



مجلة العلوم الاقتصادية

Journal homepage:

<http://scientific-journal.sustech.edu/>

The Importance of Using Appropriate Performance Management to Improve Employee Performance.

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المستخلص :

الغرض من هذه الدراسة هو توضيح مفهوم ادارة الأداء وأهميته في تحسين اداء الاعمال. تعتبر هذه الدراسة دراسة مفاهيمية تستند إلى استعراض نقدي للأدبيات الأكاديمية والممارسات بشأن إدارة الأداء وأهدافه وأولوياته. وبالإضافة إلى ذلك تهدف هذه الدراسة لتوضيح وتقييم وتقديم ووضع حجج لاستخدام تقنيات إدارة الأداء والمكافآت والعقوبات المناسبة من أجل تحسين اداء العاملين وبالتالي اداء الاعمال. وتشير النتائج إلى أن أحد الاتجاهات الرئيسية في إدارة الأداء هو تحويل ملكية إدارة الأداء من ادارة الموارد البشرية إلى المديرين التنفيذيين ، كما يجب على إدارة الموارد البشرية ان تدير إدارة الأداء بشكل مختلف اعتمادا على الديموغرافيات المختلفة والسياقات متعددة الثقافات. هذا بالإضافة الي ان الاداء العالي يتطلب التزام المنظمة بمستويات الإدارة العليا بمجموعة من السياسات والإجراءات لإدارة الأداء.

ABSTRACT:

The purpose of this study is to clarify what is meant by “performance management concept” and its importance in improving the business performance. This is a conceptual study based on critical reviewing of academic literature and practices about performance management, its objectives, and priorities. Moreover, this study aimed at explaining, evaluating, and proposing arguments for using appropriate performance management techniques, rewards, and reasonable penalties to improve employees’ performance, and thus business performance. The study findings indicated that one of the main trends in Performance Management is the shift of ownership of performance management from Human Resources to line managers. Also, Human Resources department should manage the Performance Management differently depending on different demographics and multicultural contexts. In addition, commitment of organization to high performance management levels requires a set of policies and procedures to manage performance management processes.

Keywords: Performance management, strategic goals, employees performance.

Introduction:

Generally, performance management concept is about analysing human behaviour in order to understand how good or bad behaviour may help people and organizations to optimize or weaken their performance by managing both behaviour and results. Moreover, and in order to do that organizations need to look to its performance management as the process of creating a productive work environment in which people are fully supported to do their jobs with high level of efficiency and effectiveness.

High impact performance management cycle must be continuous throughout the year and aligns the efforts of managers/ supervisors and employees with departmental and organizational objectives.

And the performance management process should be conducted with fairness, transparency and under the control of line managers and HR department.

Statement of the problem:

This study tries to provide a critical review of the importance of using appropriate performance management to improve employee performance.

Objective of this paper:

The main objective of this study is to update researches and practitioners on performance management discipline and the role of the line managers on how to use appropriate performance management to improve individual and organizational performance.

Performance management definition and related concepts:

Since the early 1990s the Chartered Institute of Personnel and Development (CIPD) has tracked the evolution of performance management from a heavily bureaucratized procedure focused on objective setting or merit rating to a more wide-reaching and inclusive process integrated with other related practice such as career management, talent management and development. In 1992, CIPD defined performance management as “A strategy which relates to every activity of the organisation set in the context of its Human Resources policies, culture, style and communications systems. The nature of the strategy depends on the organisational context and can vary from organisation to organisation.” (CIPD, 1992, p.1).

More recently, Armstrong and Baron (CIPD, 1992, p.3) defined performance management as ‘a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved.

As a result of survey and – practice based- case studies conducted by the CIPD and others they concluded that Performance Management is most likely viewed as a continued process rather than an annual activity. Moreover, it was apparent that there was a significant schism between performance management that was led by the desire to develop individuals, and performance management that was driven by the desire to pay individual rewards linked to outcome performance (CIPD, 1998, p2).

One of the main trends in Performance Management during the 2000s is the shift of ownership of performance management from HR to line managers. During the last years, Performance Management became more about the business, as stated by (Mohrman and Mohrman, 1995, pp 96–75): Performance Management is about managing the business. because performance management is a critical processes driving and shaping the link between staff and business performance.

