Review Article

Evaluating performance management systems roadmap for effective practices: A review

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ABSTRACT

As economy shifts and businesses move on their intellectual capital, employees are the key to their competitive advantage and performance. Performance management is the means companies measure performance, develop employees and align their workforce around corporate goals. Employees are the biggest expense, organizations are learning to manage employee performance to identify top performers and develop an optimally functioning workforce. Performance management is receiving unprecedented attention among business and human resource communities.

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1. Introduction

Organizations are changing much more rapidly compared to olden times. So, many experts have taken performance management practices for managing people clearly aligned with overall strategies for ensuring quality, effectiveness, and efficiency of business. It recognizes the linkages and inter dependencies between different areas of Human Resource Management.[1–9] This article discusses five key steps involved in developing effective performance systems in organizations: (1) creating and working with a design team; (2) linking the system to key organizational objectives and strategy; (3) determining the performance management cycle; (4) linking performance management and pay delivery; and (5) implementing the system. Components of an effective performance management system include:

1. Planning
2. Ongoing performance communication
3. Data gathering, observation and documentation
4. Performance appraisal meetings

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1.1. Definition

Performance management was first used in the 1970s, but it did not become a recognized process until the latter half of the 1980s (Armstrong and Baron, 1998). Flowier (1995) defined performance management as: "the organization of work to achieve the best possible results". Milkovich, G. T., and J. M. Newman (1993) define performance management as: "an interlocking set of policies and practices which have as their focus the enhanced achievement of organizational objectives through a concentration on individual performance". Maroney, B.P. and M.R. Buckley (1992) provides a more organizational definition of performance management: "an approach to creating a shared vision of the purpose and aims of the organization, helping each individual employee understand and recognize their part in contributing to them, and is so doing manage and enhance the performance of both individuals and the organization". Organizational effectiveness best overview is provided by Rynes, S. L., B. Gerhart, and L. Parks (2005).[10–18] These elements as a complete system specifically can be linked to performance

(Banker, Lee, and Potter 1996; Bonner and Sprinkle 2002), which leads to widespread and growing development of systems (Heneman, Ledford, and Gresham, 2000).

1.2. Accelerate performance and profits

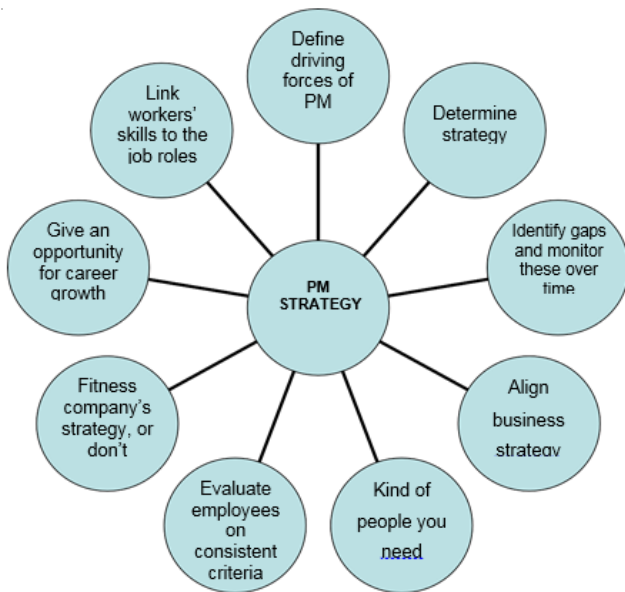In today's world information and technology changes in fact affects management approaches (Pfeffer, 1996).

Fig. 1: Performancemanagement strategy

1.3. Relevance to management theory

Management theory and empirical research increases motivation and performance (Rynes, Gerhart, and Parks, 2005); serves to meet certain individualistic psychological needs (Gerhart and Rynes, 1993) and affects employee performance (Gardner, Van Dyne, and Pierce, 2004).

