Performance Management and Reward Systems

Block

5

PERFORMANCE DEVELOPMENT

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BLOCK 5: PERFORMANCE DEVELOPMENT

The final block on the course Performance Management and Reward Systems concentrates on employee development and performance improvement. The block consists of three units. The fifteenth unit identifies the causes for low performance and measures to develop employees. The sixteenth unit analyses various theories of motivation and their role in performance improvement. The seventeenth unit tries to understand best practices, trends and challenges in performance management.

Unit fifteen, *Performance Management and Employee Development* discusses the framework of performance development including its planning and process and analyzes reasons for poor performance and corrective actions and strategies to manage poor performers. It highlights the importance of skill development, through training and development programs and evaluates the effectiveness of such programs.

Unit sixteen, *Motivation and Performance Improvement,* discusses the various theories of motivation such as Maslow's Need Hierarchy theory, Vroom's Expectancy theory, McGregor's theory X and theory Y, McClelland's 'theory of needs' and the model of motivation given by Porter and Lawler. The unit touches on the importance of motivation, especially in the context of performance improvement. It emphasizes that motivating employees ensures performance to the optimum levels as highly motivated workforce can help organizations progress and excel.

Unit seventeen, *Emerging Trends in Performance Management*, explains the best practices, trends and challenges in performance management. It describes how employee involvement and engagement lead to emotional bonding with the organization. It also deals with important aspects like Employee retention, Succession Planning and Talent Management. The unit finally discusses the challenges faced by virtual teams in their performance management.

Unit 15

Performance Management and Employee Development

Structure

15.1 Introduction
15.2 Objectives
15.3 Performance Development Framework
15.4 Aims ofPerformance Development Plans
15.5 Performance Development Process
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15.7 Performance Appraisal and Corrective Decisions
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15.9 Employee Training and Development programs
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15.13 Self-Assessment Test
15.14 Suggested Readings/Reference Material
15.15 Answers to Check Your Progress Questions

"An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."

- Jack Welch

15.1 Introduction

As has been propounded by Jack Welch, employee training and development helps the organization to upskill and reskill their employees to meet the ever-changing business challenges. We have learnt earlier that performance management aims at developing employee competencies for continual improvement of their performance. Training and development initiatives would help in the same. In the previous unit we have discussed about performance, competence and skill based pay.

To ensure employee and organizational development, performance management aligns the activities of teams and individuals with that of the organization. Through appraisals, good performers receive rewards contributing to their

development and underperformers are given training for bridging the performance gaps. This underlines the relationship between performance management and employee development.

This unit would focus on performance development framework, aims of performance development plans, performance development reviews and corrective decisions. It would also talk about the process of managing underperformers and the effectiveness of the training initiatives.

15.2 Objectives

After studying this unit, you will be able to:

- Enlist the key features of an ideal performance management system.
- Explain the framework of performance development including its planning and evaluation process.
- Examine the consequences of improper performance development system in an organization.
- Analyze reasons for poor performance and suggest corrective actions and strategies to manage poor performers.
- Describe the concept of skill development, through training and development and assess the importance of measuring the training effectiveness.

15.3 Performance Development Framework

Performance development is a process of encouraging, rewarding, supporting and developing employees.

Functions of performance development are:

- Performance development aims at maintaining and improving employees' skills, job related knowledge and job performance to achieve career goals of an individual along with team and organizational goals.
- The basic idea of performance development is to create positive workplaces where employees are motivated, supported and goal oriented.
- The performance development framework highlights what is required to build a comprehensive and effective approach to high performance and development.
- It outlines development plans and the process of performance development. It describes the essential features of performance development cycle, including performance development planning, on-going discussions, performance development review and rewards and recognitions.
- The framework provides a structure for appraising, developing and improving employee performance as well as giving meaningful feedback and support for their development.

Development Plans

A performance development plan has mainly two components: improvement of employee performance and revitalizing organizational performance. While preparing development plans, the following aspects need to be considered:

- The people who will be involved and their responsibilities
- Time schedules for development and implementation
- Plans for communicating details
- Plans for monitoring and evaluation

Development plans of an organization intend to:

- Anticipate the needs for development of the employee's current position
- Focus on opportunities for the future role based on the current role performance, employee's strengths, interests and talent separately
- Focus on anticipated needs of the organization

