company as opposed to variable pay increases, such as bonuses, which have to be "re-earned" each year. Finally, in many small businesses teamwork is a crucial element of a successful employee's job. Merit increases generally review an individual's job performance, without adequately taking into account the performance within the context of the group or business.

DESIGNING A REWARD PROGRAM

The keys to developing a reward program are as follows:

- ✚ Identification of company or group goals that the reward program will support
- ✚ Identification of the desired employee performance or behaviors that will reinforce the company's goals

- ✚ Determination of key measurements of the performance or behavior, based on the individual or group's previous achievements
- ✚ Determination of appropriate rewards
- ✚ Communication of program to employees

In order to reap benefits such as increased productivity, the entrepreneur designing a reward program must identify company or group goals to be reached and the behaviors or performance that will contribute to this. While this may seem obvious, companies frequently make the mistake of rewarding behaviors or achievements that either fail to further business goals or actually sabotage them. If teamwork is a business goal, a bonus system rewarding individuals who improve their productivity by themselves or at the expense of another does not make sense. Likewise, if quality is an important issue for an entrepreneur, the reward system that he or she designs should not emphasize rewarding the *quantity* of work accomplished by a business unit.

Properly measuring performance ensures the program pays off in terms of business goals. Since rewards have a real cost in terms of time or money, small business owners need to confirm that performance has actually improved before rewarding it. Often this requires measuring something other than financial returns: reduced defects, happier customers, more rapid deliveries, etc.

When developing a rewards program, an entrepreneur should consider matching rewards to the end result for the company. Perfect attendance might merit a different reward than saving the company \$10,000 through improved contract negotiation. It is also important to consider rewarding both individual and group accomplishments in order to promote both individual initiative and group cooperation and performance.

Lastly, in order for a rewards program to be successful, the specifics need to be clearly spelled out for every employee. Motivation depends on the individual's ability to understand what is being asked of her. Once this has been done, reinforce the original communication with regular meetings or memos promoting the program. Keep your

communications simple but frequent to ensure staff members are kept abreast of changes to the system.

TYPES OF REWARD PROGRAMS

There are a number of different types of reward programs aimed at both individual and team performance.

Variable Pay

Variable pay or pay-for-performance is a compensation program in which a portion of a person's pay is considered "at risk." Variable pay can be tied to the performance of the company, the results of a business unit, an individual's accomplishments, or any combination of these. It can take many forms, including bonus programs, stock options, and one-time awards for significant accomplishments. Some companies choose to pay their employees less than competitors but attempt to motivate and reward employees using a variable pay program instead. Good incentive pay packages provide an optimal challenge, one that stretches employees but remains in reach. If too much is required to reach the goal, the program will be ignored.

Bonuses

Bonus programs have been used in American business for some time. They usually reward individual accomplishment and are frequently used in sales organizations to encourage salespersons to generate additional business or higher profits. They can also be used, however, to recognize group accomplishments. Indeed, increasing numbers of businesses have switched from individual bonus programs to one which reward contributions to corporate performance at group, departmental, or company-wide levels.

According to some experts, small businesses interested in long-term benefits should probably consider another type of reward. Bonuses are generally short-term motivators. By rewarding an employee's performance for the previous year, they encourage a short-term perspective rather than future-oriented accomplishments. In addition, these programs need to be carefully structured to ensure they are rewarding accomplishments

above and beyond an individual or group's basic functions. Otherwise, they run the risk of being perceived of as entitlements or regular merit pay, rather than a reward for outstanding work. Proponents, however, contend that bonuses are a perfectly legitimate means of rewarding outstanding performance, and they argue that such compensation can actually be a powerful tool to encourage future top-level efforts.

Profit Sharing

Profit sharing refers to the strategy of creating a pool of monies to be disbursed to employees by taking a stated percentage of a company's profits. The amount given to an employee is usually equal to a percentage of the employee's salary and is disbursed after a business closes its books for the year. The benefits can be provided either in actual cash or via contributions to employee's 401(k) plans. A benefit for a company offering this type of reward is that it can keep fixed costs low.