1.4. Measuring people behaviour and performance

Peer reviews are an excellent way to obtain information about individual performance is important that the teams and individuals be allowed to help formulate and conduct the review. (Borman, W. C., 1991).

1.5. Pay and performance relationship

Many companies have moved to a focal or single point review (SPR), once a year (Joinson, 2001).

1.6. Team and performance connectivity

Mature teams peer review system into the environment (Tuckman and Jensen, 1997) develops a level of confidence, knowledge, and camaraderie that will benefit the review

process (Ajith Kumar K R and Karunakaran N, 2021), both within the unit, and toward the goal of the whole organization.

1.7. Foundations for performance management

In order to gain and maintain the best possible team, businesses must invest in the training and development of their entire organization, integrating training and performance management system.

Table 1: Performance evaluation system

1. Performance and Potential Evaluation by the reporting officers	8. Education Level
2. Peers' Evaluation	9. Physical Fitness Evaluation Test
3. Subordinates' Evaluation	10. Appraisal-Award-Punishment
4. Self Evaluation	11. Career Summary
5. Unit Performance Evaluation	12. Personality Traits
6. Courses and Trainings	13. Occupational Knowledge
7. Foreign Language Knowledge	14. Comparative Assessment

1.8. Performance management and workplace diversity:

In measuring the performance of the personnel, data received from different channels are used (Table 1). Lee Gardenswartz and Anita Rowe (1998) claim that performance appraisals most likely come out of a distinct American culture, with an emphasis on logical and linear thinking and task accomplishment.

1.9. A typical performance evaluation system

While forming an evaluation system, the criteria selected should meet seven qualifications (Vassallo, 2004): validity, directness, objectivity, adequacy, quantitativeness, practicality and reliability.

1.10. Effective performance management: expected outcomes

Organizations plan to implement performance management need to align management with strategic direction and the inability of lagging (Chinnappa, T B, Karunakaran N and Ajith Kumar K R, 2021), provided detailed analysis of past performance and operational data.

1.11. High performance management and organizational performance

The concepts are also applied to nongovernmental organizations and others interested in establishing a culture of continuous improvement.

Fig. 2: Sample competency model for human resource manager

Table 2: Managing performance cycle [MPC]

Management by objectives	Performance Development and Review
Agree on objectives	Observe behavior
Set criteria	Describe incidents typical of the person
Make plans	Analyze data
Execute plans	Discuss problems and goals
Measure results	Make plans
Review results	Review progress
Begin new cycle	Begin new cycle
Performance Results Evaluation	
Make salary and placement decisions	

1.12. SMART principles to be followed

Greguras, G. J., et al. (2003) suggests improvements in one or more of four aspects: 1. organizational stability, 2. financial stability, 3. program quality (products and services) and 4. organizational growth. SMART goal is a performance planning statement that describes and quantifies an outcome for which the employee is responsible. The resulting goal should answer these questions for the employee: All performance characteristics should pass the SMART Test (Table 3). The steps are:

1. Identify the people to be served and problems and needs to be addressed.
2. Identify the community or organizational outcomes to be achieved.
3. Identify the program level outputs that can be directly related to the community.
4. Define the program activities likely to produce each desired program outcome.

5. Acquire, allocate and manage resources to accomplish critical agency activities.
6. Monitor key agency, client and organizational performance indicators.
7. Evaluate client outcomes and measure program impact on those outcomes.

Table 3: Smart principles

Specific	What am I specifically responsible for?
Measurable	What standard will be used to measure my success
Attainable	Do I have the necessary resources and skills?
Results-Focused	What is the objective or end-result desired?
Time-Limited	What is my deadline?

1.13. Strategic role of human resources

The best practice link are recognizing the need to align the employee's day-to-day activities with desired strategic outcomes (Chinnappa T B, and Karunakaran N, 2021). The requirements (Figure 3) are critical for deploying a successful solution.

