Macrothink Institute™

International Journal of Human Resource Studies
ISSN 2162-3058
2015, Vol. 5, No. 2

Overview of Performance Management System with reference to Higher Education in Bahrain

Mahmood Asad

Department of Management and Marketing,

College of Business Administration,

University of Bahrain, P.O. Box 32038-Kingdom of Bahrain

Phone: +973 17438525 Fax: +973 17449776

Email: mamali@uob.edu.bh , mamali68@hotmail.com

Joma Mahfod (Corresponding author)

Department of Management and Marketing,

College of Business Administration,

University of Bahrain, P.O. Box 32038-Kingdom of Bahrain

Phone: +973 17438549 Fax: +973 17449776

Email: jmahfod@uob.edu.bh , jmahfod@hotmail.co.uk

Doi:10.5296/ ijhrs.v5i2.7517 URL: http://dx.doi.org/10.5296/ ijhrs.v5i2.7517

Abstract

This paper focus on the nature, techniques and the practice of performance management system applied in the higher education in Bahrain. Therefore, the chapter covers essential area related such as performance appraisal, promotion, rewards, and specifically: vision, mission, value and strategy; organization; employees' talent management, leadership development; employee relations; staffing; education, learning and development; and performance management. The scope of this paper is to cover the applications of the performance management system in the Higher Education in Bahrain. The paper demonstrates the main obstacles and provide suggestion for solving the difficulties for the performance management system in higher education in Bahrain.

Keywords: Performance Management System (PMS), Rules and Policies, Practices

Introduction

Performance appraisal serves a number of purposes for organizations. According to Robbins (2005), performance appraisal is used by management for general human resource decisions. It provides input into important decisions such as promotions, transfers, terminations, rewards, etc. Through an effective performance appraisal system, employee skills and competencies, as well as needs and inadequacies, can be identified and such can be used as basis in designing training and development programs. It can also be used as a criterion against which selection and development programs are validated. It also fulfills the purpose of providing feedback to employees on how the organization views their performance. Further, performance appraisal is used as the basis for reward allocations. Decisions as to who gets merit pay increases and other rewards are frequently determined by performance appraisal.

Strategic Decisions in PMS

An organization faces five strategic decisions in establishing its performance management system. Mello (2006) presents this concept as follows:

Determination of the Purpose: The first strategy is a determination of the purpose of the system and how it is used in the study. It involves employee development, determines rewards and compensation, enhances motivation, facilitates legal compliance, and facilitates human resource planning. In facilitating employee development, it assesses deficiencies in performance levels and skills, an organization can determine specific training and development needs. Assessing individual and team strengths and weaknesses allows employee and team development plans to be established.

A reciprocal relationship exists between the two as the desired outcomes of training and development initiatives must be incorporated into the performance management system. At the same time, the performance management system provides data that impacts the needs assessment of training and development.

Appropriate rewards and compensation: A second purpose of performance management systems is to determine appropriate rewards and compensation. Salary, promotion, and retention, and bonus decisions are frequently based on data collected as part of performance measurement. Therefore, employees must understand and accept the performance feedback system as a prerequisite for accepting decisions made relative to rewards and compensation,

Enhanced employee motivation: A third purpose of managing performance is to enhance employee motivation. A formal process that allows employee acknowledgment and praise can reinforce the behaviors and outcome that are beneficial to the unit or organization. Employees can be told specifically what the organization's expectations for them are, and employees can inform their employers of the types of job assignments and responsibilities they desire (Mello, 2006).

Legal compliance: A fourth purpose of performance management systems is to facilitate legal compliance. Claims of unfair dismissal and/or Title VII violations are best supported when the organization has documentation of performance deficiencies. Finally, performance management systems facilitate human resource planning process. Performance data can alert the organization to deficiencies in the overall level and focus of employee skills. Additionally, these data can be used in critical planning for future staffing needs relative to the skills and abilities of current employees. Because performance feedback can perform multiple functions in any organization, the organization must determine how it will be used prior to developing the system. This keeps the system focused, rather than random, and allows the organization to determine the specifications of its design (Mello, 2006).

Link with Compensation: The second strategic decision is linked with compensation wherein it involves somebody responsible for the evaluation process namely the supervisor, peers, subordinates, customers, and self.

Evaluation of Traits, Behaviors, & Results: The third strategic decision is about the categories to be evaluated such as traits, behaviors, and results, which is linked to its flexibility and standardization.

Individual or Team Evaluation Process: The fourth strategic decision is the way to evaluate using absolute or relative evaluation which is linked to individual or team evaluation process.

Evaluation through Measurements: The fifth strategic decision is the means of evaluation in the areas of graphic rating scale, weighted checklist, BARS, BOS, critical incident, and objectives-based evaluation process link to time periods.

Demographic Profile

A demographic profile in the areas of marketing can be used to determine when and where advertising should be placed to achieve maximum results. In all such cases, it is important that the advertiser get the most results for their money, and so careful research is done to match the demographic profile of the target market to the demographic profile of the advertising medium. A good way to figure out the intended demographic of a television show, TV channel, or magazine is to study the ads that accompany it. One good example is the United States television program "The Price is Right" most frequently airs from 11 a.m. to 12 Noon. The commercials on it (besides the use of product placement in the show itself) are often for things like arthritis, pain relievers, and diapers. This indicates that the target demographics are senior citizens and parents with young children, both of whom would be home at that time of day and see that show. Another example would beMTV, for it has many ads with digital audio players indicating that the channel is targeted to young adults and teenagers and/or fans of music (http://en.wikipedia.org/wiki/ Demographic profile).

Vision, Mission and Values

Vision defines the desired or intended future state of a specific organization or enterprise in terms of its fundamental objective and/or strategic direction. Mission defines the fundamental purpose of an organization or an enterprise, basically, describing why it exists. Values are beliefs that are shared among the stakeholders of an organization. Values drive an organization's culture and priorities (http://en.wikipedia.org/wiki/ Vision).

Mission Statements and Vision Statements

Organizations sometimes summarize goals and objectives into a mission statement and/or a vision statement. While the existence of a shared mission is extremely useful, many strategy specialists question the requirement for a written mission statement. However, there are many models of strategic planning that start with mission statements, so it is useful to examine them here. A mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance.

A vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

Many people mistake vision statement for mission statement. The vision describes a future identity while the mission serves as an ongoing and time-independent guide. The mission describes why it is important to achieve the vision. A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well. A vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. The vision statement can galvanize the people to achieve defined objectives even if they are stretch objectives, provided the vision is SMART (Specific, Measurable, Achievable, Relevant and Time bound). A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.

People have raised the question, “Which comes first, the mission statement or the vision statement? It really depends. If you have a new start-up business, new program or plan to re-engineer your current services, then the vision will guide the mission statement and the rest of the strategic plan. If you have an established business where the mission is established, then many times, the mission guides the vision statement and the rest of the strategic plan. Either way, you need to know your fundamental purpose - the mission, your current situation in terms of internal resources and capabilities (strengths and/or weaknesses) and external conditions (opportunities and/or threats), and where you want to go - the vision for the future. It's important that you keep the end or desired result in sight from the start (http://en.wikipedia.org/wiki/ Vision).

Features of an effective vision statement include clarity and lack of ambiguity, vivid and clear picture, description of a bright future, memorable and engaging wording, realistic aspirations, and alignment with organizational values and culture.

To become really effective, an organizational vision statement must (the theory states) become assimilated into the organization's culture. Leaders have the responsibility of communicating the vision regularly through creating narratives that illustrate the vision, acting as role-models by embodying the vision, creating short-term objectives compatible with the vision, encouraging others to craft their own personal vision compatible with the organization's overall vision. In addition, mission statements need to conduct an internal assessment and an external assessment. The internal assessment should focus on how members inside the organization interpret their mission statement. The external assessment – which includes all of the businesses stakeholders – is valuable since it offers a different perspective. The discrepancies between these two assessments can give insight on the organization's mission statement effectiveness (http://en.wikipedia.org/wiki/ Strategic_planning).

Strategy

There are many approaches to strategic planning, but a three-step process is normally used. This process is composed of the following: (1) situation - evaluate the current situation and how it came about, (2) target - define goals and/or objectives (commonly known as *ideal state*), (3) path - map a possible route to the goals/objectives.

Draw-See-Think. This is another process in strategic planning wherein one defines the required ideal image or the desired end state (the draw approach),one knows and learns the rationale behind today's situation and the gap it has from the ideal state (the see approach), and one knows the necessary and specific actions that must be taken to close the gap between today's situation and the ideal state (the think approach). This approach will then come up with a plan determining the required resources to execute the activities.

