



DYNAMICS OF PERFORMANCE MANAGEMENT: AN ANALYSIS

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Abstract

Performance management is concerned with outputs the achievement of results and with outcomes and the impact made on performance. The basic criteria for performance management are accountability, transparency, completeness, and equity. Different approaches to HR transformation drive different performance levels. HR leaders believe they are performing only adequately in implementing initiatives to support change. Transformation of performance practices can be done by clarifying strategy and priorities, set standards, design rewards and follow-up. Performance practices brings designed outcome into measurable goals and incentives that motivate people to reach the goals. Performance management is only the reliable tool available to the managers for effectively translating business strategies into firm performance, people being the key strategic resource.

Key words: *performance management, business strategies, accountability, transparency, completeness*

Introduction

Organizations must manage the flow of work from product or service demand through order fulfillment to make sure their obligations are met. To do so, they distribute goals to individuals & groups and set up job & organizational structures to integrate the varied output into cooperative whole. They design processes for the work itself and setup a physical environment that promotes effective and efficient work. Human Resource professionals are ideally suited to assist in all aspects of this process as well.

HR transformation initially focused on making HR operations more efficient and effective through process standardization and technology. The next generation of HR transformation is more tightly linked to corporate strategy

and to creating business value through HR services that address a company's most pressing strategic challenges. That means anticipating critical workforce trends, shaping, and executing business strategy, identifying and addressing people related risks and regulations, enhancing workforce performance and productivity and offering new HR services to help a company improve and grow.

Performance has two concepts, such as performance as behavior and performance as outcomes. Performance means record of outcomes on specific job functions during a specific time period. Performance management may be defined as a systematic approach for improving individual and team performance in order to achieve organizational goals. Performance



management is concerned with outputs – the achievement of results; and with outcomes – the impact made on performance.

The basic criteria for performance management are accountability, transparency, completeness and equity. Accountability means that performance management practices should tie individual & team behaviour and outcomes to clear goals. Transparency means that financial and non-financial rewards are understood to public. Completeness means that performance management practices cover the full range of behaviours and goals required for overall business success. Equity means that those who produce more receive more. When performance management practices are transformed according to these criteria, they help create value.

Transformation of performance management practices can be done in four steps.

- A first step in performance management is to be clear about an organization's strategy, performance priorities and what it is trying to accomplish.
- The second step, once strategy has been clarified, standards and measures can be created that match the strategy. A simple test of the right performance management standards is to set them with customers or investors or both.
- The third step, when someone meets standards, both financial and non-financial rewards should follow. As Bruce Ellig points out, financial rewards have economic, psychic & social implications and the importance of each is different for every employee. Transforming

financial rewards means making choices about these three types of income: short-term cash, incentive-based cash, and long-term equity. Non-financial rewards are also an important part of transforming performance management practices.

- The fourth step, follow-up both feedback on prior activities and what Marshall Goldsmith admirably calls "feed forward" on what's needed – is critical to performance. Here are some of the choices in providing follow-up: chat informally, supply data, let people draw their own conclusions, explain the why; not what do it.

In transforming performance practices, each of these four steps can be followed and upgrade performance management. With that line of sight, performance management can make sure that people understand what they need to do, how they need to do it, and why they need to do it.

HR have the resources available to intervene in organizations that are struggling to meet performance expectations to help them develop skills or redesign structures or processes so that they will be able to meet those expectations. HR professionals manage the time and energy of the people in the organization in as focused a manner as any other valuable and scarce resource. It does this by integrating all the practices that influence how people allocate their time and energy at work. In influencing the contribution of the organization's assets, HR practices results are based on synergy: the whole must be more than the parts.

Transforming HR practices is about more than simply making incremental improvements to each one. HR practices



had a measurable positive impact on business performance because the business leaders and employees were thrilled to have HR support after living with no HR for so long. Transformation of HR should not occur in isolation.

Outsourcing of HR

The organizations that predominantly outsource report realizing the highest cost savings as a result of their transformation. However, most organizations - regardless of transformation strategy - report a disparity in expected versus actual cost savings, which is worrisome given the amount of due diligence applied to establishing a transformation program, as well as the implementation of service-level contracts; one would expect these efforts to drive greater correlation between expectation and outcome. Outsourcing transactional HR work enables HR professionals to focus on more strategic work. Thus, outsourcing increases the likelihood that HR professionals will become more strategic in thought and action. HR is facing new challenges because on the one hand several HR practices are being outsourced, and on the other hand, all line managers are being oriented to HR, so that they take over most of the HR work.