According to (CIPD, 2009, p2), linking and aligning performance management to strategic goals will help organization to optimize its people competencies to rise, develop and sustain overall performance. Therefore, organization’s policies and procedures should be aligned to performance management, especially talent management policies and procedures, which help the organization to develop the right skills to support its success. Moreover, performance management must be: effective- “people have the ability to perform”, strategic- “longer term” and integrated- “link business to people”

Moreover, the concept of High-Performance Work Systems (HPWS) as described by (Becker and Huselid, 1998, p170) as “An internally consistent and coherent HRM system that is focused on

solving operational problems and implementing the firm's competitive strategy” HPWS can positively affect the organization performance.

A great step in the direction of highlighting the link between human resources practices with employee performance is the work of Purcell et al (2003) commissioned by CIPD, “AMO theory”, AMO, stands for; A- Ability: enough employees with the necessary skills, experience and knowledge to undertake current and future jobs. M- Motivation: There must be an adequate motivation for them to apply their abilities. O- Opportunity: There must be an opportunity to engage in discretionary behaviour. According to (CIPD and Boxall P and Purcell J, 2002, p3) : AMO is at the heart of Strategic Human Resources Management in the sense that all firms wishing to maximise the human contribution have to have workable policies in these three broad areas that are designed to contribute to the achievement of business strategic objectives. This is where detailed policies become important.

As stated by (CIPD, 2007, p14), badly designed or poor HRM practices can be rescued by good management behaviour, while good and adequate HRM practices can be negated by poor line manager: In order to sustain organization performance CIPD research conducted between 2009 and 2011 concluded that, leadership, engagement and organization development are the main drivers that can shape the future of organization performance (CIPD, 2015) throughout the three drivers we can see the role of line managers clearly in managing performance strategic fit. In (CMI 2012, p 49) Research, the CMI highlighted the clear correlation between investment in organization leadership development and the level of organisational performance (high). Also there is very clear correlation between performance and employees’ engagement.

Armstrong (2009, p 32) mentioned that, strategic fit refers to the two dimensions, first, Vertical Integration: means align business strategy and its objectives with team and individual objectives. Second, Horizontal Integration: means that performance management process should be linked to all the HR strategic functions and individual objectives.

Shared goals, purpose and values are important things for highly-effective performance management process. Organization’s vision and mission are a basis for creating collective goals and objectives for employees, and accordingly employees will be committed and engaged which would result in high performance organization (CIPD database, 2010).

Performance Management must be handled differently depending on different demographics and multicultural contexts. Cultural variation could have a positive or negative impact on performance process, employees’ motivations and reward system. “(Rosemary Lucas et al’s (2006, p 178) study in one western MNC in China reported perceived difficulties in receiving or giving direct feedback and providing criticism because of the indirect and reserved communication patterns which characterise the Chinese culture” therefore, due to variations in organizational culture, hierarchy and geographical locations, there is no ‘one size fits all’ performance management system (PeopleFirm, 2012, p3).

Using appropriate performance management techniques, rewards and sanctions to improve performance:

In order to insure that performance management is effective, it needs to be in a structured process working in a continuous cycle, and using certain tools like, performance appraisal and 360 degree feedback (CIPD 2015).

(CIPD 2015) defines the Performance Appraisal as a process between individual employees and those concerned with their performance, typically line managers, to discuss their performance and development, as well as the support they need in their role. The process is part of the performance management system process, linking the short terms goals with the long-term goals.

Line managers play a crucial role in managing the process with the HR Department support, and to support that, CIPD research highlighted the importance of the positive relationship between the employee (appraise) - appraiser – and line manager. According to CIPD, during the process of performance appraisal, there are five key elements that must be considered in the process, (1) Measurement: means assessing performance against agreed targets and objectives (2) Feedback: means providing information to individuals on their performance, (3) Positive reinforcement: means emphasizing what has been done well, offering constructive criticism about what might be improved, (4) Open exchange of views: means a frank exchange of views about what has happened, how to improve the performance, what support is needed, and finally, (5) Agreement: jointly coming to an understanding by all parties about what needs to be done to improve and sustain performance generally and overcome any issues raised in the course of the discussion. (CIPD, 2011,p2).

In order to be effective in performance appraisal process, line managers must be trained on performance management system and especially on appraisal process. Generally, young and inexperienced line managers who never conducted appraisal before, need specific coaching, mentoring and training programs to help them open effective communications channels with their subordinates and conduct effective appraisal process across the year with full support of Performance Management and L&D Sections to insure that the right process is in place and there is no issues between the line manger and employee.