An alternative to the *Draw-See-Think* approach is called *See-Think-Draw*, which defines today’s situation for see approach and for the think approach in defining goals/objectives, and for draw approach in determining the map of a route in achieving the goals and objectives. (http://en.wikipedia.org/wiki/ Strategic planning).

In other terms strategic planning can be as follows: ***Vision*** - Define the vision and set a mission statement with hierarchy of goals. ***SWOT*** - Analysis conducted according to the desired goals. ***Formulate*** - Formulate actions and processes to be taken to attain these goals. ***Implement*** - Implementation of the agreed upon processes. ***Control*** - Monitor and get feedback from implemented processes to fully control the operation.

Situational Analysis

When developing strategies, analysis of the organization and its environment as it is at the moment and how it may develop in the future, is important. The analysis has to be executed at an internal level and an external level to identify all opportunities and threats of the external environment, as well as, the strengths and weaknesses of the organizations.

There are several factors to assess in the external situation analysis: Markets (customers), Competition, Technology, Supplier markets, Labor markets, The economy, The regulatory environment. It is rare to find all seven of these factors having critical importance. It is also uncommon to find that the first two - markets and competition - are not of critical importance (Bradford and Duncan, 1999).

Analysis of the external environment normally focuses on the customer. Management should be visionary in formulating customer strategy, and should do so by thinking about market environment shifts, how these could impact customer sets, and whether those customer sets are the ones the company wishes to serve. According to Porter (2001) analysis of the competitive environment is also performed, many times based on the author's framework.

Goals, Objectives and Targets

Strategic planning is a very important business activity. It is also important in the public sector areas such as education. It is practiced widely informally and formally. Strategic planning and decision processes should end with objectives and a roadmap of ways to achieve those objectives.

The following terms have been used in strategic planning: desired end states, plans, policies, goals, objectives, strategies, tactics and actions. Definitions vary, overlap and fail to achieve clarity. The most common of these concepts are specific, time bound statements of intended future results and general and continuing statements of intended future results, which most models refer to as either goals or objectives (sometimes interchangeably) (http://en.wikipedia.org/ wiki/organization).

One model of organizing objectives uses hierarchies. The items listed above may be organized in a hierarchy of means and ends and numbered as follows: Top Rank Objective (TRO), Second Rank Objective, Third Rank Objective, etc. From any rank, the objective in a lower rank answers to the question "How?" and the objective in a higher rank answers to the question "Why?" The exception is the Top Rank Objective (TRO): there is no answer to the "Why?" question. That is how the TRO is defined.

People typically have several goals at the same time. "Goal congruency" refers to how well the goals combine with each other. Does goal A appear compatible with goal B? Do they fit together to form a unified strategy? "Goal hierarchy" consists of the nesting of one or more goals within other goal(s).

One approach recommends having short-term goals, medium-term goals, and long-term goals. In this model, one can expect to attain short-term goals fairly easily: they stand just slightly above one's reach. At the other extreme, long-term goals appear very difficult, almost impossible to attain. Strategic management jargon sometimes refers to "Big Hairy Audacious Goals" (BHAGs) in this context. Using one goal as a stepping-stone to the next involves goal sequencing. A person or group starts by attaining the easy short-term goals, then steps up to the medium-term, then to the long-term goals. Goal sequencing can create a "goal stairway". In a organizational setting, the organization may co-ordinate goals so that they do not conflict with each other. The goals of one part of the organization should mesh compatibly with those of other parts of the organization (http://en. wikipedia.org/wiki/organization).

Organization

An organization is a social arrangement that pursues collective goals, controls its own performance, and has a boundary separating it from its environment. The word itself is derived from the Greek word organon, which means work, deed, ergonomics, etc meaning *tool*. (http://en.wikipedia. org/wiki/organization).

In the social sciences, organizations are studied by researchers from several disciplines, the most common of which are Sociology, Economics, Political Science, Psychology, Management, and Organizational Communication. The broad area is commonly referred to as organizational studies, organizational behavior or organization analysis. Therefore, a number of different theories and perspectives exist, some of which are compatible, and others that are competing.

- Organization – process-related: an entity is being (re-)organized (organization as task or action).
- Organization – functional: organization as a function of how entities like businesses or state authorities are used (organization as a permanent structure).
- Organization – institutional: an entity is an organization (organization as an actual purposeful structure within a social context) (http://en.wikipedia.org/wiki/organization)

Organization in Sociology

In sociology "organization" is understood as planned, coordinated and purposeful action of human beings to construct or compile a common tangible or intangible product. This action is usually framed by formal membership and form (institutional rules). Sociology distinguishes the term organization into planned formal and unplanned informal (i.e. spontaneously formed) organizations. Sociology analyzes organizations in the first line from an institutional perspective. In this sense, organization is a permanent arrangement of elements. These elements and their actions are determined by rules so that a certain task can be fulfilled through a system of coordinated division of labor (http://en.wikipedia.org/wiki/organization)

An organization is defined by the elements that are part of it *(who belongs to the organization and who does not?)*, its communication*(which elements communicate and how do they communicate?)*, its autonomy, Max Weber termed autonomy in this context: Autocephaly, *(which changes are executed autonomously by the organization or its elements?)*, and its rules of action compared to outside events *(what causes an organization to act as a collective actor?)*.

By coordinated and planned cooperation of the elements, the organization is able to solve tasks that lie beyond the abilities of the single elements. The price paid by the elements is the limitation of the degrees of freedom of the elements. Advantages of organizations are enhancement (more of the same), addition (combination of different features), and extension. Disadvantages can be inertness (through co-ordination) and loss of interaction (http://en.wikipedia.org/ wiki/ organization).

Employees' Talent Management

Talent management refers to the process of developing and integrating new workers, developing and keeping current workers, and attracting highly skilled workers to work for your company. Talent management in this context does not refer to the management of entertainers (Watkins, 1998).

Talent management is a process that emerged in the 1990s and continues to be adopted, as more companies come to realize that their employees' talents and skills drive their business success. These companies develop plans and processes to track and manage their employee talent, including the following: (1) attracting and recruiting qualified candidates with competitive backgrounds, (2) managing and defining competitive salaries, (3) training and development opportunities, (4) performance management processes, (5) retention programs, and (6) promotion and transitioning.

Talent management is also known as HCM (Human Capital Management), HRIS (HR Information Systems) or HRMS (HR Management Systems), and HR Modules. Companies that are engaged in talent management (Human Capital Management) are strategic and deliberate in how they source, attract, select, train, develop, retain, promote, and move employees through the organization. This term also incorporates how companies drive performance at the individual level (performance management) (http://en.wikipedia.org/wiki/organization).

The term talent management means different things to different people. To some it is about the management of high-worth individuals or "the talented", whilst to others, it is about how talent is managed generally *i.e.* on the assumption that all people have talent, which should be identified and liberated.

This term is usually associated with competency-based human resource management practices. Talent management decisions are often driven by a set of organizational core competencies, as well as, position-specific competencies. The competency set may include knowledge, skills, experience, and personal traits (demonstrated through defined behaviors).

Older competency models might also contain attributes that rarely predict success (e.g. education, tenure, and diversity factors that are illegal to consider in many countries) (http://en.wikipedia.org/wiki/Talent_management).

Employee Relations

It consists of all those areas of human resource management that involve relationships with employees – directly and/or through collective agreements where trade unions are recognized. Employee relations are concerned with generally managing the employment relationship. These relationships deal with the agreement of terms and conditions of employment and with issues arising from employment. They will not necessarily be subject to collective agreements or joint regulation. Employee relations, therefore, cover a broader spectrum of the employment relationship than industrial relations, which are usually regarded as being essentially about dealings between management and trade unions. This wider definition recognizes the move away from collectivism towards individualism in the ways in which employers relate to their employees (Armstrong, 2007).

Staffing

Staffing is a critical organizational functions concerned with the acquisition, deployment, and retention of the organization's workforce. It is the process of acquiring, deploying, and retaining a workforce of sufficient quantity and quality to create positive impacts on the organization's effectiveness.

Any organization must have staffing systems that guide the acquisition, deployment, and retention of its workforce. Acquisition activities involve external staffing systems that govern the initial intake of applicants into the organization (Judge, 2004).

Noe et al (2000) observe that for many years, researchers in the field of HRM and industrial-organizational psychology have focused on performance appraisal as a measurement technique. The goal of these performance appraisal systems was to measure individual employee performance reliably and validly.

