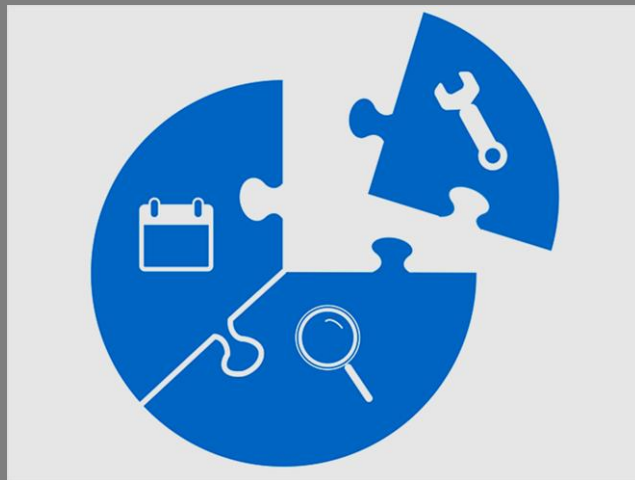


# A NEW LOOK AT PERFORMANCE MANAGEMENT SYSTEMS

By  
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*A lot of developments have taken place across the world in the last two decades in the concepts of performance appraisals. There has been a realization that performance appraisals are going to be subjective no matter how much we try to make them objective. This is because the appraisers are always varied in their standards, judgments, information assimilation, and processing abilities with respect to their appraisees, and many other parameters. However, performance is too important a matter to be equated with annual appraisals. Annual appraisals and ratings reduce the entire year's effort of an individual officer to a number and the numbers are assigned by their appraiser's keeping in context the work and performance of the individual officer. The numbers are used by some higher-level authorities without an awareness of the context in which the ratings are assigned without understanding the individual of the assessor. Thereafter the ratings lose the person and deal with numbers. This is where serious injustice gets done to the performers. Performance appraisals have to be looked at differently. It is not enough to change the name. It is equally important to understand the nature, potential, and complexities of performance management systems. CEOs need to be properly guided and line managers need to be assessed on how much time and effort they put in for performance management and improvements. The outlook has to shift from annual exercise to ongoing activities one way me to scrap performance appraisals and focus on performance improvements and move from KPAs to activities. This paper suggests several changes required to make PMS more effective.*

### **Performance Appraisals 30 years ago:**

It is about thirty-three years ago Larsen and Toubro asked two of us from IIMA (Dr. Uday Pareek and the author of this paper) to examine their performance appraisal system. We interviewed several managers at a different level. Mr. A. M. Naik Current Chairman of L&T was one of those days whom we interviewed to ask their suggestions for improvements in their system. L&T managers gave us a number of suggestions which later turned out to be the base for our designing an Integrated HRD System for L&T . A few years after that we were associated with the State Bank of India, BEML, Crompton Greaves, TVS Group, Murugappa Group, Bajaj Auto, L&T ECC, Steel Authority of India, LIC of India, GIC, Canara bank, Bank of Baroda and a number of other organizations reviewed and redesigned their systems on similar lines with a development focus.

When I look back from my experiences of the last thirty-three years I realize that we are still struggling in our country with effective implementation of appraisal systems. The issue comes up again and again as in the recent past “performance-linked Pay” or variable pay and performance incentives have come under focus. The following are some of the suggestions I like to make on the basis of this experience:

1. Change from Appraisal to Management and focus on improvements and development
2. Recognize the comprehensiveness of PMS as a system
3. Recognize the Complexities of PMS. It has many dimensions
4. Allocate adequate time and legislate the same and if required plan it into the Company calendar
5. Decentralize and shift the management of PMS to line managers, unit heads
6. Take HR managers out of PMS. Develop and Employ a new category of managers called “Performance Managers” preferably from line jobs
7. Make it a part of the budgeting process and Integrate it with other systems of the company
8. Create a new Index called “Performance Index” for each employee and make it quarterly and annual. It should be based on performance and potential. It should include 360 Degree Feedback (feedback from juniors, internal customers, etc. besides the boss). The Index should include weightage given to time allocated for managing the performance of self and juniors, interpersonal competence (dyadic relations), teamwork, and other organizational contributions through one's initiative (contributions

to intellectual capital and talent management). The index could be issued in the form of a certificate and converted into encashable points and used for recruitment and promotion purposes etc.

