



## PERFORMANCE MANAGEMENT PRACTICES IN IT SECTORS- A STUDY

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### ABSTRACT:

*The evolution in Performance Management system is a radical and positive Transformation. The system is ready to evolve with continuous feedback system. HR has evolved a lot of its evolution from Human resources to Human Capital Development. Performance Management system is the most important function of a Human Capital Functions. There are lots of forward - thinking alternatives to the traditional annual reviews. Performance management revamps is a radical approach of the modern workforce style. The Future of performance management will include more feedback and place greater emphasis on development based. The rigid framework is less. The companies are started delivering more regular and continuous feedback. This research article aims to study the best performance management practices and its transformation in focussing on employee's development in some of the leading IT companies.*

**KEYWORDS:** Performance Management practices, Performance Development, feedback, continuous feedback, forward thinking- Transforming.

### INTRODUCTION:

“Employees that do best in performance management systems tend to be the employees that are the most narcissistic and self-promoting.”- Washington Post.

Performance management practices and process is a performance discussion. The new process is meant to empower employees to take more initiatives. Also the system enhances

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the employees to voice their ideas, opinions, creativity and innovation. The regular feedback and check – in make more sense in the modern workplace. The companies are introducing frequent check-in Performance management systems. Many IT Companies are abandoning the Annual review of performance exercises. IT Companies are more into measuring Performance of the employees more accurately as a continuous feedback system.

The performance management evolves a process of more of continuous feedback system. Today the younger Z generations are very impatient to wait for the annual feedback system. They want to learn about their strengths and areas of improvement with continuous feedback. The Z generation employees want instant feedback and appropriate rewards and recognitions. This is going to pose very big challenging issues to human capital function in dealing with Performance management practices. It brings the manager and the employees closer to build a genuine performance discussion with Trust. It evolves a continuous feedback. Some of the Companies like GE, Adobe, Accenture, and Google practice performance management rather than performance appraisal system. Many companies have started abandoning their Annual Review system. They are moving into regular feedback mechanism style. It is the performance development and not the management. The company's performance management philosophies moving from traditional to modern performance development. The human capital functions are the greatest sources for business today.

### **From Performance Appraisal to Performance Management: Conceptual Frame work**

These two concepts are the very emerging issues these days. Many organizations like Fortune 500 companies and multinational firms shifted from performance appraisal to performance management now. It is a radical approach of the modern business industries. Performance appraisal system suffered for some time and now it has evolved to performance management. There are clear cut distinctions between these two concepts and its practices. The organizations are today steered by the talented, skilled and knowledgeable people. The Business goals and objectives are set and accomplished by the People working in the organization. Performance evaluations and the continuous feedback



make the employees to learn from their mistakes. The employee's performance reveals the contributions of employees. People always learn with the timely feedback systems. Performance appraisal was in practice in late 20th Century. It was very much felt across the industries in the past. Performance appraisal is the traditional approach (Pareek and Rao 2006). Performance management is the well-developed tool that is practiced by all leading IT Sectors in modern business contact applications. It is not the new name for the performance appraisal but it is developmental tool based for growth.

The increased competitiveness, the radical change in the economy, rapid business changes and the modern Business practices, the External market environment has forced many industrial sectors to shift from performance appraisal to performance management. Performance appraisal was reactive yesterday and now the performance management is Proactive. All these changes are only to boost the productivity. Many IT Sectors are following now performance management which is the most welcoming changes. (Pareek and Rao 2006).

**The reason for shifting from PA to PM** system is due to the shortcomings of performance appraisal system. Performance management system wants to achieve the fuller potential best performance of the employees. It is to extract the latent potentials of the employees. It is too well define the expectations of the defined roles, responsibilities, accountabilities, Passion, Motivation, Competencies (Knowledge, Ability, Skills, and Attitude) and the expected Behaviours. Performance management system aims at managing the performance real-time expectations for the desired level. Performance management system is a continuous and ongoing proactive Mechanism. PM system is a line activity ingrained in the employees day today work.

Here's a table that gets at some of the more interesting and important differences between performance management and performance appraisal:



Meaning	Performance Appraisal	Performance Management
What is it?	It is a system.	It is a process.
Nature	Rigid Structure system	Supple/Flexible process.
Type of tool	Operational Tool	Strategic Tool
Owned by	Human Resource Department	Managers
Conducted	Annually	Continuously
Approach	Individualistic	Holistic/Collective
Focused on	Quantitative Aspects/Approach	Qualitative Aspects
Corrections	Retrospective	Prospective/ Future-oriented for growth
	Operational	Strategic
Conversation/Dialogue	Top-down assessment	More likely to involve dialogue
Frequency/Time period	Typically once or twice per year	Ongoing or continuous review, interspersed with formal reviews.
Assessment /evaluation	Often uses ratings or rankings	Less likely to involve ratings
Connectivity	Not linked to business needs	Linked to business needs
Skills identification	Often linked to compensation	Not usually linked to compensation
Documentation	on paperwork/documents	Less concerned with documentation