Einstein and Walter (1989) observe that most managers have distaste to performance appraisals and many lack the essential skills in evaluating performance. They further state that the use of systematic approach to appraisals based on a clear, mutually understood contract between the employee and the supervisor can turn this problem into a constructive process. Effective performance appraisal starts with written job descriptions that identify organizational roles, define job purposes and classify job content in terms of key measurable scopes.

The Civil Service Bureau is responsible for developing and maintaining an effective employee performance appraisal system for the government of Bahrain and for prescribing the procedures and actions to be followed annually in evaluating government employees' performance (Civil Service Bureau, 1990).

Heller and Hindle (1998) explain that in the evaluation of an individual's performance, result alone will not necessarily reveal what is needed. There should be more accurate indicators to be gathered from a feedback sessions with the employees and other personal observations. The same authors further state that if something cannot be measured, it cannot be improved upon. Thus, this basic principle applies to any job by defining individual and team standards that they always meet deadlines, such as, giving a targeted objective by which performance can be judged.

Performance Standards

Performance standards, as defined in the Employee Performance Appraisal Manual issued by the Civil Service Bureau, are specific, measurable and obtainable goals that an employee should reach in a designated period of time. They represent the level of performance to which both employee and supervisor are committed during an appraisal period. Performance standards should specify the expected quality or quantity of work to be performed and the manner in which duties are to be performed for satisfactory or acceptable work.

Performance standards are the benchmark in which performance is measured against. To be effective, they should relate to the desired results of each job. From the duties and standards listed in the job description, the analysts can decide which behaviors are critical and should be evaluated. When this information is lacking or unclear, standards are developed from observation of the job or discussion with the immediate superior (Werther, 1985).

Standards are identified to evaluate how well employees are performing. Using standards, performance criteria take on a range of values. Standards can be established by using historical records of how well employees have performed before motion studies and work sampling. Many organizations evaluate how well their managers do by how well or how many goals are attained (Schuler, 1985). It became progressively more expensive and more difficult to derive standards for indirect work, such as maintenance or administration, and for this reason, it is hardly ever used in these jobs. Individual or group standards can be expressed in profit or value added terms. Standards can be based on contributions which turn out the desired output (Thomason, 1988).

In setting standards of performance in the public sector, as stated in the Civil Service Regulation No. 410 of 1981 (Appendix 3), each employee who is newly hired or moved to a different position or assigned new duties and responsibilities in connection with his current position, will be informed by his supervisor about the performance standards he is expected to meet in accomplishing the work of his position. The standards established by the supervisor will represent the minimum accepted level of performance and behavior expected from an employee. The standards will be related to the specific duties and responsibilities of the employee's position. They will also include the standards of conduct established for employees of the government of Bahrain. Standards will be discussed with the employee in sufficient detail for him to have a full understanding of what is to be expected from him, and to enable him to measure his own progress towards meeting the standards. The standards will include, as appropriate for the position, the following:

1. The quantity of the work to be produced.
2. The quality of the work anticipated.
3. The manner in which duties are to be carried out.
4. The results and outcome to be achieved.
5. The conduct and behavior expected from a government employee.

Common Errors in the Appraisal Process

Milkovich and Newman (2005) present the following errors in the appraisal process:

1. Halo error. It is an error where the appraiser is giving favorable ratings to all job duties based on impressive performance in just one job function. For example, a rater who hates tardiness rates a prompt subordinate high across all performance dimensions exclusively because of this one characteristic.

2. Horn error. It is the opposite of a halo error where downgrading of an employee is being done across all performance dimensions exclusively because of poor performance on one dimension.

3. First impression error. This pertains to developing a negative or positive opinion of an employee early in the review period and allowing that to negatively or positively influence all later perceptions of performance.

4. Regency error. It is the opposite of the first impression error. It allows performance, either good or bad, at the end of the review period to play too large a role in determining an employee's rating for the entire period.

5. Leniency error. It consistently rates someone higher than he/she deserves.

6. Severity error. It is the opposite of leniency error which rates someone consistently lower than he/she deserves.

7. Central tendency error. It is one process of error that avoids extremes in ratings across employees.

8. Clone error. It is a process which gives better ratings to individuals who are like the rater in behavior and/or personality.

9. Spillover error. It is a kind of error that continues to downgrade an employee for performance errors in prior rating periods.

Measuring Better Performance

Milkovich and Newman (2005) cited that R. Arvey and K. Murphy (1998) who says that efforts to improve the performance rating process take several forms. First, researcher and compensation people alike devote considerable energy to defining job performance. Managers can be grouped into one of three categories, based on the types of employee behavior they focus on. One group looks strictly at task performance, how the employees perform the responsibilities of their jobs. The same authors cited Gwynne (2002) who states that a second group looks primarily at counterproductive performance, evaluating based on the negative behaviors employees show. The final group looks at both these types of behavior. Another citation by the same authors on Bourman and Brush (1993) revealed that there are studies that examine more specific factors focusing on such performance dimensions as planning and organizing, training, coaching, developing subordinates, and technical proficiency.

Milkovich and Newman (2005) cited Coleman (1998) who explains that a second direction for performance research notes that the definition of performance and its components is expanding. Jobs are becoming more dynamic, and the need for employees to adapt and grow is increasingly stressed. This focus on individual characteristics, or personal competencies, is consistent with the whole trend toward measuring job competency.

Milkovich and Newman (2005) add that a third direction for improving the quality of performance ratings centers on identifying the best appraisal format. If only the ideal format could be found, raters would use it to measure job performance better, that is, make more accurate ratings. Recent attention has focused less on the rating format and more on the raters themselves. This fourth direction identifies possible groups of raters (supervisors, peers, subordinates, customers, self) and examines whether a given group leads to more or less accurate ratings. The fifth direction attempts to identify how raters process information about job performance and translate it into performance ratings. Such information, including an understanding of the role irrelevant information plays in the evaluation of employees, may yield strategies for reducing the flaws in the total process. Finally, data also suggest that raters can be trained to increase the accuracy of their ratings.

The same authors suggest four approaches to better understanding and measuring performance: improving the format, selecting the right raters, understanding the way raters process information, and training raters to improve rating skills.

Performance Appraisal Techniques

Davis, (1985) and Miner, (1977) present the performance appraisal techniques into groups that focus on post-performance and those that are future oriented.

Post Oriented Appraisal Method.

Most of the post oriented methods are a direct attempt to minimize some problems found in other approaches. Each has its advantages and disadvantages. The post oriented approach measures past performance that has already occurred. However, past performance cannot be changed. It can just give feedback about employees' efforts, which may lead to improved future performance. The most widely used appraisal techniques that have a past orientation include:

1. Rating Scale. It requires the rater to provide a subjective evaluation of an individual's performance on a long scale from low to high. But the problem with subjective measures is opportunity for bias. This is usually caused by raters who fail to remain emotionally unattached while rating employee performance.

2.Checklist. It requires the rater to select statements that describe the employee's performance and characteristics. The result is called a weightier checklist. This method is inexpensive, easy, and standardized and it needs a limited training of raters. But it is also affected by rater's biases, use of personality criteria instead of performance criteria, and sometimes the use of improper weights by the personnel department.

3. Forced Choice Method. It requires the rater to choose the most descriptive statement in each pair of statements about employees. This method is the one applied for the public sector in Bahrain. The Civil Service Bureau designs the performance appraisal form which consists of a number of statements to be selected by superiors in government ministries and agencies. This method reduces rater bias and is easy to administer.

4. Critical Incident Method. These incidents usually are recorded by the supervisor during the evaluation period for each subordinate. This method requires the rater to record statements that describe extremely good and bad employee's performance.

5. Behaviorally Anchored Rating Scales. This method attempts to reduce the subjectivity and biases of subjective performance measures because it focuses on behaviors that are related to specific dimensions of work performance.

6. Field Review Method. In this method, the personnel department sends a skilled representative to the field to assist the supervisors with their ratings.

7. Performance Tests and Observations. This method is based upon a test of knowledge or skills. It must be reliable and validated in order to be useful.

8. Group Evaluation Method. It is a ranking of employees from the best to worst by using some techniques such as ranking method. It is also called the forced distributions and point allocations method (Milkovich and Newman (2005).