9. Use technology to support your work.
10. Implement PMS rigorously and give it the seriousness it deserves.

## **1. Change from “Appraisal” to “Management” and focus on “Contributions, and Improvements”**

I have realized that one of the most significant mistakes we have made is in titling the performance appraisal system. We continued to use the term “Performance Appraisal”. After serious reflection on this issue, I have concluded that it is high time we abandon the term “Performance Appraisals”.

One may ask what is there in the name? This is what I kept asking and did not push for change for several years. I now realize that there is a lot in the name. The title stresses that the purpose of the system is “ appraisal”. The term appraisal indicates that the main purpose of the system is ‘Appraisal’, which means evaluation. It amounts to reducing the entire year’s or six months’ work of an individual into a number. Numbers have some great properties. They are intended to render the so-called objectivity and comparability. Unfortunately, it is this comparability and objectivity that has played havoc in the lives of many employees. It caused a few people to get promoted and some of them undeservingly, a few others to leave their jobs, and yet a few others to walk into the office every day with low interest and satisfaction and carry on with their jobs.

No two numbers are comparable in appraisals. The numbers in performance appraisals don’t follow any rules except the rules of the nominal scales. How so ever the firm may try to promote objectivity it should be recognized that at best the numbers assigned by each appraiser follow “Ordinal scales”. We cannot say with confidence a rating of four assigned on a five-point scale by a Production Chief is indicative of the same performance level as a rating of four assigned by the Marketing Chief. Or for that matter two marketing Chiefs operating in two regions for their juniors. The ratings depend on so many factors: the supervisor or rater, his previous background, his personality, expectations, the performer (assessee) and his own background, the way the goals are set, the level of the goals, expectations of the assessor from the performer, the chemistry with which they started setting goals, the culture of the organization, etc. No two numbers are comparable. We cannot say that a person who gets a 68 rating on a 100 point system is definitely superior to another who gets a rating of 64 and especially the 64 is from a setting where the performer had a lot of odds to face (including that of his supervisor himself perhaps?). Yet we treat them as sacred and use them to fit into normal probability, add, subtract, multiply and calculate incentives, etc. I think this is a fundamentally wrong attempt to fit qualities into quantities and use them for anything beyond a discussion or analysis.

**From a reflection on this and various other experiences in my work on performance appraisals I like to suggest the following:**

1. Ratings in appraisals are notional and at best should be used for discussion to integrate performance on a number of non-additive parameters (like adding for a regional sales executive his achievement of sales targets, and the percentage increase in customer base, with how well he has developed his juniors, and how much he followed the various systems). They can’t and should not be used to force-fit into a normal curve blindly or determine incentives mathematically. At best they could be used for discussion and review of performance. Ratings are poison but they may be inevitable side products of the performance process. They should not become the primary preoccupation of appraisals.

2. Performance should be assessed against expectations and expectations could be changed during the course of performance with the availability of new information, data, and challenges. Expectation sharing and reviewing is the most important part of performance management.
3. It is high time we drop the term appraisal and use the term “Management”. Management is broader and encompasses many things for a system. It includes planning, development, improvements, recognitions, etc. Those who prefer to be even more focused can use terms like PMS - Performance Management Systems, PDS- Performance Development System, PIP- Performance Improvement Program, etc. (see appendix 1 for a comparison between PAS and PMS from my book on the topic, Rao, 2003)
4. Merely changing the title does not help but the spirit needs to be promoted. It can be promoted by having a new look at the potential of PMS and by using PMS for objectives other than appraisals and generating numbers in percentages etc.
5. Good performance should be rewarded. But what is good performance should be understood from the beginning by each individual and there should be a shared understanding of what rewardable performance is and what is not by the performer and his superiors alike. This understanding should be there at the beginning of the performance period and not at the time of deciding the rewards.
6. Small rewards and recognitions should be encouraged to be followed and each supervisor should have a good degree of autonomy to recognize and reward the performance of his or her performing employees and this may constitute a significant part of the CTC (say 5% to 10%) of juniors. Recognition should take place all through the performance period and should not be limited to the annual stock taking or performance reviews.
7. Annual reviews of performance should be conducted using innovative methods and should become a part of life. Such reviews need not necessarily result in assigning numbers to individuals.

This is not a complete list of thoughts but a mere glimpse of the way we need to think.

I like to illustrate the basis of this thinking by a simple illustration of how we have been promoting a new way of looking at performance planning. I give below a new way of looking at performance planning and goal setting.