The idea behind profit sharing is to reward employees for their contributions to a company's achieved profit goal. It encourages employees to stay put because it is usually structured to reward employees who stay with the company; most profit sharing programs require an employee to be vested in the program over a number of years before receiving any money. Unless well managed, profit sharing may not properly motivate individuals if all receive the share anyway. A team spirit (everyone pulling together to achieve that profit) can counter this—especially if it arises from the employees and is not just management propaganda.

Stock Options

Previously the territory of upper management and large companies, stock options have become an increasingly popular method in recent years of rewarding middle management and other employees in both mature companies and start-ups. Employee stock-option programs give employees the right to buy a specified number of a company's shares at a fixed price for a specified period of time (usually around ten years). They are generally authorized by a company's board of directors and approved by its shareholders. The

number of options a company can award to employees is usually equal to a certain percentage of the company's shares outstanding.

Like profit sharing plans, stock options usually reward employees for sticking around, serving as a long-term motivator. Once an employee has been with a company for a certain period of time (usually around four years), he or she is fully vested in the program. If the employee leaves the company prior to being fully vested, those options are canceled. After an employee becomes fully vested in the program, he or she can purchase from the company an allotted number of shares at the strike price (or the fixed price originally agreed to). This purchase is known as "exercising" stock options. After purchasing the stock, the employee can either retain it or sell it on the open market with the difference in strike price and market price being the employee's gain in the value of the shares.

Offering additional stock in this manner presents risks for both the company and the employee. If the option's strike price is higher than the market price of the stock, the employee's option is worthless. When an employee exercises an option, the company is required to issue a new share of stock that can be publicly traded. The company's market capitalization grows by the market price of the share, rather than the strike price that the employee purchases the stock for. The possibility of reduction of company earnings (impacting both the company and shareholders) arises when the company has a greater number of shares outstanding. To keep ahead of this possibility, earnings must increase at a rate equal to the rate at which outstanding shares increase. Otherwise, the company must repurchase shares on the open market to reduce the number of outstanding shares.

One benefit to offering stock options is a company's ability to take a tax deduction for compensation expense when it issues shares to employees who are exercising their options. Another benefit to offering options is that while they could be considered a portion of compensation, current accounting methods do not require businesses to show options as an expense on their books. This tends to inflate the value of a company. Companies should think carefully about this as a benefit, however. If accounting rules were to become more conservative, corporate earnings could be impacted as a result.

GROUP-BASED REWARD SYSTEMS

As more small businesses use team structures to reach their goals, many entrepreneurs look for ways to reward cooperation between departments and individuals. Bonuses, profit sharing, and stock options can all be used to reward team and group accomplishments. An entrepreneur can choose to reward individual or group contributions or a combination of the two. Group-based reward systems are based on a measurement of team performance, with individual rewards received on the basis of this performance. While these systems encourage individual efforts toward common business goals, they also tend to reward under-performing employees along with average and above-average employees. A reward program which recognizes individual achievements in addition to team performance can provide extra incentive for employees.

RECOGNITION PROGRAMS

For small business owners and other managers, a recognition program may appear to be merely extra effort on their part with few tangible returns in terms of employee performance. While most employees certainly appreciate monetary awards for a job well done, many people merely seek recognition of their hard work. For an entrepreneur with more ingenuity than cash available, this presents an opportunity to motivate employees.

Nor will the entrepreneur be far off the mark. As Patricia Odell reported, writing for *Promo*, "Cash is no longer the ultimate motivator." Odell cited data from the Forum for People Performance Management and Measurement at Northwestern University—which had discovered that non-cash awards tend to be more effective; the exception was rewarding increasing sales. "The study found," Odell wrote, "that non-cash awards programs would work better than cash in such cases as reinforcing organizational values and cultures, improving teamwork, increasing customer satisfaction and motivating specific behaviors among other programs."

In order to develop an effective recognition program, a small business owner must be sure to separate the program from the company's system of rewarding employees. This ensures a focus on recognizing the efforts of employees. To this end, although the recognition may

have a monetary value (such as a luncheon, gift certificates, or plaques), money itself is not given to recognize performance.

