

# LECTURE 5

## PERFORMANCE MANAGEMENT

By

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# LEARNING OUTCOMES

**On successful completion of this lesson, the learner will be able to:**

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- LO1:** Define and describe performance management (PM) and related concepts.
- LO2:** Understand the nature, aims and characteristics of PM.
- LO3:** Understand the benefits and guiding principles of PM.
- LO4:** Discuss about the PM process and the methods of performance evaluation.
- LO5:** Discuss about possible errors in PM and the selection of practitioners on effective PM.

# PERFORMANCE ?

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**It is simply:**

**'The accomplishment, execution, carrying out, working out of anything ordered or undertaken.'**

*The Oxford English Dictionary*

**The holistic view:**

- It is not just the achievement of targets.
- It focuses on both input and output.
- Output = what people achieve (targets)
- Input = how people achieve (behavior)

# DEFINING PERFORMANCE MANAGEMENT

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- A systematic process for the effective management of individuals and teams to develop their performance for achieving organizational objectives.
  - **Objective:** better results
  - **Individual-level requirement:** shared understanding
  - **Organizational-level requirement:** an agreed framework
  - **Own & driven by:** line management

# CLARIFYING TERMS

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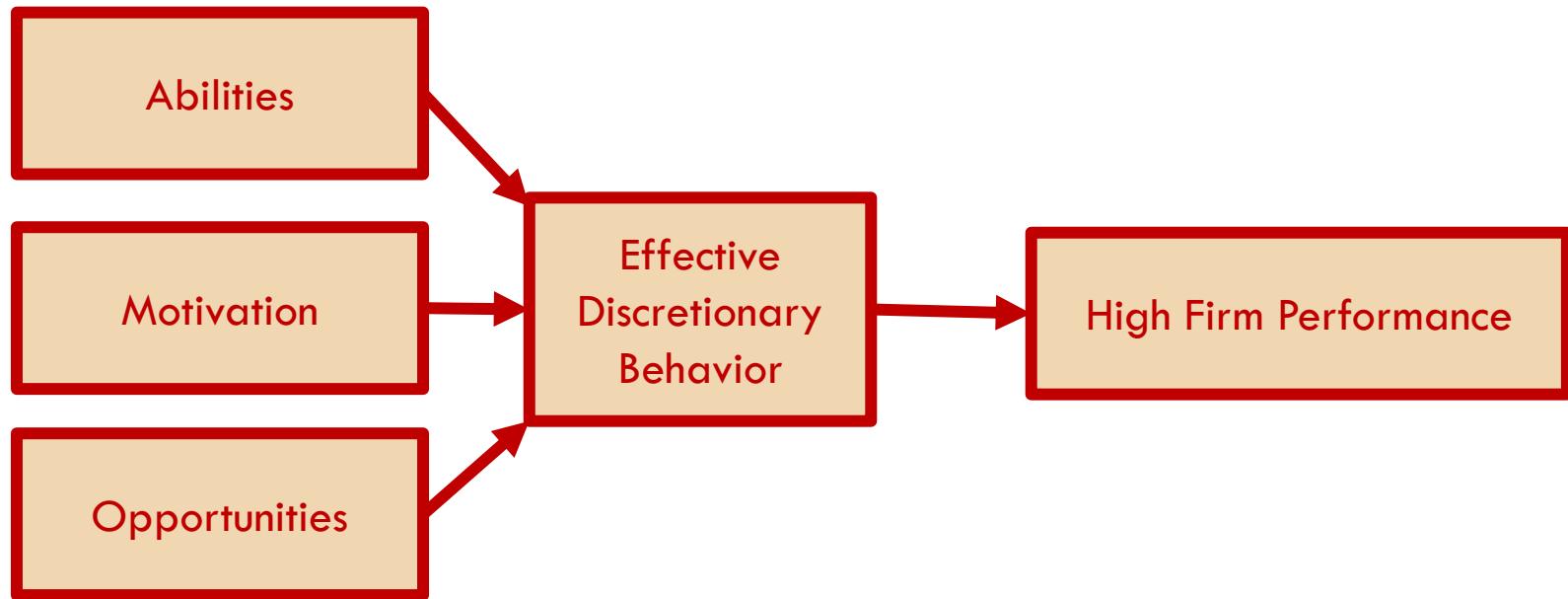
- **Performance measurement**
- **Performance appraisal**
- **Performance evaluation**
- **Performance review**
- **Performance management**