**Disadvantage of Performance Appraisal:**



PA was only telling employees where they lacked in their skills and knowledge. PA served its purpose only to some extent but not to the very desirable extent. It was performed by a supervisor to the subordinate. The supervisors and the senior officers set certain goals and objective which are very periodic in nature on the subordinates. It was only a review system for the complete year of Performance. This review is done for the salary increment, bonus, payment and promotion only and not the beyond. It is conducted and administered less formally without any proper documentation. PA is not useless but counterproductive. It is mostly narrowly focussed. It is judged only on the past performance of the employees. PA system is retrospective Journey and not the progressive Journey. The superiors and the supervisors act always as a high Court and Supreme Court Judges. It is a system which believes in Management by Command. (Armstrong 2006)

#### **Advantages of Performance Management:**

The Corporate environment now is more challenging, competitive and very comprehensive. Today the business sectors require the most talented workforces. The employee's workforce put in a situation where they need to face the future challenges of the workforce. Performance management is a new proactive and innovative system to improve employee's performance. PM creates the complete work environment. PM enhances the employees to perform best of their abilities up to the hilt. Here the Job is well defined. The employees are very clear about what they are expected to do. PM makes the employees to perform their best. It is an integrated process. It is a systematic process to improve organizational performance by developing the individuals and the teams. Both the Individuals and the team are responsible for the continuous process of improvement under the able leadership skills. (Armstrong 2006).

It is a link between organizational strategy and results. PM specifically focusses on the next performance period. It is accompanied with job descriptions and job Specifications. PM is an automated system so that everyone can have access to it. PM system allows having a performance diary. PM has taken rectified the shortcomings of PA system. PM system does not look backward, but it is forward, on-going, built in conversation and dialogue instead of

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mere ratings with the traditional tools and methods. PM System builds the relationship management between the managers and employees. PM System focuses on being a coach and a mentor to the employees. It is a system which believes in management by agreement or contract.

Increasing use of PM reflects the following several things:

- Total Quality management.
- Standard and Quality Performance.
- Job Design, Job Descriptions and Job Specifications.
- Leadership Development.
- Training and reward Systems.
- On Going Communication Process.
- Globally Competitive Industrial environment.
- Focus on Strategic Goals.
- Guiding Development.

### **Performance Development:**

Today the Business organisations are frustrated with traditional practices of performance management. Performance development focuses on developing the employees as Individuals. It focusses on how to develop and promote better future performance. Traditional performance management processes are viewed by many HR professionals and leaders as a “high effort, low return, and check-box activity.” (Kimberly Schaufenbuel, 2016).

PD (Performance Development) iterates in building employees trust. Today the work requires the goal cycle, a month or a week. Organizations are increasingly working in teams and emphasising Collaboration. The rankings and ratings are outdated. It is a synergetic working environment which encourages competition among employees. Deloitte found that 70% of organizations are reconsidering their performance management Strategies. (Josh Bersin by Deloitte,)



The Approach is more forward and not backward. This approach allows people to learn from their mistakes and grow. They believe in their talent which should be developed for their performance. (Schaufenbuel, 2016).

Performance Development is an ongoing process that involves both the employee and their supervisor. PD focuses on the development of the employee as a professional over time. The Performance development Program provides a structured process, tools and forms. PD also provides resources to facilitate effective communication about performance between

supervisors and staff very frequently.



(Source: retrieved from <https://www.dreamstimes.com>).

#### **Top six fortune 500 companies practicing Performance Management:**

The recent Global survey shows that the 45 percent of the HR Leaders do not think annual performance reviews are an accurate appraisal for employees work. A poll with 2,677 respondents revealed that 98 percent find annual performance reviews unnecessary.



Among the respondents were 645 HR managers, 232 CEOs, and 1,800 other employees. Only 14 percent of organizations are happy with their performance management system.

Two-thirds of performance management systems misidentify high performers. Today globally half of the fortune 500 companies have adopted the new tool of appraising their employees on continuous exercises. It is the reviews which are revealed in 2017. The Leading Companies those are adopting the PM systems are General Electric, Cargill, Eli Lilly, Adobe, Accenture and Google.

The Annual Performance review is going extinct. The Future performance management includes more feedback and place a greater emphasis on development. Cargill Inc., for example introduced "EverydayPerformance Management". It is designed to incorporate daily encouragement to employees and the feedback on the Job conversations. It is considered as forward looking and encouraging the employees a lot to contribute their best.

Eli Lilly the world's largest and 9<sup>th</sup> ranked Pharmaceutical Company redesigned its Performance management process. It is built on the theme of Trust. This new and innovative process model empowers the employees to take more initiative and voice employee's ideas.

Adobe is one of the most vibrant companies which have revamped the process of Performance management system in the company. Adobe has realized and generated with the proof of statistics that the regular feedback and check ins make sense. Adobe has introduced frequent check-in programs. The involuntary departures, this new system requires the executives and managers to have a tough-discussion with employees who are struggling with performance issues.