Similarly, we have demonstrated that by viewing Performance Review Discussions as learning opportunities for seniors to learn from their juniors we have changed the meaning of Coaching and mentoring to a different degree. PRD and coaching sessions are meant to develop coaches as much as the performers. In fact I now take the view that PMS is a learning opportunity.

## **2. Recognize the comprehensiveness of PMS as a system**

Performance management systems can have multiple objectives. These include the following:

1. Continuous performance improvements among each of the employees
2. Developing a discipline of planning work and managing one’s time and talent
3. Ensuring role clarity
4. Recognition of strengths and areas needing improvement in relation to performance - Identification of development needs for performance enhancements
5. Competence building among individuals, teams, and the organization as a whole
6. Database for rewards, promotions, recognition, and motivation
7. Insights into self as high self-awareness is essential for better leadership and managerial effectiveness
8. Developing mutuality and respect for each other among each senior-junior or boss-subordinate pair

9. Developing problem-solving capabilities among employee
10. Inculcating a learning culture
11. Enabling seniors to learn from juniors and vice versa
12. To provide mentoring and coaching support to employees and affect performance improvements
13. To prepare employees for competition and continuous change
14. To arrive at an objective assessment of performance by each employee and generate data about employees for various HR decisions like rewards, rotation, recognition, higher responsibilities, etc.
15. To integrate and align the work of individuals and their teams with the organizational goals and tasks

These are not mutually exclusive and could be overlapping. However, organizations have often tended to emphasize the non-essentials and stressed the short term to long term very understandably. Often in the objectives, there is an undue stress on objectivity and rewards as though employees work all the year round for annual rewards and recognition only. By linking PMS with rewards and recognition most organizations have undervalued individual's interest in work and created new politics in organizations. In fact, PMS seems to create sometimes politics and de-motivation or the reverse of what it is intended to create. This happens by selectively rewarding a few and ignoring many and making the rewards once a year than continuous and asking away the power and authority from the supervising line managers and concentrating it in the hands of a few including the HR managers and the top management. This has done the biggest damage to the cause of Good PMS.

I have come to the conclusion that the most important objectives of the PMS should be the following:

**To enable each individual employee to plan his/her work for the entire year (or a part of it as is possible in an organization), to ensure that he/she undertakes productive activities, utilizing his/her competencies in the best possible manner and contributing to the achievement of departmental or organizational goals and results, while at the same time constantly learning and developing one's own capabilities and enjoying work.**

The most important parts of this objective are the following:

1. Work planning and accountability. If you plan your work you will be more accountable for your work. You are also likely to enjoy your work out of a sense of accomplishment. Work planning also ensures alignment with organizational goals as every individual plan his work in the context of organizational priorities.
2. Competency utilization. You are able to undertake work or at least give adequate opportunities for yourself to utilize your competencies.
3. Workplace learning as this becomes a tool of continuous learning and development. This is the greatest reward you can get from your work When you learn and grow your competencies get built and you enhance your own brand value. If you grow beyond your role and if the organization cannot accommodate you can always find other opportunities.
4. Building mutuality, teamwork, and work satisfaction or motivation and self-respect.

The process of implementing the PMS may also ensure additional objectives to be met. The processes should include the following:

- Participative planning
- Periodic planning and review
- Periodic analysis of the performance blocks and opportunities
- Collective planning
- Collective ownership where required.
- Promotion of competencies, values, and desired culture by making it a part of planning
- Participative review and learning from each other
- Mechanism of monitoring performance and implementation plans and ensuring organizational support

Thus PMS can be a great tool if designed comprehensively and implemented in all earnestness. It should have little place for politics and manipulation.

### **3. Recognize the Complexities of PMS. It has many dimensions**

In the fall of 2002, the Corporate Leadership Council in USA published *Building the High-Performance Workforce: A Quantitative Analysis of the Effectiveness of Performance Management Strategies*. Quantifying the impact of more than 100 performance management strategies on employee performance, this research uncovered vital information on which strategies enhance (or diminish) employee performance and by precisely how much.