Recognition has a timing element: it must occur so that the performance recognized is still fresh in the mind. If high performance continues, recognition should be frequent but cautiously timed so that it doesn't become automatic. Furthermore, like rewards, the method of recognition needs to be appropriate for the achievement. This also ensures that those actions which go farthest in supporting corporate goals receive the most attention. However, an entrepreneur should remain flexible in the methods of recognition, as different employees are motivated by different forms of recognition. Finally, employees need to clearly understand the behavior or action being recognized. A small business owner can ensure this by being specific in what actions will be recognized and then reinforcing this by communicating exactly what an employee did to be recognized.

Recognition can take a variety of forms. Structured programs can include regular recognition events such as banquets or breakfasts, employee of the month or year recognition, an annual report or yearbook which features the accomplishments of employees, and department or company recognition boards. Informal or spontaneous recognition can take the form of privileges such as working at home, starting late/leaving early, or long lunch breaks. A job well done can also be recognized by providing additional support or empowering the employee in ways such as greater choice of assignments, increased authority, or naming the employee as an internal consultant to other staff. Symbolic recognition such as plaques or coffee mugs with inscriptions can also be effective, provided they reflect sincere appreciation for hard work. These latter expressions of thanks, however, are far more likely to be received positively if the source is a small business owner with limited financial resources. Employees will look less kindly on owners of thriving businesses who use such inexpensive items as centerpieces of their reward programs.

Both reward and recognition programs have their place in small business. Small business owners should first determine desired employee behaviors, skills, and accomplishments

that will support their business goals. By rewarding and recognizing outstanding performance, entrepreneurs will have an edge in a competitive corporate climate.

UNIT V

EXAMPLES ON PERFORMANCE MANAGEMENT

Performance management is an ever-evolving field. The more we learn, the better we can adapt our performance management systems to make our companies healthier, more motivational places to work. This is why it is so important to keep up with the latest performance management trends. Companies who fall behind lose out to their competitors. They also run the risk of losing their best performers along the way.

Since 2012, companies all over the world have been moving away from old-fashioned annual appraisals and towards continuous performance management. More than ever before, human resources executives and line managers alike understand the human need for regular feedback, effective coaching and human interaction.

A number of revolutionary companies have led the way in dramatic changes to how organizations — both Fortune 500 multinationals and SMEs — conduct their performance reviews and motivate their employees. In their wake, companies the world over are adapting their performance management practices and readjusting their once-firmly held beliefs regarding performance ratings and annual performance appraisals.

1. Adobe Introduced Continuous performance Management in Place of Performance Appraisals

Adobe was the forerunner of change when they abandoned annual performance appraisals back in 2012. They felt that while they were forging ahead and evolving as a company, their performance management system was archaic and ineffective. It was a waste of time and had, ultimately become a box-ticking exercise. Adobe estimated annual appraisals consumed 80,000 management hours each year. This was the equivalent of nearly forty full-time employees working year-round. Clearly, a change was needed.

Adobe replaced annual appraisals with regular one-on-one check-ins, supported by frequent feedback — both positive and constructive. There are no performance ratings or rankings and they allow different parts of the organization to determine how frequently they should hold check-in conversations, based on their work cycles. Now that forced rank-

ing has been abolished, employees at Adobe are assessed based on how well they meet their goals. Managers are also trained on the nuances of giving and receiving feedback.

The result has been a marked increase in employee engagement, with voluntary turnover decreasing by 30% since check-ins were introduced. This makes Adobe a performance management case study we should all be aware of.

2. Deloitte Saved 2 Million Working Hours per Year with Weekly Employee Check-Ins

In 2015, Deloitte was the first big name to announce it was scrapping once-a-year performance reviews, 360-degree feedback and objective cascading. This change occurred after the company calculated these processes were consuming a remarkable two million hours a year across the organization.

Deloitte's new performance management process requires every team leader to check in with each team member once a week to discuss near-term SMART goals and priorities, comment on recent work and provide coaching. The check-ins are initiated by the team members, rather than the team leaders to ensure these check-ins take place frequently. This also serves to give employees a sense of ownership over their work, role and time.