1.14. Major pitfalls of measurement systems

1.14.1. The most common variables (Mark Graham Brown, 1994) are:

1. Conceptual framework
2. Effective internal and external communications
3. Accountability
4. Measurement systems
5. Rewards, and recognition.
6. Positive, not punitive.
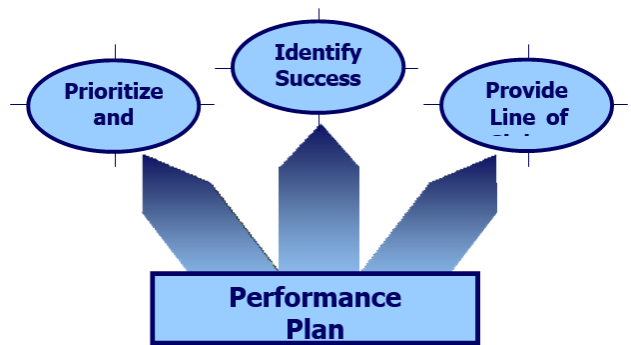7. Openly shared with employees, customers, and stakeholders.

Fig. 3: Successful performance management solution

1.15. Key elements for effective performance management

Important factors that drive performance, in some cases more than pay, include the strong public service motivation of most government employees, good management and leadership, the importance of the work, the opportunity to have responsibility and to make good use of one's skills and ability, the prospects for personal growth and career development, the support of superiors and co-workers, and the nature of the work environment. The factors are:

1. Gaining consensus
2. Allowing for exercise
3. Flexible
4. Reviewable
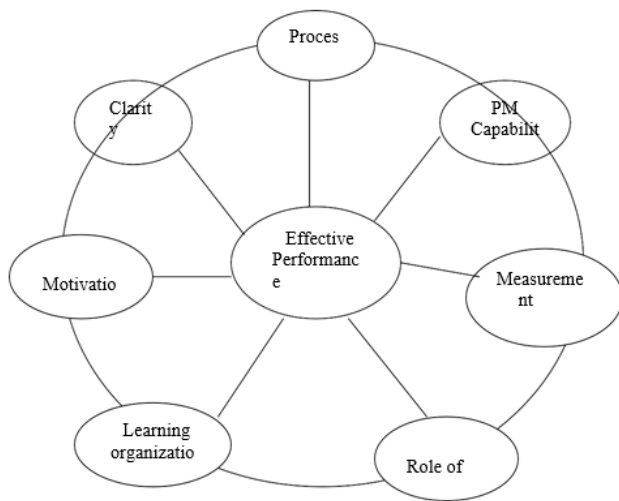5. Periodically evaluated and adjusted
6. Adequately funded

Fig. 4: Elements foreffective performance management

Performance management systems often identify significant potential to increase human productivity, if people have the proper tools, knowledge, direction, support, and objectives.
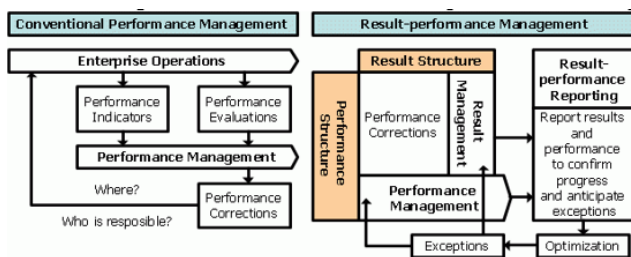

Fig. 5: Conventional and result performance management

2. Conclusion

Performance management is for the continuous improvement of business processes and of their own skills, behaviour and contributions. Managers can clarify individuals and teams how they should be managed and what they need to do their jobs. It is about interrelationships and improving the quality of relationships between managers and individuals, managers and teams, members of teams and so on. It allows for identifying, articulating, measuring, and monitoring the behaviors that lead to success.[19–23] Technology solutions for implementing performance management initiatives can immeasurably assist in the process by providing broad and rapid deployment, consistent and accurate information, and sophisticated analytics that provide greater value to users and the organization.

3. Source of Funding

None.

4. Conflict of Interest

None.

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