In a subsequent work *Benchmarking the High-Performance Organization*, the Corporate Leadership Council used the same sample of more than 19,000 employees and managers from 34 organizations across 7 industry groups and 29 countries, this study addresses the frequency and effectiveness with which performance management strategies are implemented in organizations today. The intention was to help members to locate “mismatches” between the amount of resources allocated to a given strategy and their return on employee performance. With unparalleled precision, members may then reallocate scarce resources—money and time—toward implementing those strategies that not only have the most impact on employee performance but also are most likely to be ineffectively administered or absent. In this extensive study of the best practices on PMS the Conference Board observed the following:

1. Many performance management strategies that can improve employee performance by more than 25 percent are underutilized or ineffectively administered in practice.
2. Some organizations were significantly outperforming others in the use and implementation of several high-impact performance strategies.
3. Eighty-three percent of employees recognized the importance of their day-to-day work to the success of their business unit and organization, and 59 percent of employees understood the connection between their projects and assignments and the organization’s overall strategy. However, some organizations were significantly better than others at ensuring their employees recognize this link.
4. Overall, 57 percent of employees reported that they enjoy their projects and assignments, and more than three-quarters of employees recognize the importance of their projects to their personal development and long-term career.
5. Only 10 percent of all employees receive a full 360-degree formal performance review with three or more sources of feedback. Even in those companies that most frequently use 360-degree reviews, only about one-third of employees received such a comprehensive review. Organizations had a sizeable opportunity to positively impact employees’ performance by providing more than one source of feedback during performance reviews.

6. On average, about one-third of employees reported that their managers voluntarily give them informal feedback without their having to ask for it. Employees typically had to wait more than a week after completing a project or assignment before receiving informal feedback.
7. Only about one-third of employees in the average company received a written development plan during their most recent formal performance review. Of those employees who have a development plan, only one-third of employees reported that their plans are challenging and applicable to their daily work.
8. Nearly one-quarter of all employees report that their managers make fundamental changes to their projects and assignments at least once a week. Another quarter of employees' managers make changes to their projects one to three times per month.
9. Employees were skeptical that they will be rewarded for successful completion of their projects. Less than 40 percent of employees believed that if they perform well on their projects and assignments, then they will be rewarded with a higher performance rating, merit increase, annual bonus, or raise in base salary. And only 16 percent of employees saw the link between strong performance on their projects and the likelihood of being promoted.
10. Only 31 percent of employees in the average company reported that the training they receive is effective.

**How can organizations drive results through PMS? The following are some of the conclusions drawn by the Conference Board from their studies:**

Organizations are changing the breadth and focus of their PMS approaches. The changes are:

1. From managing system to managing performance;
2. By offering a clear business for managing performance;
3. By providing the tools they need to perform effectively;
4. By realizing that even the best-intentioned managers cannot overcome subjectivity and or focus on immediate goals;
5. By leveraging collaborative goal setting and team-based performance management and
6. Targeting activities and individuals that will have a great impact on financial performance.

They identify the five key imperatives for the success of PMS as:

1. Establishing Performance management as an Organizational Priority
2. Up-skilling managers at performance Improvement
3. Expanding lines of performance accountability
4. Aligning with business drivers
5. Managing employee goal realization

The five problems in PMS they enlist include:

1. Inadequate manager focus- Many factors affect devoting time and effort to PMS
2. Insufficient manager skills- to improve performance
3. Narrowly defined ownership- requires multiple owners for individual performance
4. Disconnect with strategy- Inadequate linkage to business drivers
5. Failure to execute- efficient execution cross-business units lacking

The findings of the Conference Board bring out clearly the complexity of the PMS. By nature, performance management is a complex process. It involves continuous dialogue, discussion, and debate of different levels: individuals, teams, and the entire organization. It cannot, therefore, be reduced to an annual exercise for which less than a few hours are devoted and yet expect great results. The complexity of PMS comes from the complexity of defining performance itself.

#### **4. Allocate adequate time and legislate the same and if required plan it into the Company calendar**

In most of my PMS programs, I have been asking managers about how much time they spend on PMS. The usual responses are anywhere between 2 hours to 10 hours in a year. Rarely did I get answers above 10 hours a year. A large part of this time is spent on self-appraisal and identification of KPAs or KRAs for self or juniors.

On an average, every manager is expected to give about 2000 to 2400 hours of work annually. This is about 180 to 200 hours a month. In most of the metropolitan cities on an average a manager spends about two hours a day commuting (home to office and back and for other meetings elsewhere). This amounts to about 400 to 500 hours or at least 20% of his time and the time we spend in comparison on PMS is not even one percent and often it is 0.5%. What objectives can be achieved to be attending by these?