**Are these synonyms?**

# PREREQUISITES FOR EMPLOYEE PERFORMANCE

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The AMO Theory  
Appelbaum et al. (2000)

# DISCRETIONARY BEHAVIOUR

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- High performance results from appropriate behaviour, especially discretionary behaviour and the effective use of the required KSAOs.
- Performance management is concerned with the encouragement of productive discretionary behaviour.
- Discretionary behaviour refers to **"The choices that people make about how they carry out their work and the amount of effort, care, innovation and productive behaviour they display."**

*Purcell et al. (2003)*

# AIMS OF PERFORMANCE MANAGEMENT

- Aims of PM are expressed in a variety of ways by different organizations.

**Empowering, motivating and rewarding employees to do their best.**

*Armstrong World Industries*

**Focusing employee's tasks on the right things and doing them right. Aligning everyone's individual goals to the goals of the organization.**

*Eli Lilly & Co*

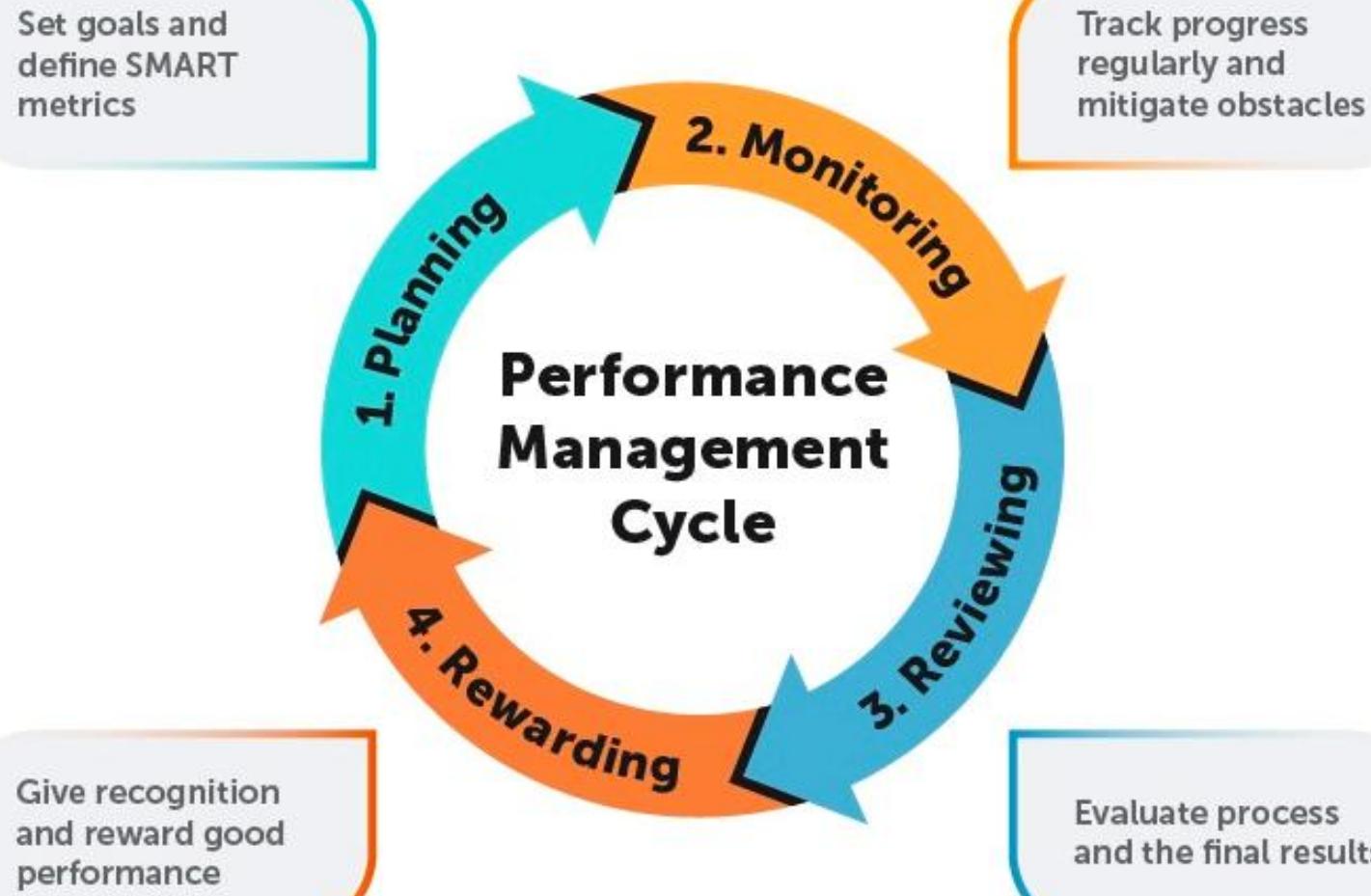
**Proactively managing and resourcing performance against agreed accountabilities and objectives.**