HRM is at fork of the road-either to continue as a peripheral service function, or to become a strategic business partner and organizational process consultant-facilitator. To play the latter role, HRM needs to do the following: Reposition HRM functions to make them more human develop HR systems help in decision about in-sourcing, out-sourcing and open-sourcing of HR functions facilitate implementation of the HR systems provide internal organizational

process internal organizational process consultancy.

HR transformation continues to focus on rules-based processes, and that may be unlikely to change soon. Different approaches to HR transformation drive different performance levels. The disparity in correlating expected with actual cost savings is a concern for organizations undertaking transformation. While there is widespread belief that transformation impacts HR's ability to focus on strategic goals. Transformation is not driving real change retained HR staff function, Which is surprising since it could be considered a core competency of HR. HR leaders believe they are performing only adequately in implementing initiatives to support change.

Performance culture

Performance culture is about creating a culture that measures rewards performance and results. In the marketing arena, product managers know that 80 percent of their profit comes from the top 20 percent of their products. The same principle and ratio can be argued when considering people management issues. HR must prioritize its time, services and focus on the tasks and initiatives with the highest impact, while limiting the time it spends on low performers. Instead of rewarding effort past loyalty and seniority, HR must ensure that all people initiative and activities focus on measuring and rewarding business results.

If organizations are truly serious about this, then HR must push to ensure that the staff is trained in performance management techniques. This means imparting a thorough knowledge of the processes involved and providing them with the capabilities to coach and mentor



better performance from employees. Line managers need to take complete responsibility for this critical process, as HR exists to provide guidance. HRM can transform the organization into a human system by developing their commitment, integrating the individual employees with the organizational culture and through processes achieving performance.

Transformation of the HR function

The field of HRM has been undergoing a dramatic change. Driving its transformation as such factors as competition, globalization, technological innovations and market evolution. The present scenario unprecedented changes in the HR functions. This radical transformation of HR function has been instigated by a complex nexus of forces: pressures to reduce costs, higher expectations of customers, the constant drive to meet global competitive challenges and opportunities offered by advancements in information technology. The mix of these forces accelerates the transformation of the HR function in ways not envisioned a decade ago.

Changing resource functions as direct internet-based shifting increases and line managers develop their recruiting skills. If HR professionals are to survive and prosper under the new agenda, individual behavioural and attitudinal change must start now. HRM itself has changed over a period of time though "Peace, Stability and Growth" remained the focal points and in their importance.

The transformational functions of HR will include the following: HR people must pursue these.

- Talent management; searching, nurturing, mentoring.

- Among the most important issues ranked were leadership development and succession planning, HR technology, workforce planning, executive compensation and diversity, respectively.
- Climate of trust, equity and involvement change management, including mergers and acquisitions leadership.
- Ethics and social responsibility.
- Reward system.
- Work organizations must place HR at very high level, including their boards, and make demands on HR as the strategic function.

These developments produce a transformation in the management of human resources, in which MNCs play the catalyst role.

Transformation Strategy and HRM

At the level of the firms, privatized enterprise must be transformed into "high performance organizations". They involve a difficult, long-run cultural change within the firm, a change in the whole approach to management, its development to a new level. The government, employer's organizations and trade unions can significantly contribute to this transformation.

Companies began to look at ways to revamp their HR departments. The role of business partners has been subject to a wide range of interpretations. Some companies have chosen to appoint hundreds of them; others have appointed just a few. One large organisation with 60,000 employees has 350; another, with some 50,000 employees, has just two. A 2004 study of 20 American companies by price water house Cooper's Saratoga institute found a median ratio of one HR



business partner for every 1,000 employees.

Conclusion

The first step in performance management is to be clear about an organizational strategy, performance priorities to accomplish. Transformation of performance practices can be done by clarifying strategy and priorities, set standards, design rewards and follow-up. Performance practices brings designed outcome into measurable goals and incentives that motivate people to reach the goals.

Performance management is an approach to managing human resources which is designed to tie HR policies securely into a framework of achieving the strategic goals of the business. Performance management is only the reliable tool available to the managers for effectively translating business strategies into firm performance, people being the key strategic resource.

HR transformation comes from the context of business and from the expectations of stakeholders. Where they identify which capabilities are most critical to their organizations future success. Re-designing HR means understanding what work is strategic and what work is transitional. In transforming HR professionals, the first step is to be clear about what is expected for success in the field, by considering HR roles and HR activities.

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