When I ask managers to think a little more and estimate the time they spend on departmental plans, budgets, reviews, solving problems the figure changes. Some of them spend as much as 30% to 40% of the time managing the performance of their departments or units. All morning meetings of production are performance planning meetings. All problem-solving meetings are performance management meetings. It is our inability to link our performance management with performance appraisals is what causes the problem. When I point this out to managers in some of the organizations they immediately come up with the issue of how much of their time gets wasted in meetings.

Unfortunately, the problem is that only once a year we focus on individual employees because of rewards and promotions and the rest of the year we forget that it is the individual who contributes. We do not focus adequately on the individual and as a result, individuals sometimes get away without accountabilities.

**What is the way out?** Recognize that individual performance management is as much of an imperative as that of departmental performance and ensure that departmental budgets and plans are immediately followed by individual plans and performance contributions. Every individual should be required to plan his 2000 or 2400 hours of work annually, quarterly, or monthly. This should be done as an individual discipline and under the guidance of his seniors. This needs at least 5% of time to be devoted to such planning. This works out to be a day in a month or half a day at least in a month. This could be done by legislating every first day of the month as individual planning and review day. If organizations implement this they will go a long way in making their performance improvements.

#### **5. Decentralize and shift the management of PMS to line managers, unit heads**

#### **6. Take HR managers out of PMS. Develop and Employ a new category of managers called “Performance Managers” preferably from line jobs**

#### **7. Make it a part of the budgeting process and Integrate it with other systems of the company**

PMS has been managed by the HR managers. In many organizations, they derive their power out of such controls they have. They spend their time issuing forms, collecting forms, tabulating trends, normalizing data, convening committees to meet, announcing rewards, pacifying those who are not rewarded, communicating policies, etc. In other words, they spend most of the time trying to use and convince themselves and the line manager community about the objectivity of the top management decisions. This preoccupation of HR managers in turn determines what issues the line managers get preoccupied with. Most HR managers keep



changing their PMS periodically and keep conducting orientation workshops and they become suddenly silent immediately after the orientation workshops are over. Their lack of business orientation sometimes makes them feel shy to reach out to the line manager and find their difficulties.

This has gone on too long. It is high time that we get out of this vicious circle. I have been struggling for the last ten years with a large number of HR managers trying to convince them of the need for spending more time on coaching and mentoring line managers, discussing with them and understanding their difficulties, tabulating the company-wide share difficulties, and planning mechanisms to review the problems use-PMS as an upward communication tool, etc. In most cases, the result has been very poor. Doing a good job in implementing PMS requires a different level of competencies on the part of the HR facilitator. First and foremost a business understanding, followed by empathy, credibility, and some OD or behavioral skills required by helping professionals. Unfortunately, most top-level HR managers either do not have time for this or are ill-equipped with the skills to do it. Therefore it has rarely worked. As a result, most line managers continue to be disappointed with their PMS and the role played by HR. The HR department served mostly as a punching bag for line managers.

It is high time that the PMS is taken out of the HR Managers hands and is given to the line managers. This means the job of planning; reviewing and improving performance should be transferred to the SBU Heads and HoDs.

#### **Decentralization involves the following:**

PMS of employees becomes the responsibility of the departmental head or the SBU head. They decide the following:

- Departmental budgets, including performance strategies, individual plans, reviews, and rewards and celebrations. They should have scope to decide their own performance planning as long as they define the performance index of each employee and supply information to the centralized HRIS (Human resources information System).
- They will be encouraged to have their own structures of the individual PMS mechanism that suit their requirements. Corporate guidelines if any could be followed with substantial degree of freedom.
- The performance monitoring and rewards, as well as support requirements, are all decentralized. In the case of small organizations, such decentralization may mean freedom and autonomy to departmental heads as well as responsibility to ensure the employee performance is planned, aligned, recognized, and developed.
- The HR Managers be taken out of the PMS management and if necessary appoint a new category of managers called Performance managers. They could be line managers and be given a part-time or full-time responsibility

#### **8. Create a new Index called “Performance Index” for each employee and make it quarterly and annual. It should be based on performance and potential. It should include 360 Degree Feedback (feedback from juniors, internal customers and external customers, etc. besides the boss)**

Annual Performance index or API is an index of the annual performance of the individual employee. It should indicate the contributions to the departmental and organizational goal achievement through his individual activities and competencies. The composition of the index or components may vary from organization to organization and should be defined by each organization depending on its requirements and context. For example, this may include the results obtained by the individual, his effort, competencies,

contributions to the team or department, values, and culture of the organization. Results and effort in terms of KPAs, KRAs, etc. may be measured quarterly or monthly depending on the nature of the organization (for example IT companies may have a quarterly assessment or project-based assessments).