*ICI Paints*

**Maximizing the potential of individuals and teams to benefit themselves and the organization, focusing on achievement of their objectives.**

*West Bromwich Building Society*

# PERFORMANCE MANAGEMENT PROCESS



# 1. PLANNING

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## **Setting up an appropriate PM system**

1. Defining organizational goals
2. Determining employee goals and objectives
3. Reviewing job descriptions
4. Setting up metrics
5. Determining the evaluator and the method to be used
6. Developing an action plan

## 2. MONITORING

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### **Observing the system to detect obstacles**

1. Conducting interim checks on the process
2. Exploring errors/ bottlenecks
3. Establishing processes to mitigate obstacles
4. Making leaders and employees well informed about the system

### **3. REVIEWING**

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#### **Implementing the process to measure performance**

1. Appraising individual and team performance
2. Correct use of appraisal method/s
3. Avoiding rater errors
4. Recording performance results
5. Link with rewards & training

## **4. REWARDING**

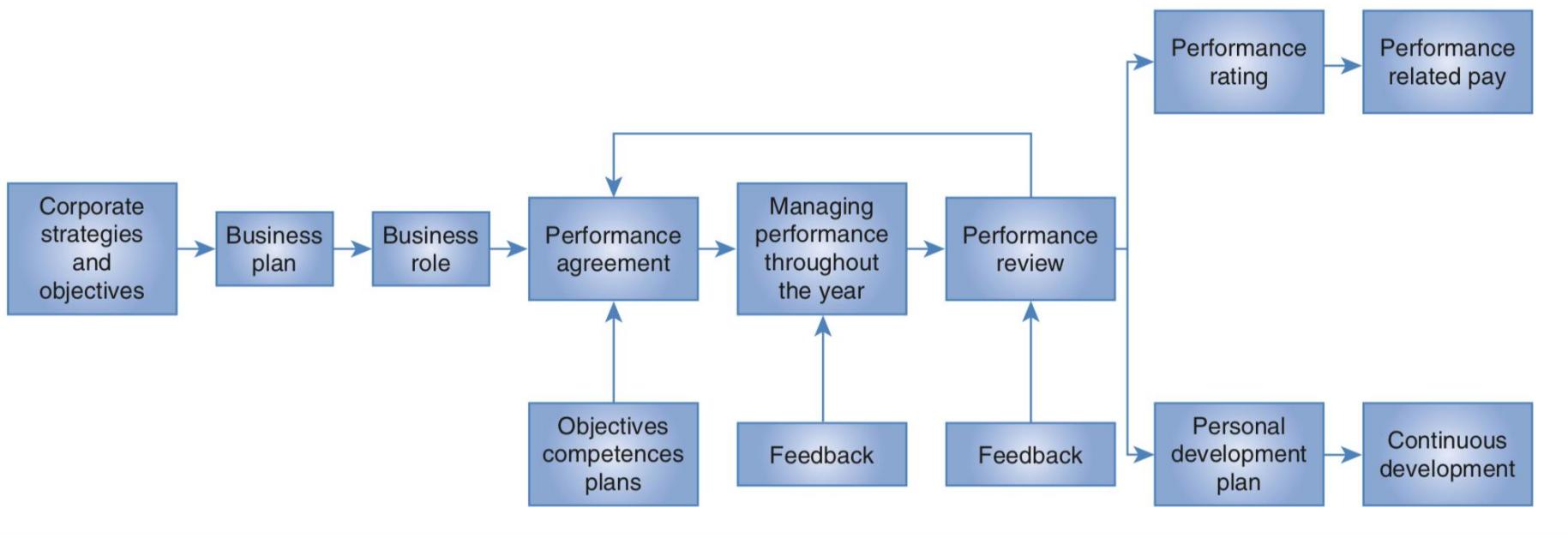
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**Giving due recognition to high performers**