Catherine & others (2011,p 7-8) tracked the criticisms of performance appraisal and highlighted the key criticism of some writers such Armstrong and Ward (2005), Armstrong and Baron (2005) and Fletcher (2001 and 2004), their criticism focuses on: (1) performance appraisal design, (2) Execution of the process and (3) Line managers who conduct the process.

Process design is expected to fulfil numerous functions including: feedback, coaching, goal setting, skill development, pay determination, legal documentation, employee comparison and layoff selection. ‘no performance appraisal system can meet all these ends’(Murphy, 2004)¹. Designing an easy to use process, not time consuming and non-bureaucratic appraisal process is very challenging. Therefore, it’s very difficult to design one process to fit all these requirements, in addition to consider team performance as a part of the process due to differences in team’s behaviour and goals compared to individual behaviours and goals.

In **Execution Process**, Roberts (2002) stated that, participation of employee in performance appraisal process is a key element of the process success. Cawley et al. (1998) showed in a meta-analysis of 27 studies that: participation by the appraisee in performance appraisal is associated with higher levels of acceptance of the appraisal and satisfaction with the process.

Criticism to manager’s role in performance appraisal include but not limited to; (1) Line managers do not have the right skills to conduct operative appraisal process effectively, like judging performance or handling difficult conversations, especially with poor performers. (2) Lack of management support and commitment. (3) The manager’s perception of an employee’s performance may not be very valid, simply because they do not have enough information and do

not see all aspects of their performance. In addition to that organization culture has direct impact on manager's role in appraisal process (IES,p8 2011).

While reassessing their performance management system, Deloitte found that their performance management approach consuming about 2 million hours per year, and it wasn't engaging their employees and improving performance management. In order to improve its performance management system, Deloitte set out to build something much more nimble, real-time, individualized and focused on fueling the performance rather than assessing the past.

Deloitte asked its team leaders what they would do with each team member rather than what they think of that individual, and in order to do that, Deloitte prepared four statements and asked its leaders to select about an employee in order to overcome the idiosyncratic effect, and they call this new process performance snapshot:

1. Given what I know of this person's performance, and if it were my money, I would award this person the highest possible compensation increase and bonus - this measures overall performance and unique value.
2. Given what I know of this person's performance, I would always want him or her on my team - this measures ability to work well with others
3. This person is at risk for low performance - this identifies problems that might harm the customer or the team on a yes-or-no basis.
4. This person is ready for promotion today - this measures potential on a yes-or-no basis

As a result for its reassessing their performance management, Deloitte found that, the traditional, once-(a)-year, 360 degree feedback- midyear reviews are inefficient, and it is time to reinvent the performance management system. And in order to do that, they asked their leaders to assess their employees through the above mentioned statement (Points- maybe?), which describe what they would do, not what they think. (HBR, 2016) .

Duncan Brown (2010,p 1-5) recommended to use Performance Management as an approach for effective and continuous communication between line managers and their employees. And as a result performance communication and conversation will create a positive work environment, especially when using strength-based approach, in identifying employees' strengths as one of organization capabilities.

Line managers, also can use 360 degree as a performance management tool; CIPD (2015) defines 360 degree feedback as a performance appraisal method that gathers feedback on an individual from a number of sources. Its supporters claim that it gives managers and individuals better information about skills and performance, as well as working relationships, compared with more traditional appraisal arrangements based on line managers' assessments.

Generally, organizations use annual incentive scheme to drive motivation and high performance. On the other hand, non-cash incentives and rewards like, promotion, job enlargement and enrichment, giving staff more responsibility to make decisions, are more effective than performance related pay especially on the long run.

According to Lazear E. and Gibbs M. (2008) rewarding is very important for motivating individuals to achieve organisational objective. So, in order to attract and retain high performers, performance related pay organizations need to have a competitive pay for high performers and a lower pay for moderate and lower performers.

Sometimes line managers give high rating to avoid difficult discussion with the employees or to maintain high motivation for employees. And in order to control that, there should be a reviewing manager to review the rating as a third party to insure that the process is correct and the objectives are SMART and fairly rated. Also HR need to review individual and organization overall rating process.

Bell curve “Forced distribution” as used in many Sudanese organizations classified employees performance into five levels: (1) significantly below expectation, (2) below expectations, (3) meets expectations, (4) exceeds expectations, (5) consistently exceeds expectations. Many scholars like Miller J (2013) believe the Bell curve destroys moral and leadership of employees and “Instead of encouraging people to do more with their talents, forced ranking conversations back managers into a corner of justifying their actions”. Saumya Bhattacharya & Shreya Roy (2014) estimates 75% to 80% companies in India use the Bell curve system. However, in the Indian context, the bell curve creates too much emotional stress, and destroys the loyalty factor and leads to high levels of attrition (Economic times 2014).