Some of the components recommended to be included in the Annual performance Index are suggested in table 2 below.

**Table 2: A suggestive components of Annual Performance Index to be made for each individual**

S. No	Component and weightage range	What is to be included	Methodology and components
1.	Individual Performance: Results (20%)	Extent to which measurable targets have been achieved	Assess KRAs and output related activities Use measures of performance in terms of Financial, Customer, Internal systems and processes, and Learning. Use Balanced Scorecard measures. Assess quarterly and finalize annually Self-assessment and boss assessment were factored into.
2.	Individual Performance: Effort (20%)	Level and quality of work effort put in by the individual	Nature of activities planned and carried out Way time was used and spent Process achieved Involvement in work Initiative levels Self-assessment and boss assessment factored into.
3.	Individual Performance: Competencies, Culture, and values (15%)	Talent utilization	Extent to which various competencies are used for effective performance Demonstrated competencies and qualities valued by the organization and that contribute to the Intellectual capital formation
4	Group Performance (15%)	Achievement of measurable departmental goals	Assessment by top management of the departmental or team performance using results achieved on various parameters. Factor in the contributions of the individual
5	Internal customer service (15%)	Internal customer assessments using 360 feedback	Use a simple assessment tool with relevant items dealing with internal customer support, problem-solving, and contributions to their work. Assessment by internal customers
6	Development of juniors (15%)	Time spent to develop juniors and manage their Performance.	Time spent on their PMS, motivation, and leadership building of juniors Use a simple assessment tool. Assessment by juniors

The Index should include weightage given to time allocated for managing the performance of self and juniors, interpersonal competence (dyadic relations), teamwork, and other organizational contributions through one's initiative (contributions to intellectual capital and talent management). The index could be issued in the form of a certificate and converted into encashable points and used for recruitment and promotion purposes etc.

## 9. Use technology to support your work.

Developments in information technology and communications have made life very simple. Now performance planning, review discussions and assessments can all take place online. Using an in-house network or web-based support will go a long way to have conversations on performance planning and performance reviews. Performance plans can be done online. Performance plans can be reviewed online. Performance development needs can be identified and even met online. There are many online training packages and they could be linked with development needs. Such needs need to be identified at the beginning of the year along with performance plans rather than at the end of the year on the basis of performance reviews.

### The following is a recommended system of performance management on-line.

**Step 1:** The Company formulates its annual plan online on the basis of a review of its last year's performance and business opportunities and aspirations for the subsequent year.

**Step 2:** The Company communicates the same to all employees online.

**Step 3:** Each department or work team plans its goals and results in alignment with the company goals and plans. This is done along with the departmental plans and budgeting exercises.

**Step 4:** Each individual plans his work inputs, and results in terms of KPAs, KRAs, activities, and time allocations and posts them on the net

**Step 5;** The individual development needs are identified and also posted along with performance plans on the net to be accessed and intervention planning by the concerned agencies including the departmental head and the HR department or training center.

**Step 6:** The performance plans are accessed and approved by the seniors and reporting officers on the net

**Step 7:** The HR department intimates the plans for training and development interventions to concerned individuals and departments

**Step 8:** Quarterly review of performance in relation to the performance plans and quarterly accomplishments by each individual performer and simultaneous assessment by the reporting officers. Assessments to be made confidentially and revealed to the candidate only after both self-assessment and boss's assessment are complete. It should be so designed to facilitate.

**Step 9:** Modify performance plans and review them at a departmental level and individual level on the basis of the quarterly performance review of the firm, the department or team and the individuals

**Step 10:** the process to continue for quarters 2 and 3 as above in step 9.

**Step 11.** Annual individual performance review to be done after the departmental reviews and assessments shared online in lines similar to that explained in step 8.

**Step 12:** Annual assessment of the internal customer service to be assessed online by a simple assessment tool. Online system to be used and should not take more than five to ten minutes per assessment. Assessments are to be done by all internal customers individually and anonymously. It is to be used for this purpose.

**Step 13:** Annual assessment of the performance of the individual manager by all his next line juniors anonymously on parameters like time spent in developing them, support provided, efforts made to utilize their talent and develop them, etc.