These weekly employee check-ins are supported by quarterly reviews when team leaders are asked to respond to four future-focused statements about each team member. Rather than asking team leaders what they think of the team member — which is what traditional performance ratings do — they ask what the team leader would do with the team member.

3. General Electric (GE) Put an End to Forced Ranking performance Management

Under the reign of its former CEO, Jack Welch, General Electric was the most well-known proponent of annual performance ratings and forced distribution curves.

For decades, GE operated a “rank and yank” system, whereby employees were appraised and rated once a year. Afterwards, the bottom 10% were fired. Not exactly a recipe for

employee engagement! Such an environment is a breeding ground for unhealthy competition, reduced teamwork and employee burnout.

In 2015, under CEO Jeff Immelt, GE announced it was replacing this approach with frequent feedback and regular conversations called "touch-points" to review progress against agreed near-term goals. This new approach was supported by an online and mobile app, similar to our own Clear Review performance management tool, which enables employees to capture progress against their goals, give their peers feedback and also request feedback.

Managers will still have an annual summary with employees, looking back at the year and setting goals. But this conversation is more about standing back and discussing achievements and learning's, and much less fraught than annual reviews.

4. Accenture Abandoned Ratings for performance Development

As of September 2015, Accenture, one of the largest companies in the world, disbanded its former ranking and once-a-year evaluation process. Like GE, Accenture has decided to put frequent feedback and conversations at the heart of its new process and focus on performance development, rather than performance rating.

As Accenture's CEO, Pierre Nanterme, stated at the time "It's huge, we're going to get rid of probably 90 per cent of what we did in the past."

As Ellyn Shook, Chief HR Officer at Accenture, stated: "Rather than taking a retrospective view, our people will engage in future-focused conversations about their aspirations, leading to actions to help them grow and progress their careers."

5. Cargill Introduced Coaching Conversations in Place of Annual Appraisals

Like Adobe, Cargill, the US food producer and distributor, started to transform its traditional performance management processes back in 2012, when it introduced "Everyday Performance Management".

Cargill removed performance ratings and annual review forms and instead focused on managers having frequent, on-the-job conversations and giving regular, constructive feedback. They have made this work by:

- ✚ Regularly rewarding and recognizing managers who demonstrate good day-to-day performance management practices.
- ✚ Sharing the experiences and tips of their successful managers.
- ✚ Holding teams accountable for practicing day-to-day performance management.
- ✚ Building the skills needed to succeed at Everyday Performance Management, including effective two-way communication, giving feedback, and coaching.

The outcome has been impressive, with 70% of Cargill employees now saying they feel valued as a result of their ongoing performance discussions with their manager.

CASE STUDY ON XEROX

In the mid-1980s Xerox corporation was faced with a problem—its performance appraisal system was not working. Rather than motivating the employees, its system was leaving them discouraged and disgruntled. Xerox recognized this problem and developed a new system to eliminate it.

The original system used by Xerox encompassed seven main principles:

1. The appraisal occurred once a year.
2. It required employees to document their accomplishments.
3. The manager would assess these accomplishments in writing and assign numerical ratings.
4. The appraisal included a summary written appraisal and a rating from 1 (unsatisfactory) to 5 (exceptional).
5. The ratings were on a forced distribution, controlled at the 3 level or below.
6. Merit increases were tied to the summary rating level.
7. Merit increase information and performance appraisals occurred in one session.

This system resulted in inequitable ratings and was cited by employees as a major source of dissatisfaction. In fact, in 1983, the Reprographic Business Group (RBG), Xerox's main copier division, reported that 95 percent of its employees received either a 3 or 4 on their appraisal. Merit raises for people in these two groups only varied by 1 to 2 percent. Essentially, across-the-board raises were being given to all employees, regardless of performance.

New Performance Appraisal System

Rather than attempting to fix the old appraisal system, Xerox formed a task force to create a new system from scratch. The task force itself was made up of senior human resources executives; however, members of the task force also consulted with councils of employees and a council of middle managers. Together they created a new system, which differed from the old one in many key respects:

1. The absence of a numerical rating system.
2. The presence of a half-year feedback session.
3. The provision for development planning.
4. Prohibition in the appraisal guidelines of the use of subjective assessments of performance.