Future Oriented Appraisal

It focuses on future performance by evaluating employee potential or setting future performance goals. Here are the four techniques used:

1. Self appraisal. It is a useful method of stimulating managers and employees to change and improve their performance. It seems clear that self appraisal cannot be substituted for other approaches when the evaluation is desired for purposes other than development. Obviously, self appraisal can be used with any past or future oriented evaluation approach. But the important dimension of self appraisal is the employee's involvement and commitment to the improvement process (Davis, 1985, Miner, 1977) as cited by Noe et al (2000).

2. Management by Objectives (MBO).Kleiman (2000)cited Bernardin and Beatty (1984), Carroll (1986) who claim that MBO is a management system designed to achieve organizational effectiveness by steering each employee's behavior toward the organization's mission. The MBO process includes goal setting, planning, and evaluation. In goal setting, individual goals are mutually set by employees and their supervisors, at which time they also set specific performance standards and determine how goal attainment will be measured. In planning, employees and supervisors work together to identify potential obstacles to reach goals and devise strategies to overcome these obstacles. The two parties periodically meet to discuss the employee's progress to date and to identify any changes in goals necessitated by organizational circumstances. In evaluation as the final phase, the employee's success at meeting goals is evaluated against the agreed-on performance standards. The final evaluation, occurring annually in most cases, serves as a measure of the employee's performance effectiveness.

3. Psychological Appraisal. These appraisals usually involve extensive interviewing coupled with individual psychological interviewing in addition to individual psychological testing. The psychologist attempts to get a clear understanding of the fundamental intellectual, emotional, and motivational characteristics of individual, and then converts it into a picture of how a person might be expected to behave. Evaluations of this kind are particularly helpful when decisions must be made regarding promotion or transfer (Miner, 1977), as cited by Noe et al (2000).

4. Assessment Centre Technique. Assessment Centers are a standardized form of employee appraisals that rely on multiple types of evaluation and multiple raters. It is usually applied to groups of middle level managers, who have a higher degree of responsibility after the members in the group first met at the center. During their stay they are individually evaluated. The process subjects selected employees to in-depth interviews, psychological tests, personal background histories, peer ratings by other attendees, leaderless group discussion ratings by

psychologists and managers, and simulated work exercises to evaluate future potential. These activities usually are concentrated during a few days at a location physically removed from the job site. During this time, the psychologists and managers simulate work exercises to evaluate future potential. These activities are usually concentrated during a few days at a location physically removed from the job site. During this time, the attempts to estimate the strengths, weaknesses and potential should be carried out of each one of the centre. They pool their estimates to arrive at some conclusions about each member of the group (Davis, 1985) as cited by Noe et al (2000).

Job Performance Assessment

Noe et al (2000) cited Hoffman (1995) that assessing job performance will help in making administrative or personnel decisions such as compensation, promotions, discipline, terminations or layoffs, providing developmental feedback, recognize achievement, and identifying areas for improvement or training needs, and component of performance management. It will also help in documenting administrative decisions like employee work history, legal requirements and defense. It will also aid in personal research on job performance.

The authors further state that the people responsible in the assessment of job performance are the supervisors, peers or coworkers, subordinates, customers/clients/simulated clients, consultants, and self. The more people to evaluate the better for the company since 360-degree appraisal is a gathering of performance information from multiple raters at different organizational levels. Supervisors are more likely to see maximum performance rather than typical performance as compared to their subordinates since the supervisors may be aided by technology, such as computer monitoring.

Things to be assessed

The things to be assessed are the criterion problems that determine what constitutes effective performance of a job. The job performance criteria include (1) ultimate criterion such as what the management wants to measure, based on job analysis, a theoretical construct or ideal; (2) actual criterion like available information sources and measures job performance; and (3) what measure should be maximized.

Correct Way of Assessing Performance

The correct way of assessing performance includes the following: (1) types of performance data or "actual criteria" for measuring how well workers do their jobs; (2) objective task performance based on quantitative measures (e.g., counting) of "focal" job performance; (3) subjective task performance based on qualitative judgments (e.g., ratings of behavior or traits) of "focal" job performance; (4) contextual performance that includes discretionary activities beyond focal task requirements that contribute to the organization; and (5) organizational citizenship behaviors.

Incentive Programs

Noe at al (2000) observe that in compensating employees, an organization does not have to choose one program over another. Instead, a combination of programs is often the best solutions. The authors cite an example that one program may foster teamwork and cooperation but not enough individual initiative. Another may do the opposite. Used in conjunction, a balanced may be attained.

The authors present the programs for recognizing employee contributions that share a focus on paying for performance which differ according to four design features such as: payment method, frequency of payout, ways of measuring performance, and, choice of which employees are covered. The authors also suggest that there might be potential consequences such programs for performance motivation of employees, attraction of employees, organization culture, and costs. Finally, the authors state that there are three contingencies that may influence whether each pay program fits the situation: (organization structure, management style, and type of work.

Noe at al (2000) explain the different programs and some of their potential consequences as follows:

1. Merit pay. In this program, annual pay increases are usually linked to performance appraisal ratings. Some type of merit pay program exists in almost all organizations (although evidence on merit pay effectiveness is surprisingly scarce). Indeed, given the pervasiveness of merit pay programs, most companies devote a good deal of attention to these programs. Many merit programs work off on a merit increase grid like the size and frequency of pay increases, which are determined by two factors. The first factor is the individual's performance rating (because better performers should receive higher pay). The second factor is position in range (i.e., an individual's comp ratio).

2.Individual Incentives. Like merit pay, individual incentives reward individual performance, but with two important differences. First, payments are not rolled into base pay. They must be continuously earned and re-earned. Second, performance is usually measured as physical output (e.g., number of water faucets produced) rather than by subjective ratings. Individual incentives have the potential to significantly increase performance.

Nevertheless, individual incentives are relatively rare for a variety of reasons. First, most jobs (e.g., those of managers and professionals) have no physical output measure. Instead, they involve what might be described as "knowledge work." Second, there are many potential administrative problems (e.g., setting and maintaining acceptable standards) that often prove intractable. Third, individual incentives may do a good job of motivating employees that they do whatever they get paid for and nothing else. Fourth, as the name implies, individuals typically do not fit well with a team approach. Fifth, they may be inconsistent with the goals of acquiring multiple skills and proactive problem solving. Learning new skills often requires employees to slow or stop production. If the employees are paid based on production volume, they may not want to slow down or stop. Sixth, Some incentive plans reward output volume at the expense of quality or customer service.

Therefore, although individual incentives carry potential advantages, they are not likely to contribute to a flexible, proactive, problem solving work force. In addition, such programs may not be particularly helpful in the pursuit of total quality management objectives.

3.Profit Sharing and Ownership. Under the profit sharing plan, payments are based on a measure of organization performance (profits), and the payments do not become part of the base salary. Profit sharing has two potential advantages. First, it may encourage employees to think more like owners, taking a broad view of what needs to be done to make the organization more effective. Thus, the sort of narrow self-interest encouraged by individual incentive plans (and perhaps also by merit pay) is presumably less of an issue. Instead, increased cooperation and citizenship are expected. Second, because payments do not become part of base pay, labor costs are automatically reduced during difficult economic times, and wealth is shared during good times. Consequently, organizations may not need to rely on layoffs that much to reduce costs during tough times.

In summary, although profit sharing may be useful as one component of a compensation system (e.g., to enhance identification with broad organizational goals), it may need to be complemented with other pay programs that more closely link pay to outcomes that individuals or teams can control (or "own"). In addition, profit sharing runs the danger of contributing to employee resistance and higher labor costs, depending on how it is designed (Noe et al, 2000).

Employee ownership is similar to profit sharing in some key respects, such as encouraging employees to focus on the success of the organization as a whole. In fact, with ownership, this focus may be even stronger. Also, like profit sharing, ownership may not result in motivation and high individual performance. Because employees may not realize any financial gain until they actually sell their stock (typically upon leaving the organization), the link between pay and performance may be even less obvious than under profit sharing. Thus, from a reinforcement theory standpoint (with its emphasis on actually experiencing rewards), performance motivation may be especially low.

One way of achieving employee ownership is through stock options, which give employees the opportunity to buy stock at a fixed price.

4. Gain sharing, Group Incentives, and Team Awards. Gain sharing programs offer a means of sharing productivity gains with employees. Although confused with profit sharing plans at times, gain sharing differs in two key respects. First, instead of using an organization-level performance measure (profits), the programs measure group or plant performance, which are likely to be seen as more controllable by employees. Second, payouts are distributed more frequently and not deferred. In a sense, gain sharing programs represent an effort to pull out the best features of organization-oriented plans like profit sharing and individual-oriented plans like merit pay and individual incentives.