**Developing poor performers**

1. Providing performance feedback
2. Communicating performance results
3. Offering incentives for high performers
4. Offering training for poor performers

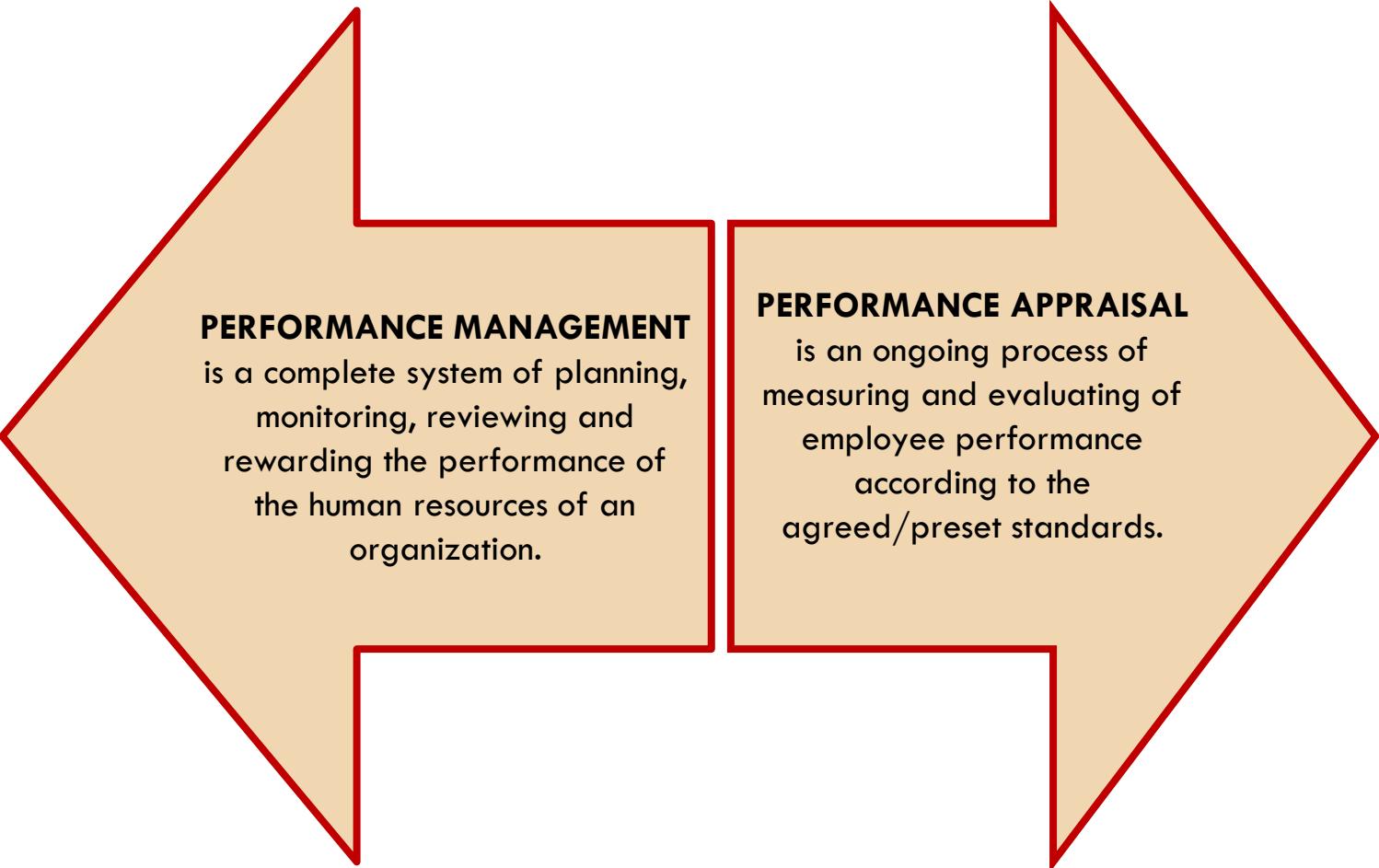
# PERFORMANCE MANAGEMENT FRAMEWORK



Source: Armstrong, 1996

# PERFORMANCE MANAGEMENT      VS PERFORMANCE APPRAISAL

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**PERFORMANCE MANAGEMENT**  
is a complete system of planning,  
monitoring, reviewing and  
rewarding the performance of  
the human resources of an  
organization.

**PERFORMANCE APPRAISAL**  
is an ongoing process of  
measuring and evaluating of  
employee performance  
according to the  
agreed/preset standards.

# **CHARACTERISTICS OF PERFORMANCE MANAGEMENT**

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- It is a planned process with strategic focus.
- It focuses on targets, standards and performance measures/indicators.
- It is based on the agreement of role requirements, objectives and performance improvement and personal development plans.
- It is a continuous, evolutionary and flexible process.
- It is concerned with inputs and outputs.
- It measures inputs & outputs compared with expected outcomes.
- It requires openness, reliability and validity.
- It attributes inclusiveness, specificity and ethicality.

# **CHARACTERISTICS OF PERFORMANCE APPRAISAL**

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- A regular review of an employee's job performance and the level of contribution to the organization.
- It is the measurement of one's job performance as per the set and agreed KPIs.
- It is usually carried out annually or bi-annually.
- It communicates the employee how he/she is doing at work.
- It is mainly linked with the training & development and the rewards system.

# BENEFITS OF PERFORMANCE MANAGEMENT

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- Provides guidance for all employees