Accenture has abandoned the Annual review system. It has revamped the entire traditional old methodologies with a new process. The best star performers tend to be most narcissistic and self-promoting. It has designed the performance discussion between the employees and managers. The company has immediately shifted its focus on performance development system rather than the annual review methods.

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Google's performance management philosophy is very modern. There is no formal ranking method. The employee's goal setting model is the DNA since its beginning. (JohnDoerr). He has brought a new style of goal setting. The Company practices are (OKRs) Objectives and Key Results.

There is a continuous refinement in their entire approach to coach employees toward creating and achieving their Goals.

These above six trendsetters all of them have one thing in common. It is no more dictating the employees but it is to help the employees to develop their skills as individuals. The more focus is on development and not on evaluation and periodical assessment.

#### **Best Performance Management Practices:**

The workplace is growing very agile and vibrant. It is succeeding in the contemporary work environment. Some of the best performance management practices keeps the employees highly motivated and to give their best. The following performance management concepts and best practices enable companies to attract, and retain the top talents. There is lots of Fortune 500 companies have adopted and embraced the demands of Generation Z dominated workforce.

1. **Meaningful work:** Today the employees are not only just looking for Job. Today the work has become a purpose, Passion, meaning to one's own life. The employees need to get engaged with work even for learning something. It is not mere survival and existence alone. It is beyond. The employees must be given full autonomy and freedom in their workplace. The employees must be empowered with complete freedom, of course responsible freedom. This complete autonomy and freedom and relaxation at workplace enhance the employees to utilise their knowledge, ability, skills and talents at workplace in completing their projects successfully.
2. **Hands-on Management:** It does not focus on the micromanagement. The managers and the supervisors need to use their expertise to use their competencies in order to



provide coaching and mentoring their employees. This process helps the managers to get the very best out of their employees. Both managers and employees know very well of each other's expectations. The goals are very clear and transparent. It focuses on lots of investment in management development programs which can lead to modern performance management.

- 3. Positive Work Environment:** Today the Generation Z prefer more of a flexible work environment. It is a straight forward demand. The workplace must be motivating today. Managers should encourage a motivating workplace and a very positive for the present generation of employee workforce. Employees must be happy. Only happy employees work better and always give their best. Today's workplace must be very innovative, creative and engaged workforce. The Managers need to inspire their employee workforce. It must be a Humanistic workplace environment with full of care and share measures. The managers should recognise the employee's contributions and it should be a place of a culture of recognition. The workplace must be a place of inclusiveness and emphasising on diverse work environment.
- 4. Growth opportunity:** The employees' career development and career advancement can happen only through learning. Learning is a continuous process today for survival. Today the workforce is undergoing thorough the skilling, reskilling and upskilling forward mobility. Training and support to be provided to employees as part of their on the Job program. The Company should facilitate the talent mobility. Self- directed learning is an initiative which can empower the employees that they are highly valued and stay competent in the company forever. The employees' up skilling is one of the most important forces for up gradation and remain competitive in company's mindset. Self directed Dynamic learning is very much focussed and encouraged among the employees. High impact learning culture makes the employees very confident.



- 5. Trust in Leadership:** The vision, mission, passion, dedication, goals and objectives of the organization must corroborate with employees performance. This understanding can make the employee's workforce to fully engage with their work. Therefore the employees must align themselves with the mission, vision and outlook of the organization. The Organization need to invest on people continuously for their learning growth and development which ultimately pave ways for their successful career development. There is a need for organization to exercise more open and transparent management style approach. Transparency and honesty can always inspire employees and this should be reflected throughout the organizational structure.

The followings are the best practices of performance management System to improve the Performance Management Process in the workplace. The above performance management concepts very well can be connected with the following Practices.

1. The importance of Goal setting. ( SMART Goal Framework )
2. Making a plan. ( review Cycle)
3. Continuity ( Continuous process )
4. Improving Productivity.( Continuous performance- regular evaluation- revaluation- evaluate the failure- move on )
5. Multiple sources feedback- 360 Degree.
6. Keeping the Track.(Proper Documentation and report system).
7. Training Managers. ( Preparation for the task of PM )

## **CONCLUSION:**

The leading fortunate 500 companies have started practicing everyday performance management system. It is designed to incorporate daily genuine encouragement and feedback through Job conversations. It encourages the employees to contribute their best. It is really a forward looking. It has been a long progressive. It is a unique human capital practices. The new modern transformation is redesigning its performance Management

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process. The system is built on Trust. Finally the new modern system strengthens the relations and partnership between supervisor and employees. The system has put into lot of tough discussions differentiating between the star performers, performers and non-performers. It is good that the companies are not going to focus anymore on dictating terms to employees. They help in developing the skills of the employees. The time in future it will be focussed more on development rather than evaluation. The Future of performance management will include feedback and place greater emphasis on Development. As the employees develop their skills, it is going to be win-win for everyone.

PM system involves all organizational process. It focusses on how well employees, teams and Individuals ultimately perform. The human capital is every Business greatest resource. The future Performance management will more focus on Development. The employees are becoming more competitive day by day. The future performance management and development is win-win for everyone.

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