Whereas gain sharing plans are often plant wide, group incentives and team awards typically pertain to a smaller work group. Group incentives (like individual incentives) tend to measure performance in terms of physical output, whereas team award plans may use a broader range of performance measures (e.g., cost savings, successful completion of product design, meeting deadlines). As with individual plans, these plans have a number of potential drawbacks. Competition between individuals may be reduced, but it may be replaced by competition between groups or teams. Also, as with incentive plan, a standard setting process must be developed that is seen as fair by employees, and these standards must not exclude important dimensions such as quality.

Evaluation of Performance Data

This strategic decision must be made relative to the development of the performance management system which is concerned with who provides performance data. Traditionally, the employee's immediate supervisor, who communicated the supervisory assessment of performance to the employee, performed performance evaluation. This system offered very little opportunity for input or feedback from the employee. This approach, by itself, can be problematic for a number of reasons. Immediate supervisors often do not have the appropriate information to provide informed feedback and do not observe enough of the employee's day-to-day work to assess his/her performance accurately. It is also common in today's organizations for supervisors not to be current on the technical dimensions of a subordinate's work, which may be best evaluated by peers, customers, and other external constituencies. Technical line managers often have no training in or appreciation for the process and can see it as nothing more than an administrative burden. Finally, performance assessment is an inherently subjective process that is prone to a variety of perceptual errors by supervisors (Mello, 2006).

These errors include the ***halo effect***, in which the rater allows one positive or negative trait, outcome, or consideration to influence other measures (for example, if an employee is often late for work, that fact may impact ratings having nothing to do with tardiness); ***stereotyping or personal bias***, in which the rater makes performance judgments based on characteristics of the employee rather than on employee performance (for example, a bias that older workers are more resistant to change, less mentally agile, and less capable than younger workers of working longer hours); ***contrast error***, in which the employee's assessment is based on those being given to other employees; ***regency error***, in which the evaluation is biased toward events and behaviors that happened immediately prior to the time the evaluation is completed, with little or no consideration given to events occurring earlier in the evaluation period; ***central tendency error***, in which the evaluator avoids the higher and lower ends of performance assessment ratings in favor of placing all employees at or near the middle of the scales; and ***leniency or strictness error***, in which employees are generally all rated well above the standards (making the supervisor look demanding). Personal biases and organizational politics may have a significant impact on the ratings employees receive from their supervisors (Mello, 2006).

There may also be a number of reasons why supervisors might intentionally inflate or deflate employee ratings. For example, an empathetic supervisor might inflate the ratings given to an employee having difficulties with personal matters. Conversely, a supervisor who sees a subordinate as a threat to the supervisor's job might intentionally deflate performance ratings. The performance management process can be inherently political in many organizations. In most instances, when supervisors conduct performance evaluations, they personally have job and career issues at stake in the ratings they give to their employees.

In addition to these errors, supervisors and subordinates may agree on levels of performance but disagree on the causes for such performance. Research has shown that supervisors are much more likely to place the responsibility for poor performance with the employee, whereas the employee is likely to cite organizational factors outside of his or her control for performance deficiencies. Employees are much more likely to attribute their own job success to their own behaviors rather than to external factors such as easy job assignments or assistance from others.

For these reasons, organizations have been moving away from traditional means of performance feedback where only one assessment of an employee's performance is conducted and completed by the immediate supervisor. In addition to supervisory input, performance feedback can also be sought from peers, subordinates, customers, and/or the employee. Feedback from peers can be useful for developmental purposes, but peer feedback systems must be administered with care. They can be very political and self-serving in organizations where employees compare with each other, either formally or informally. When a peer has personal gain or loss at stake in the assessment of a colleague, he or she can hardly be expected to exercise objectivity. Competitive organizational cultures could cause a peer evaluation system to raise havoc throughout the organization by escalating conflict. This could have detrimental effects on morale and teamwork. Peer feedback systems can only be effective when political considerations and consequences are minimized (meaning that peers have nothing at stake in their assessments of colleagues) and employees have a sense of trust in the organization and its performance measurement system (Mello, 2006).

Performance feedback from subordinates can provide insights into the interpersonal managerial styles of employees and can assist the organization in addressing employee developmental needs, particularly for high-potential employees. Subordinate evaluations are also excellent measures of an individual's leadership capabilities. However, subordinate evaluations can suffer from the same political problems as peer evaluations. They can also be used by either the supervisor or subordinates to retaliate against each other. However, in assessing an employee's ability to manage others, valuable performance data pertaining to behavior and skills can be uniquely provide from subordinates.

Because our economy is becoming increasingly service-oriented and many organizations emphasize customer service as a key competitive and strategic issue, customers are increasingly being sought for feedback on employee performance. In most instances, customers can provide the feedback that is most free from bias. They usually have little or nothing at stake in their assessment of employees. Feedback from customers can be critical for facilitating employee development and determining appropriate rewards because it is most clearly related to the organization's bottom line.

Self-evaluations allow employees to provide their own assessments and measures of their own performance. Although it should be obvious that self-evaluation can be self-serving, allowing employees to evaluate their own performance has at least two important benefits for organizations. First, it can be motivating because it allows the employee to participate in a critical decision that impacts his or her employment and career. Second, the employee can provide insights, examples, and a more holistic assessment of performance than that provided by supervisors or peers, who generally spend a little time observing and interacting with each employee. Individual employees are far more likely to remember significant examples of effective performance than their supervisors. Furthermore, they can often provide specific examples of behaviors and outcomes rather than the generalities often cited by supervisors. Individual employees may also be able to provide performance information of which others may be unaware.

Performance management systems that solicit the input and advice of others besides the immediate supervisor are referred to as multilateral system or 360-degree feedback system. These systems can be beneficial because the organization and employee gain multiple perspective and insights into the employee's performance. Each of these sources of performance feedback can balance each other relative to any inherent organizational politics that may be at play in the process. However, there is a cost to such systems: They can be very time-consuming and laborious to administer. Data from numerous sources need to be analyzed, synthesized, and, occasionally, reconciled. There is inherently a cost-benefit aspect to any type of multilateral performance feedback system. The more performance data collected, the greater the overall facilitation of the assessment and development of the employee. At the same time, larger volumes of data are costly to collect and process. At some point, the collection of additional data will undoubtedly provide diminishing returns.

The popularity and use of 360-degree feedback program has increased dramatically in recent years. More than 65 percent of organizations now use some form of multirater feedback, despite the fact that 360-degree feedback programs have been associated with a 10.6 percent decline in shareholder value. The reason appears to be that many associations have jumped on the 360-degree bandwagon without careful planning and strategizing about why and how the program is being used within the organization. Unless each rater has a consistent view of effective performance relative to the organization's strategy, disagreements can cause unexpected conflicts and problems, and result in communication breakdowns that require time to resolve. Despite their popularity, 360-degree feedback programs can create severe problems if not designed, implemented, and managed carefully. The organization's strategy and culture must support such a system. Otherwise, the organization runs the risk of performance problems that inevitably will impact bottom-line profitability and value.

Despite the advantages of multilateral systems, collecting additional performance data results in a greater economic cost (relative to opportunity cost of the time of those involved in the process) and a more complex process in attempting to process and analyze the date to provide meaningful feedback to employees. If not designed and implemented carefully, 360-degree feedback system can result in the collection and processing of excessive amounts of information that provide no benefit to either the organization or the employee. Such data overload can cause the most relevant, critical performance data to be lost or obscured in the process.

Determining what to Evaluate

The next strategic question that needs to be addressed involves determining what is to be evaluated. Essentially, employee evaluation can be based on their traits, their behaviors, or the results or outcomes they achieve. Traits-based measures focus on the general abilities and characteristics of the employee. They might include dimensions like loyalty to the organization, industriousness, and gregariousness. Although assessment of traits can often allow the organization to determine how the employee fits with the organization's culture, such measures ignore what the employee actually *does*. Traits-based measures, therefore, are of limited use or value; the subjective nature of such nonperformance-related criteria would probably not hold up well in court in a discrimination complaint (Mello, 2006).

Behavior-based measures focus on what an employee does by examining specific behaviors of the employee. Factors assessed here might include the employee's ability to get along with others, punctuality, willingness to take initiative, and ability to meet deadlines. Behavioral measures are very useful for feedback purposes because they specify exactly what the employee is doing correctly and what the employee should do differently. This is critical; work-related behaviors are generally within the control of most employees. However, it is possible for employees to engage in appropriate behaviors but not achieve results for the organization. Although employees may do the right things, their performance may not make a difference for the organization in terms of performance that relates to strategic objectives.