- Increases employees' self esteem
- Provides motivation for desired behavior
- Discourages inappropriate behavior
- Identifies poor performers and appropriate solutions
- Identifies high performers and rewards
- Creates healthy internal competition
- Documents history of employee performance
- Helps successful career planning
- Enhances employee engagement
- Facilitates organizational change
- Enhances organizational performance

# **PERFORMANCE MANAGEMENT**

## **GUIDING PRINCIPLES**

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- Provide clear direction & freedom to get work done.
- Make it simple & specific.
- Encouragement not control
- Honest & open relationship
- Use of mini-reviews to keep in touch
- Individual-team-organizational goal alignment
- Be an example
- Continuous supply of resources
- Recognition of right performance
- Stay flexible
- Conduct effective performance review meetings

# **PERFORMANCE REVIEW MEETINGS**

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**There are 12 golden rules for conducting performance review meetings.**

- 1.** Be prepared
- 2.** Work to a clear structure
- 3.** Create the right atmosphere
- 4.** Provide good feedback
- 5.** Use time productively
- 6.** Use praise
- 7.** Let individuals do most of the talking
- 8.** Invite self assessment
- 9.** Discuss performance not personality
- 10.** Encourage analysis of performance
- 11.** Don't deliver unexpected criticisms
- 12.** Agree measurable objectives

# PERFORMANCE APPRAISAL METHODS

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- Self evaluation
- Rating/ranking scales
- Checklist method
- Comparison techniques
- 360-degree feedback
- Management by objectives (MBO)
- Balanced scorecard

# EMPLOYEE SELF EVALUATION

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Employee Name .....