The new system has three stages, as opposed to the one-step process of the old system. These stages are spread out over the course of the year. The first stage occurs at the beginning of the year when the manager meets with each employee. Together, they work out a written agreement on the employee's goals, objectives, plans, and tasks for the year. Standards of satisfactory performance are explicitly spelled out in measurable, attainable, and specific terms.

The second stage is a mid-year, mandatory feedback and discussion session between the manager and the employee. Progress toward objectives and performance strengths and weaknesses are discussed, as well as possible means for improving performance in the latter half of the year. Both the manager and the employee sign an "objectives sheet" indicating that the meeting took place.

The third stage in the appraisal process is the formal performance review, which takes place at year's end. Both the manager and the employee prepare a written document, stating how well the employee met the preset performance targets. They then meet and discuss the performance of the employee, resolving any discrepancies between the perceptions of the manager and the employee. This meeting emphasizes feedback and improvement. Efforts are made to stress the positive aspects of the employee's performance as well as the negative. This stage also includes a developmental planning session in which training, education, or development experiences that can help the employee are discussed. The merit increase discussion takes place in a separate meeting from the performance appraisal, usually a month or two later. The discussion usually centers on the specific reasons for the merit raise amount, such as performance, relationship with peers, and position in salary range. This allows the employee to better see the reasons behind the salary increase amount, as opposed to the summary rank, which tells the employee very little.

A follow-up survey was conducted the year after the implementation of the new appraisal system. Results were as follows:

- 81 percent better understood work group objectives
- 84 percent considered the new appraisal fair
- 72 percent said they understood how their merit raise was determined
- 70 percent met their personal and work objectives
- 77 percent considered the system a step in the right direction

In conclusion, it can be clearly seen that the new system is a vast improvement over the previous one. Despite the fact that some of the philosophies, such as the use of self-appraisals, run counter to conventional management practices, the results speak for themselves.

Questions:

1. What type of performance appraisal is central to new system at Xerox? Which, if any, of the criteria for a successful appraisal does this new system have?
2. Given the emphasis on employee development, what implications does this have for hiring and promotions?
3. How do you think, management feels about the new performance appraisal system? Why?
4. Are there any potential negative aspects of the new performance appraisal system?

CASE STUDY ON PERFORMANCE APPRAISAL - BIASED APPROACH OF MANAGER

Mr. Shroff is a talented and well experienced human resources manager of Britestar Company. He undertakes his role of HR manager by being an administrative expert and a change agent. He has always been an inspiration for his subordinates and the employees whose performance is measured and appraised by him. It is because of Mr. Shroff's 15 years of experience of working in HR departments helped him to get acquainted with various performance appraisal methods for evaluating the performance of his employees in a better way every time.

He had always been implementing only those methods which he found result-oriented in terms of enabling the employees to know about their performance in the organization, to help them in providing adequate training, if required, to increase their potential, to provide concrete feedback and evaluate their current job performance to determine transfer, retention and termination of employees. He has been working in Britestar since last 5 years and has gained good amount of respect and faith from his employees due to his appropriate and fair performance appraisal techniques that facilitated the uses of performance appraisal. The mostly used techniques by him are checklist method, 360°Feedback and assessment centers.

Because of Mr. Shroff's good rapport and close relations in the recent months with his subordinates Ram Kumar and P.K. Gupta, he has developed a new tendency to appraise the performance of those employees known to Kumar and Gupta with leniency and because he finds them similar to him (personality and knowledge wise). As a result of this unfair and inappropriate appraisal of Mr. Shroff, he also evaluates the performance of the employees

taking into account their recent performances only. Hence, most of the employees' productivity has reduced and is inefficient, even some of the good employees have become irresponsible towards their tasks along with different behavior showing no interest to put in their best efforts to realize the goals and mission of the company. Some employees are planning to resign as no proper feedbacks are provided when required and no better prospects for promotions are expected to see the light of the day.

1. Express your opinion for or against Mr Shroff
2. What changes in the appraisal methods do you recommend, if any?