The third basis for performance feedback is to assess outcomes or results. Results-based measures focus on specific accomplishments or direct outcomes of an employee's work. These might include measures of number of units sold, divisional profitability, cost reduction, efficiency, or quality. Unlike traits and behaviors, results-based measures are often criteria that can be measured objectively. More importantly, results are generally more meaningful to the organization due to their direct correlation with performance relating to the divisional or organizational strategy.

Although results may be a more significant measure of performance than traits or behaviors, there are some limitations to the utilization of results-based feedback measures. First, it may be difficult to obtain results for certain job responsibilities. Any tasks that involve dealing with the future (i.e. forecasting and planning relative to competition or assessing other dimensions of the external environment) will not show immediate results nor will the quality of accuracy of the work be assessable until sometime in the future. Second, results are sometimes beyond an individual employee's control. Budget cuts and resource availability may be at the discretion of others, but they may impact the employee's ability to generate specific performance objectives. Third, results, taken by themselves, focus on the ends or outcomes while ignoring the means of processes by which the results were obtained. An employee might achieve targeted goals but do so in an unproductive way by incurring excessive costs, alienating coworkers, or damaging customer relations. Finally, results are limiting since they fail to tap some critical areas of performance for modern organization such as teamwork, initiative, and openness to change. The need for organization to remain flexible and responsive to change in their environments requires them to have internal processes to facilitate internal change. Results-based measures would ignore these processes (Mello, 2006).

As can be seen, all three types of performance measures have some limitations. However, the strengths of one approach can offset the limitations of the others. Nothing prevents an organization from utilizing any combination of traits, behaviors, and results-based measures in attempting to develop a performance feedback system that is in-sync with the organization's strategic objectives. In short, the decision of what to evaluate is contingent upon what the organization seeks to achieve.

In addition to traits, behaviors, and outcomes, one area that employers are beginning to measure is the job performance competencies displays. Competencies often can be closely tied to an organization's strategic objectives, and therefore, provide a more critical measure of performance – as well as, a more valuable feedback for employees in their careers. A competency-based performance management program can take a tremendous amount of time to establish. It must also be communicated clearly to employees and it must be tied in with the organization's reward structure. Core competencies should be limited in number to those most central to the organization's success, and corresponding opportunities should be established so that employees can obtain and build on these competencies. Exhibit 10-4 presents a sample competency model for managers that cut across organization size and industry.

Relative Assessment of Employees

The next strategic decision that must be addressed in designing the performance management system is how to assess employees. Performance feedback can be performed on an absolute or relative basis. Absolute measures evaluate employees strictly according to the performance requirements or standards of the job; relative measures evaluate employees in comparison to coworkers. Relative measures may further involve slotting employees into categories, such as the top 10 percent of the employees in the work unit receiving an overall outstanding evaluation. This is similar to what is known in education as grading on a curve (Mello, 2006).

Relative assessment of employee can be useful in allowing the organization to identify overall top performers, as much as high schools provide class rank to their students to facilitate college and university assessments for admission. However, if performance is not normally distributed, skewed results can provide misleading data: If all employees are outstanding performers, some will still be ranked poorly. Conversely, if all employees are deficient in performance, some will still be ranked as outstanding. For example, in a classroom setting, assume that there are 30 students in a class and that on a midterm exam all 30 students score 90 or above. If performance was ranked on a relative basis, a student who scored 90 would be ranked 30th out of 30, despite the fact that the student did "A" work in absolute means. Similarly, if on the final exam the highest grade was a 55, that student would be ranked1st out of 39, despite the fact that, on an absolute basis, the student failed the exam. Relative measures can easily facilitate distorted perceptions of performance when all employees are superior or deficient. Although they are useful in identifying the best employees, they should not be used without some supplementary absolute assessment and ratings that are specifically related to strategic objectives.

One popular, although controversial, means of relative assessment is forced ranking. Forced ranking, or forced distribution, involves placing employees into clusters or grouping based on a distribution schema. Forced ranking is premised on the social science theory that finds human phenomena tent to distribute normally, along a bell-shaped curve, when measured using sufficiently large samples. Ideally forced rankings can help build a high-performance organization by ensuring that managers clearly distinguish among employee performance levels.

Forced ranking system was pioneered by General Electric, under former CEO Jack Welch. At GE, employees are sorted into three groups: the top 20 percent on whom rewards, promotions and stock options are showered; a “high-performing” middle 70 percent with promising futures; and a bottom 10 percent whose employment is terminated, either voluntarily or involuntarily. Other large employers who use force ranking systems include Cisco Systems, Hewlett-Packard. Microsoft, Sun Microsystems, and PepsiCo.

Those who favor forced ranking argue that it is the best way to identify both the highest-performing employees, who should receive generous incentives, and bottom performers, who should be helped up or out. It also provides data-driven bases for compensation decisions and forces managers to make and sometimes justify tough decisions, and won’t allow them to avoid giving employees needed feedback. Critics, however, argue that forced ranking can be arbitrary, unfair, and expose an organization to lawsuits. Ford Motor Company abandoned its practice of forced rankings 2001 when it settled two class-action lawsuits for $10.5 million. To avoid some of the inherent subjectivity that might come with the final rankings, some employers outsource the final distributions to outside consultants who are able to analyze trends and correct biases in final ratings.

While forced rankings may be controversial, they tend to be more effective in organizations with a high-pressure, results-driven culture. Forced rankings are certainly not appropriate for every organization. But in concept, forced rankings are consistent with a strategic approach toward human resource management because they emphasize differentiating employees by performance level and investing more resources in those human assets that have displayed the highest returns.

Means of Evaluation

Another strategic decision that needs to be made in the design of the performance management system is the means of evaluation. There are a variety of tools or formats to use in measuring performance. These include graphic rating scales, weighted checklists, behaviorally anchored rating scales, behavioral observation scales, critical incident measures, and objectives-based measures (Mello, 2006).

Graphic rating scales are one of the most widely used assessment and feedback devices. Relatively easy to design, use, and update as job requirements change, they involve a scale that gives the evaluator the performance measures for traits, behaviors, or results.

Weighted checklist provides the evaluator with specific criteria in which performance is to be assessed and the evaluator is asked to check those criteria that apply to the employee. The different dimensions are weighted based on their importance to the organization; weights are unknown to the evaluators as the checklist is being completed.

A behaviorally anchored rating scale (BARS) is a more specific type of graphic rating scale. The evaluator is given specific descriptions of behaviors along a numerically rated scale and is asked to select the behavior that most corresponds to the employee's performance for the time period being evaluated. BARS can be difficult and time-consuming to develop, but it can help to overcome some of the subjectivity and biases that may result when evaluators are given no set descriptions for performance measures.

A potential problem with BARS may be that an employee's behavior is inconsistent. Sometimes, the employee might merit a 6 on a scale of 1 to 7; at other times, performance would be closer to 2. A behavioral observation scale (BOS) addresses the problem of inconsistent employee performance by measuring frequencies along the scale. Instead of providing examples of different behavior, as would be presented in a BARS, the BOS determines which behavior of a BARS is optimal and asks for an assessment of the frequency with which the employee displays it.

Critical incident measures do not generally utilize a scale. The evaluator provides specific examples of the employee's critical behaviors or results, either outstanding or problematic, during the performance period. The evaluator must maintain a log or diary for each employee and make periodic notation of noteworthy behaviors or results that were particularly effective or ineffective. This process can be very time-consuming, but it allows the feedback to cite specific examples or performance measures instead of general impressions. Feedback that is specific and directed is not only more meaningful to the employee, but it can also be targeted to specific objectives of the work unit or organization. The critical incident technique can be utilized by itself or incorporated into a rating scale where space is provided for open-ended comments by the evaluator.

A final way to assess performance is to base feedback on predetermined, negotiated work objectives. Traditionally called *management by objectives (MBO)*, this process involves having the employee meet with his or her immediate supervisor prior to the time period for which performance is to be assessed. The two parties jointly agree on the employee's work objectives for the forthcoming time period. The process of negotiation is important here. Ideally, this process involves setting objectives that are simultaneously consistent with the organization's strategy, satisfy job requirements, and also provide challenging work assignments that are consistent with her employee's developmental needs and career aspirations.