Department .....

Job Title .....

Performance Indicators	Performance Evidence
No. of subjects taught (per semester)	
No. of hours worked (per week)	
No. of conferences attended/chaired	
No. of seminars conducted	
No. of research papers published	
No. of research papers reviewed	
No. of research students supervised	
No. of guest/visiting lectures conducted	
No. of academic leadership positions held	

# RANKING/RATING METHOD

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Employee Name .....

Department .....

Job Title .....

Performance Level Work Dimension	Poor	Fairly Poor	Fairly Good	Good	Excellent
Attendance			✓		
Behavior towards Subordinates			✓		
Sincerity				✓	
Dependability					✓

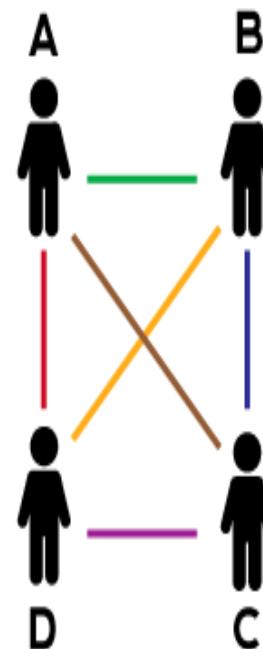
# CHECKLIST AND COMPARISON METHODS

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## Checklist method

1. Is regular on the job?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2. Does maintain discipline well?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3. Shows consistent behaviour to all colleagues?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
4. Is interested in their job?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
5. Keeps making mistakes?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6. Shows favouritism towards particular colleagues?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

## Comparison Method



A — B  
A — C  
A — D  
B — C  
B — D  
C — D

# 360 – DEGREE APPRAISAL

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- Appraise one's performance from the people around him/her.
- Complex but reliable
- Time & cost intensive
- It provides a broader view
- Ideal for private sector