According to Strebler (2004,p 10), Poor performance is legally defined as ‘when an employee’s behaviour or performance might fall below the required standard’. Strebler found in her research that some organizations adapted two approaches to deal with poor performance, the approaches are;

- Improve performance by formal and informal ways.
- Remove the poor performance employees. “terminate them”

Sue Hutchinson (2013, p201) mentioned that, the techniques used to manage under-performance are generally based on either of two broad sets of assumptions – namely, that individual do not possess that skills and abilities to perform to an acceptable level, or that they are unwilling to do so.

Formal and informal techniques used to manage under-performance employees, can help organization to achieve high performance level and build the leadership from inside. Informal techniques include; providing regular feedback, continues coaching, mentoring based on the agreed personal development plan, and inspiring the under-performance employees to drive the change in organization culture which is accepted by them. Formal techniques used to manage under-performance rely on the use of specific policies and procedures designed to control the performance, behaviour and attitude with legal guidelines.

Effectiveness of performance management system:

The main reason behind establishing performance management system is to increase the individual and organization performance. If the system failed to change individual behaviour and organization culture then a comprehensive assessment should be done to evaluate and correct the performance management direction.

Due to the changes in people and organizations through the technology and globalization in general, performance management specialists and line managers need to focus more on updating their competencies for better understanding of organization needs. Questions like; does our performance management system address the organization goals? How we are aligning employee’s performance goals to organization strategic goals? How we can develop the performance management system? By answering these questions organization can take the next step on developing performance management ladder and correct any variation. And in order to do that, NSW provides the following general questions: Are the objectives being met? Is the workforce satisfied? Is the system adding

value? Has performance improved? Have attitudes changed? Is the system applied equitably? Has the system benefited other HR functions? (NSW public sector July 2011) .

Commitment of organization to high performance management levels requires a set of policies and procedures to manage performance management processes. Learning and development section play crucial role in training and coaching line managers in how to quickly respond to dynamic changes in the organization, how to provide just-in-time coaching, giving feedback when required. Moreover L&D works closely with line manager on developing the personal development plan for the under-performance employees.

(Pulakos. E 2004) suggests to use the following metrics to evaluate Performance Management System:

First: track completion of trainings, this involves verifying all users of the performance management system.

Second: track completion of performance management activities by insuring copies of Performance Evaluation forms are submitted to HR department, if the system is automated forms can be signed electronically and automatically stored.

Third: Management Review: It helps to ensure that narrative descriptions match ratings, that ratings are not positively or negatively biased, that especially high or low ratings have been properly justified, that evaluation criteria are being applied systematically across supervisors and employees, and that proper distinctions are made between employees.

Fourth: track alignment with other HR decisions, linking performance management system to rewards means people who received good evaluations should be receiving higher levels of compensation.

Fifth: gather feedback from users in order to assess their reaction to Performance Management.

It is very important for managers and performance specialist to have the legal knowledge of the performance management process in order to avoid any legal implications that may result from the performance appraisal rating especially in the under-performance employees.

According to the study on the State of Performance Management by WorldatWork and Sibson Consulting (2010) the top three challenges stated in the report are: (1) Managers' inability to have difficult performance discussions, (2) Performance Management is viewed as an HR process rather than organization process, (3) Poor goal setting. The report concludes that strong leadership support and engagement has a positive impact on the performance management execution and final results.

Commonly, pay is linked to performance management, and this model can be seen in practice at many Sudanese companies, accordingly, all high performance are rewarded financially based on their final rate. This model is driving selfish behaviour in employees rather than teamwork.

Clear communication is needed to help employees to understand what is expected from them and the consequences if they do or do not perform well according to the required standards. Moreover it creates the right culture for employees to innovate and take decisions in a recognising, rewarding and transparent environment.

Conclusion:

This study provides a comprehensive critique and review of the importance of using appropriate performance management system to improve the performance. Because, the main reason behind establishing performance management system is to increase the individual and organization

performance, and in order to do that, organizations must put in place a set of structured policies and procedures to manage its performance management processes with direct accountability and ownership from the line managers not HR department, because the line managers play a crucial role in managing the process with the HR Department support. Strategically, organizations must be carefully focusing on the alignment between performance management and overall strategy with clear performance measurement tools and metrics.

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