Objective-based performance management systems are based on goal-setting theory, which was pioneered by Edwin Locked. Goal-setting theory assumes that motivation is enhanced when individuals work toward a specific, targeted goal or goals and also receive feedback as to their progress toward reaching their goals. Even though objectives are determined for a set time period, commonly six months or one year. This does not mean that performance feedback should be withheld until the end of the time period. Informal, regular feedback is more effective; particularly when it is provided immediately following some outcome or behavior, it has a stronger and more constant impact on motivation than feedback that it is only provided annually in a more formal manner.

Objective-based performance measurement systems often result in enhanced employee motivation because employees are allowed to provide input in determining their job responsibilities and in discussing critical organizational goals to which they can contribute. Employee commitment is usually enhanced as well. Employees are expected to be far more committed to reach performance objectives that they have agreed to and negotiated for themselves rather than having objectives determined for them by the organization. When an employee participates in this process, the employee's trust and dependability are placed on the line. Nonperformance can be as readily dismissed through claims that the supervisor does not understand the job or the pressures inherently involved with it or that the objectives set were, therefore, unrealistic.

Three common oversights can inhibit the effectiveness of any objectives-based feedback system. These oversights are setting objectives that are too vague; setting objectives that are unrealistically difficult; and not clarifying how performance will be measured, particularly when the objective itself is not quantifiable and requires some subjectivity in evaluation. Any objectives set as part of such a process must be specific, measurable, and within the employee's control if the feedback system is to be beneficial to the organization and to the employee. Objectives also need to be challenging but obtainable. Unrealistic goals may hamper motivation. Supervisors need to have faith in their employees' abilities, yet realize where to draw the line. When the objectives are set, the parties must also reach agreement as to how the performance criteria will be measured and assessed. This is particularly important when there are no objective measures available for assessing performance.

The objectives selected must be valid. Since selection measures need to be valid, objective performance measures must be valid as well. Occasionally, inappropriate objective measures may be selected. These measures may be easily quantifiable and accurately measurable, but not directly related to performance. For example, a teacher could be evaluated through the test scores of students. Although this is an objective measure, it might encourage the teacher to teach students to maximize test scores rather than learn. A salesperson could similarly be evaluated on sales volume, which is easily measurable, but not get evaluated on expenses incurred, customer service, returns, or professional demeanor. Most employees will focus on the behavior or outcome that is evaluated and rewarded at the expense of other elements of the job. The various means of measuring performance are not mutually exclusive. Nothing prevents an organization from using some combination of methods. However, it should be remembered that, the decision of who should provide performance feedback, more is not necessarily better. Organizations need to ensure that the methods employed in measuring performance are not cumbersome, contradictory, or excessively laborious. The methods of providing performance data must be consistent with the uses of the system and the organization's strategic objectives (Mello, 2006).

Other Considerations

In addition to the five strategic design decisions previously outlined, several other critical factors must be considered when developing an effective performance management system.

Link with training. First, the organization needs to ensure the link between the performance management system and the training, development and compensation system. Training and development goals and objectives must be reflected in the performance feedback system.

Link with Compensation. Subsequently, the criteria by which performance is evaluated must be incorporated into the compensation or reward system. If either of these will be limited when established and maintained, the performance management system will be of limited value. The performance management system lies within the much larger framework of human resource management systems and must be conceptualized and designed with this strategic perspective in mind.

Traditional performance evaluation systems stress the most recent, immediate time period and evaluate individual employee performance. However, many organizations have strategic initiatives that involve long-range planning and growth, requiring the use of criteria that cannot be measured based on performance during the immediate past time period. In addition, many organizations are moving toward more flexible job assignments and responsibilities. Organizations that have self-managed work teams place more responsibility for performance at the group rather than the individual level. Traditional means of performance evaluation may need to be significantly recast in the light of changes taking place in contemporary organizations. There are few, in any, models of evaluation systems that can assess work responsibilities associated with longer-ranged objectives or team-based evaluation.

Flexible or Standardize PMS. A final consideration is the degree of standardization or flexibility of the performance management system. Standardization is important to prevent job bias or allegations of discriminatory treatment. Flexibility in the system is important because jobs have different levels of responsibility and accountability and require different types and mixes of skills (technical, interpersonal, or administrative). Organizations need to strike a balance between having some consistency (standardization) and some variance (flexibility) in their performance feedback systems. The single most important criterion in addressing this issue is the nature of the job responsibilities assigned to the employee. Specific job-related criteria are not only the most meaningful for feedback and developmental purposes but are also most defendable under the law. This does not imply that each individual job should have a unique means and method for measuring performance. That is clearly impractical and unrealistic. It does mean, however, that there is no one appropriate way to develop a performance management system in any organization; the system must be tailored to the objectives of the organization.

Failure in Performance Management System

Despite the importance of performance management systems, many managers and executives are not committed to providing performance feedback. The process is often seen as time-consuming and cumbersome and can make managers uncomfortable. This dissatisfaction is also seen in the HR suite. One survey of HR directors and executives found that 90 percent felt that their performance management system needed reform (Mello, 2006).

Mello (2006) observes the following failures:

Complexity of the Process. Many managers are disheartened by the complexity of the process. Performance data may be subject to multiple levels of review and/or require the collection of large amounts of data that must be analyzed and condensed. A system that requires the collection of data from multiple individuals may further require that contradictory and/or inconsistent feedback be reconciled.

Lack of Planning. Unless the performance management process involves some planning wherein managers and subordinates use the performance data to set clear goals for future performance, there may be little, if any, impact on subsequent job performance. An ideal performance management system connects data about recent past performance to future plans that incorporate the employee's career goals and the strategic goals of the organization and/or unit.

Claims of Unlawful Discriminations. When salary, promotion, and retention decisions are made based on performance management data, claims of unlawful discrimination may be made by employees who did not feel appropriately rewarded. The inherently subjective nature of performance management data fuels this possibility and, as a result, may cause organizations to limit the performance feedback given and/or how such feedback is used.

Manager's Little Control over the Process. Many managers feel that they have little control over the process by which they manage their subordinates' performance. When standards related to expectations of the end results are set by senior management, managers may feel that the process is less than legitimate.

PMS not in Line with Reward System. Employees and managers alike lament the fact that many performance management systems are totally divorced from the organization's reward system. If there are no consequences, results, or outcomes from the performance management process, it is most likely being shortchanged and not taken seriously by those at all levels in the organization.

Lengthy and Complex PMS. The forms and paperwork that often accompany the performance management system can be lengthy and complex. A process that takes managers away from their day-to-day responsibilities for an unduly long time may result in them looking for shortcuts that compromise the efficacy and integrity of the overall process.

Addressing the Shortcomings of PMS. The challenge then becomes how to get buy-in from managers to improve the performance management system. Some strategies for addressing some of the managerial reluctance or resistance to commit fully to performance management are presented in the following:

Manager's Involvement in the System Design. First, managers should be involved in the design of the system. Because they are its true users, their input as "consumer" should be sought to facilitate the design of a system that works both for them and the organization.

Manager Held Accountable. Second, managers are held accountable for the performance of their subordinates, as well as, the development of their direct reports. By tying manager's performance in meeting organization and divisional goals to their effective use of the performance management system, managers are more likely to take the system seriously.

Set Individual Performers. Third, clear expectations should be set for individual performance at all levels of performance review to facilitate a timely review of recent performance data and allow more specific feedback to be provide to employees.

Identify Specific Purpose and Goals. Fourth, the organization should identify the specific purpose and goals of its performance management system. Clarifications of the relationship of the system to the organization's strategy make the system more salient and relevant to organizational participants and further legitimize the entire process.

Performance Measures Linked to Rewards. Fifth, performance measures should be clearly linked to rewards, solidifying the legitimacy of the system.

Top Management Total Support. Finally, absolute commitment to the performance management system needs to be gained from top management. One recent survey found that at the executive level, 42 percent of executives do not even review the performance management system at all. When senior managers publicly support and personally use the performance management system, a strong message is sent regarding its importance to all employees (Mello, 2006).

Impact of PMS

Performance management systems can significantly impact organizational performance and processes. However, there is no one optimal way to develop and design an effective performance management system. Organizations face a number of strategic choices as to how they measure performance and provide employees feedback on the process.

Five Critical Guidelines of PMS. Although effective performance management systems need to be developed within the context of specific organizational contingencies, five critical guidelines should be followed in any performance management system:

(1) Any feedback provided to employees should be specific rather than general;

(2) Feedback should only be provided from credible, trustworthy sources that have ample opportunity and background to make an assessment of performance;

(3) Feedback should be provided, as soon as possible, after behaviors or outcomes take place for maximum benefit;

(4) Performance measures should be based on clear, measurable goals; and

(5) The process should involve a dialogue between the employee and the manager that addresses the most recent period and also plans for the future (Mello, 2006).