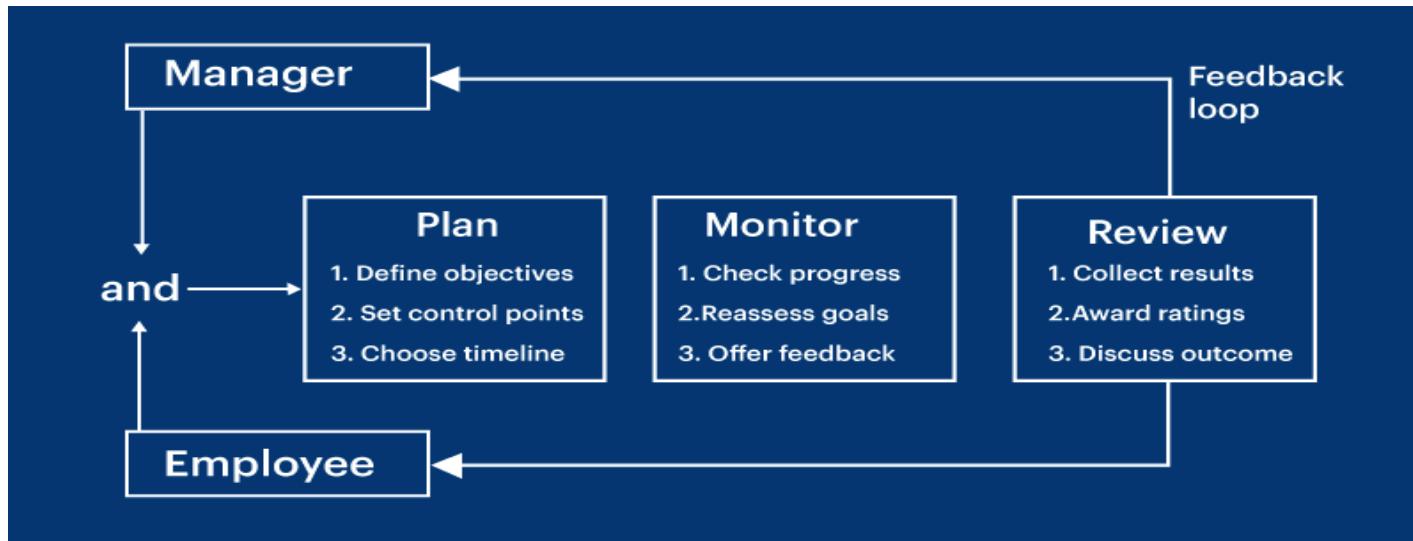
# MANAGEMENT BY OBJECTIVES

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MBO is a process of defining objectives within an organization with the support of employees so that managers and employees agree to the objectives and understand what they need to do, how & when it should be accomplished.



# MBO – PROCESS FLOW



## Ideal for:

- Measuring performance of senior management.

# BALANCED SCORECARD

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BSC is a strategic planning and management system, which

- ✓ Improves communication
- ✓ Aligns daily work
- ✓ Prioritizes work
- ✓ Improves feedback process
- ✓ Monitors performance
- ✓ Measures performance

**Employee's Balanced Scorecard**



# **PERFORMANCE EVALUATOR/RATER**

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- Self
- Immediate manager
- Peers
- Subordinates
- Customers

# RATER ERRORS

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- **Halo/Horn effect:** influence from previous judgements
- **Leniency/strictness:** influence from over-emphasized behavior
- **Central tendency:** always choosing the middle.
- **Recency:** gives more weight to recent incidents
- **Primacy:** gives more weight to earlier incidents
- **Contrast effects:** influence from comparison highs & lows

# DEALING WITH UNDER PERFORMERS

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- Identify and agree the problem
- Establish the reason(s) for the shortfall
- Decide and agree on the action required
- Resource the action
- Monitor and provide feedback

## PM - Dos

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- Consult/involve
- Provide training
- Communicate (process and benefits)
- Align and ensure relevance
- Keep it simple
- Ensure clear purpose and processes
- Plan and prepare carefully
- Run a pilot scheme
- Monitor and evaluate
- Link to reward



## PM - Don'ts

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- Don't just make it a form-filling, paper-intensive exercise
- Don't make it too complicated
- Don't rush in a new system
- Don't underestimate the time it takes to introduce
- Don't keep changing the system very often
- Don't assume managers have the skills required
- Don't blindly follow others
- Don't neglect communication, consultation and training
- Don't assume that everyone wants/likes it.



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# SUMMARY

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- PM is a holistic systems approach towards the effective management of individuals and groups to ensure that their shared goals as well as the organizational strategic objectives are achieved.
- A well designed and executed PM system results numerous benefits for employees, managers and organizations alike.
- The key elements of a PM process are: performance planning, performance coaching & mentoring, performance appraisal and performance feedback.
- The performance management process must be legally sound to avoid litigation.
- High performance organizations are the result of effective performance management.
- The quality of a performance system will be assured only if workers have significant control over the variables that affect their individual performance.

# RECOMMENDED READING

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- Armstrong, M. (2009) Armstrong's Handbook of Human Resource Management Practice. 11th Edition, Kogan Page Limited, London.
- Boxall, P., Purcell, J. and Wright, P. (2007). The Oxford Handbook of Human Resource Management. Oxford: OUP .
- Gibb, S. (2007). Human Resource Development: Processes, Practices and Perspectives. Basingstoke: Palgrave.
- Marchington, M. & Wilkinson, A. (2011). Human Resource Management at Work: People Management & Development. 5th Edition. London: CIPD.

In addition to the above sources, some of the illustrations of this lesson have been taken from the Internet only for the teaching-learning purpose with an utmost gratitude.