**Step 14:** Annual performance index to be computed with IT assistance.

The technology should be developed to suit the PMS philosophy and requirements rather than to adapt PMS to suit technological capabilities. Organizations like the steel Authority of India in recent times have demonstrated how indigenously developed IT support can be of use in implementing good PMS.

## 10. Implement PMS rigorously and give it the seriousness it deserves

The success of any PMS lies in its implementation. The CEOs and top management need to give it the importance due. The moment it is recognized as synonymous with organizational performance management rather than a mere assignment of ratings to individual employees half the battle is won.

### Appendix 1: PAS and PMS: A comparison (Rao, 2003)

The new language of performance appraisals uses the term performance management rather than appraisals. Appraisal is an annual affair while performance management is a year-round affair.

Appraisal focuses on ratings while improvements focus on the work, the stakeholders, service levels, productivity, motivation effort and all such performance-related variables.

The table below gives the differences between performance appraisals and performance management.

Performance Appraisal Systems	Performance Management systems
<b>Similarities and Differences</b>	
Focus is on performance appraisal and generation of ratings	Focus is on performance management
Emphasis is on relative evaluation of individuals	Emphasis is on performance improvements of individual officer and his departmental or team performance
Annual exercise - normally though periodic evaluations are made	Continuous process with quarterly or periodic performance review discussions
Emphasis is on ratings and evaluation	Emphasis is on performance planning, analysis, review, development and improvements
Rewards and recognition of good performance is an important component	Performance rewarding may or may not be an integral part. Defining and setting performance standards is an integral part
Designed and monitored by the Personnel/ Administration department	Designed by the Personnel/HR department but could be monitored by the respective departments themselves
Ownership is mostly with the Administration/Personnel department	Ownership is with line managers, Personnel/Administration facilitates its implementation
KPAs and KRAs are used for bringing in objectivity	KPAs, or KRAs are used as planning mechanisms
Developmental needs are identified at the end of the year on the basis of the appraisal of competency gaps	Developmental needs are identified at the beginning of the year on the basis of the competency requirements for the coming year
There are review mechanisms to ensure objectivity in ratings	There are review mechanisms essentially to bring performance improvements
It is a system with deadlines, meetings, input and output and a format	It is a system with deadlines, meetings, input, output and a format
Format driven with emphasis on the process	Process-driven with emphasis on the format as an aid
Linked to promotions, rewards, training and development interventions, placements, etc.	Linked to performance improvements and through them to other career decisions as and when necessary.

Thus the main difference between the performance management and appraisal systems is their respective emphasis and spirit. Good organizations in the past have used essentially their performance appraisal systems as performance management systems. They may have used the traditional title. The title seems to mean a lot in communicating the appropriateness of the systems and its emphasis.

### Appendix 2: Responses of Managers from 3 corporations performance-related questions

(A = senior managers from a family-owned business conglomerate = 41; B= Middle and senior managers of Professionally Managed Company from Gulf Region N= 85; C = Top Management from an MNC in India N = 28)

Question	Number of participating responding														
	100%			75%			50%			25%			0%		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
1. To what extent did you have a clearly set work plan for the last six months?	7	11	4	20	59	14	14	10	10	0	5	0	0	0	0
2. To what extent did your seniors with whom you work shared the same understanding of your work plan and priorities in the last six months?	7	20	3	18	32	12	12	20	9	3	9	4	1	1	0
3. To what extent are you able to put to use most of your capabilities in the last six months?	6	11	5	19	39	16	13	28	6	3	5	0	0	0	1
4. To what extent are you clear about the work plan and priorities for the next six months?	11	26	1	18	38	18	10	16	9	2	3	0	0	0	0

### Appendix 3: Wastage due to lack of proper implementation of performance management systems in four different organizations for various categories of managers

	Senior and middle managers Professionally managed (N = 85)	Family Business senior managers(N = 41)	Top management of an MNC, (N= 28)	HR Managers from another organization (N=17)
Unplanned work or time wasted due to lack of clarity	28% or 14 person years wasted due to unplanned work	29% or 14 person years unplanned work	30% or 15 person years unplanned work	27%
Lack of congruence in priorities of the boss and the performer	31%	34%	38%	32%
Unutilized competencies	33%	32%	29%	34%
Lack of clarity of priorities for the next six months	24%	27%	32%	21%

#### References and other resources

Corporate Leadership Council (2002), Building the High-Performance Workforce

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