Related Studies

Presented herein are the following studies conducted by researchers in a performance management system:

Kikoski Research Study. Kikoski's (1999) research study on effective communication in the performance appraisal interview says: Face-to-face communication for public managers in the culturally diverse workplace explained that more effective interpersonal communication in any organizational situation, especially in the performance appraisal interview, is possible if public managers recognize and adopt the proven and tested micro skills approach. Moreover, the widespread use of performance appraisals throughout all levels of public administration, specifically mandated in the federal sector, makes improvements in face-to-face communication particularly important to public managers.

Furumoto's Master's Thesis. Furumoto (2004) undertook a master's thesis regarding the effect of using impression management on the performance rating of affirmative action beneficiaries. The purpose of this research study was to investigate how affirmative action status affects performance appraisal ratings. Furthermore, the current research was also interested in how the use of impression management strategies improves or worsens performance ratings when affirmative action beneficiaries use the strategies.

The results indicated no significant main effect for the affirmative action status on the performance appraisal rating and no significant interaction between the affirmative action status and the impression management strategies. However, the significant main effect was found for the impression management strategies and the performance appraisal rating. The research participants rated the employees who used ingratiation significantly higher than employees who used self-handicapping strategies.

Po-Doai's Comparative Study of Personnel Management. Po-Doai (1998) indicated in a comparative study of personnel management of Thai and foreign commercial banks in Bangkok that most of the employees working in Thai and foreign commercial banks and participated in this study were 25- 30 years old, more female than male, with bachelor's degrees and had more than 5 years working experience. Their monthly incomes were between 10,000-20,000 Baht. In testing the hypothesis of this study the results revealed the following:

1. Differences in age and sex of the respondents did not significantly correlate with recruitment and selection, training and human resource development, performance appraisal, transfer, promotion and compensation.

2. Differences in education of the interviewed subjects showed significant correlation with recruitment and selection, but not with training and human resource development, performance appraisal, transfer, promotion and compensation had been investigated.

3. Working experience significantly correlated with training and human resource development but not with recruitment and selection, performance appraisal, transfer, promotion and compensation.

4. Supervision correlated significantly with training and human resource development,

performance appraisal, transfer, promotion and compensation, but not with how recruitment and selection was obtained.

5. Monthly income did not significantly correlate with training and human resource development, performance appraisal, transfer, promotion but correlated significantly with recruitment and selection and compensation.

It is recognized that human resource is the most important and valuable asset of organization. Effective and successful human resource management could lead to the achievement of organizational goals. Therefore, if an organization, such as Thai or foreign commercial banks in Bangkok, has a good system for recruitment and selection, the organization will obtain qualified employees to accomplish the job. In addition, appropriate performance appraisal, as well as transfer and promotion, will motivate the employees to work efficiently. They can also create a good atmosphere and environment at the working place and among the employees themselves. Suitable supervision and training will make the employees work more efficiently and have good vision. Lastly, suitable compensation program will give the employees good quality of life and security. Therefore, effective strategy of human resource management will make all organizations, including the banking sector to achieve their business mission, since the employees of that organization will have good morale and motivation to work and overcome all of the difficulties and problems that might exist in the organization.

Synthesis

The review started with the establishment of a performance management system involving the concept of the five strategic decisions; the related factors such as the demographic profile; vision, mission, value and strategy; organization; employees, talent management, leadership development; employee relations; staffing; education, learning and development; and performance management.

According to Mello (2006), the five strategies in PMS include determination of the purpose of the system and its usage, which has something to do with the development of the employees and its reward system, and enhance motivation among others. This is followed by linking the PMS with compensation wherein somebody responsible is involved in the evaluation process, such as the supervisor, peers, subordinates, customers and self. The next strategic decision is about the categories to be evaluated, like the traits, behaviors and results, which are linked to its flexibility and standardization. The fourth strategy is the strategic decision, which is the way to evaluate using absolute or relative evaluation (which is linked to individual or team evaluation process). The last strategic decision is the means of evaluation in the areas of graphic rating scale, weighted checklist, and objective-based evaluation process link to time periods.

Kiskoski's study on effective communication, Furumoto's master's thesis regarding the effect of using impression management on the performance rating of affirmative action beneficiaries, and Po-Doai's effective strategy of human resource management, are very supportive in proving that the present study is relevant, timely and useful in this current global business environment.

Summary

Performance management system need not be formal in order to be effective. The most important concern in designing a performance management system is its fit with the organization's strategic objectives. Moreover, the most important concern in providing performance-related feedback is its fit with the organization's culture. There are some companies that decided to do away with formal performance feedback entirely. Instead, they opted for a system that provides continuous dialogue on performance-related matters. Executives report that the system works well because it is built on the values of open communication, trust, and self-motivation of employees to do their best. Moreover, any performance-related issues are dealt with in a timely manner because the lack of formality in the process allows feedback to be provided on an ongoing basis.

References:

Armstrong, Michael (2006). A Handbook of Management Techniques Revised 3e.Bell & Bain, Glasgow, Great Britain.

Armstrong, Michael (2006). Human Resource Management Practice 10 e.Kogan Page Limited, UK.

Badiru, Adedeji B., Pulat, P. Simin (2000). Comprehensive Project Management, Prentice Hall, Inc., New Jersey.

Bateman, Thomas S., Snell, Scott A. (2004). Management The New Competitive Landscape. McGraw Hill, New York.

Borromeo, Roberto T. (1995). Strategies for Effective School Management, Phoenix Publishing House, Inc., Quezon City, Philippines.

Carroll, M (1986). MBO as a Management System Designed to Achieve Organizational Effectiveness. Civil Service Regulation No. 410 of 1981 (Appendix 3).

Clawson, James G. S., Haskins, Mark E. (2006). Cambridge University Press, United Kingdom.

Decenzo, David A., Robbins, Stephen P. (2007). Fundamentals of Human Resources Management. 9e. John Wiley & Sons, Inc., USA Dressler, Gary (2009).

David, Fred R. (2007). An Introduction to Strategic Management. Prentice South Asia Pte Ltd., Singapore.

Dressler, Gary (2004). A Framework for Human Resource Management. 3e. Pearson Education, India.

Furumoto (2004) Master's Thesis the Effect of Using Impression Management on the Performance Rating of Affirmative Action Beneficiaries.

Goodworth, Clive T. (1985). Effective Delegation. Brookfield Publishing Inc., Vermont, USA.

Hitt, Michael A., Ireland, Duane R., Hoskisson, Robert E. (1999). Strategic Management Competitiveness and Globalization. 3e. South-Western College Publishing, Cincinnati, Ohio.

Hoffman, S (1995). Research on Job Performance in Making Administrative or Personnel Decisions such as Compensation, Promotions, Discipline, Terminations or Layoffs. Jones, Pam (1999). Performance Management Pocketbook. Management Pocketbook Limited, U.K.

Juran, Joseph M., Godfrey, A. Blanton (2000). Juran's Quality Handbook. 5e. McGraw-Hill International, Singapore.

Kermally, Sultan (1999). The Management Took Kit. Thorogood Limited, London, UK.

Keuning, Doede. (1998). Management A Contemporary Approach. Pitman Publishing, London.

Kikoski, S (1999) Master's Research Study on Effective Communication in the Performance Appraisal.

Mello, Jeffrey A. (2006). Strategic Human Resource Management. 2e. Thompson, South-Western, United States.

Milkovich, B and Newman, K (2005.) Performance Appraisal Techniques.

Po-Doai (1998). Comparative Study of Personnel Management of Thai and Foreign Commercial Banks in Bangkok.

Quinn, Robert E., Faerman, Sue R., Thompson, Michael P., McGratch, Michael R. (1996). Becoming A Master Manager. 2e. John Wiley and Sons, Inc., Canada.

Robbins, Stephen P., Coulter, Mary (2008). Management. 9e. Prentice-Hall of India Private Limited, New Delhi.

Thompson, Arthur A. Jr., Strickland A. J. III, Gamble, John E. (2005). Crafting and Executing Strategy The Quest for Competitive Advantage. McGraw Hill/Irwin, New York.

http://en. wikipedia.org/wiki/organization

http://en.wikipedia.org/wiki/ organization

http://en.wikipedia.org/wiki/ Strategic_planning