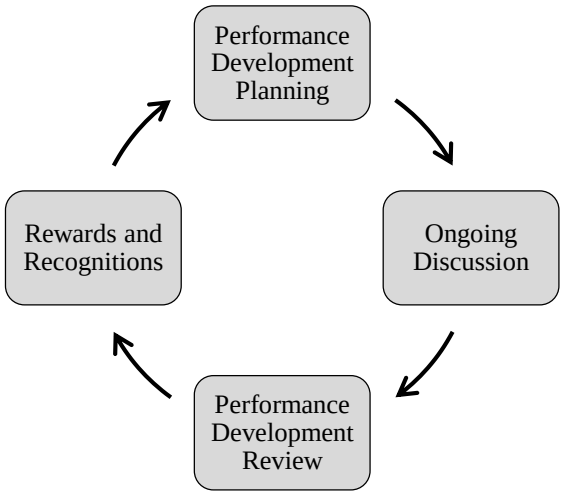
Performance development process is an on-going cycle that provides managers to monitor and evaluate performance of their employees. It helps managers to:

- See that they are performing job as per requirement
- Provide feedback
- Clarify about contribution of their work to achieve the goals
- Optimize the effectiveness of work
- Anticipate the developmental needs

Performance Development Cycle

Performance development cycle passes through four stages – Performance development planning, ongoing discussions, performance development review and rewards and recognition. (Refer Figure 15.1)

Figure 15.1: The Performance Development Cycle



Source: https://hr.unimelb.edu.au

Performance development planning (PDP): While performance development plans indicate what the aspects to be achieved are, performance development planning indicates how these development plans are to be achieved. This involves planning between the supervisor and his team members (subordinates) on various aspects of performance development. Mostly this discussion includes:

- Expectations from performance
- Performance indicators and objectives
- Development needs and time schedules

On-going regular discussions: Discussions on performance should be an integral and regular process for performance development to ensure that guidance, coaching, encouragement and support is received by the staff. It should involve two-way feedback to discuss the progress and update the objectives if required.

Performance Development Review: The review of performance development helps in assessing the overall performance during the review period. The review involves performance rating and a formal discussion on:

- Performance related objectives of the review period
- Factors influencing performance
- Performance during the period of review
- Revision of the responsibilities or role if required
- Feedback from clients and another supervisor if an employee is reporting to two seniors
- Developmental activities attended and needed
- Career expectations and overall rating of performance

Rewards and Recognition: After performance development review, employees who excelled in their performance are recognized and suitably rewarded. As per the rules and procedures of the respective organizations, promotions are given to suitable candidates. Pay-hikes are given as per the norms. Decisions for training and other course of action are taken with respect to under performers.

Example

In September 2021, Infosys enlisted 36 skills that were important and created learning pathways. In addition to these courses, employees also had to get certification. Once they got the certification, they would be redeployed and needed to work in that position for a period of six months to get a skill tag. This allows them to be called a cloud architect or digital engineer, and once that is done, they get a skill bonus once a quarter.

Source: ICFAI Research Center

15.4 Aims of Performance Development Plans

The performance development planning helps superiors and employees to identify their goals (personal and business) which are significant for the organizational success.

Purpose of performance development plans is to:

- Provide review to staff members individually, improve their performance and identify professional and career development opportunities
- Link performance of employees to the overall goals and objectives of the organization
- Provide a clear understanding of the objectives to the managers and staff members for the next year
- Ensure appropriate training, development and support for continuous improvement
- Fix accountability that is understandable, concrete, measurable through documentation, and
- Develop interpersonal and professional skills of individuals on a continuous basis

Setting personal developmental goals increases staffs' contribution to the success of organization and provides boost for their career success as they feel excited and motivated about achieving these goals.

Example

Tata Consultancy Service, a multinational IT services and consulting company, runs a development program called "Ambassador Corp" for its senior management executives. The objective of the program is to help the senior executives in diversity management. The program comprises various modules on leadership, communication, gender and culture sensitization to name a few.

Source: ICFAI Research Center

15.5 Performance Development Process

A performance development process provides a basis for rewarding individual employee's excellence by aligning individual's accomplishments with the mission and objectives of the organization.

The rationale behind performance development process is enumerated below:

- It ensures that organization and the employee understand the value of a specific job in achieving the outcomes with the help of setting performance expectations clearly including results, behavior and actions.
- It assists the employees in knowing exactly what is expected out of individual's jobs and sets the standards to eliminate the jobs which are not needed any further.

- Being a regular coaching and feedback process, it helps to diagnose the problems early and take corrective actions accordingly.

15.5.1 Employee Development and 360 Degree Performance Review

Organizations generally utilize 360-degree performance reviews for the purpose of employee and organizational development.

The features of 360-degree feedback have been enlisted below:

- *Provide detailed feedback*: It includes self-ratings and upward assessments with peer rating for the feedback at all levels. The feedback helps to improve the performance.
- *Gain a performance perspective as a whole*: Gets reviews and feedback from outside employees' hierarchies like customers or departments to gain a broader view. When outsiders give feedback, employees gain a wider perspective and help them to improve the quality of their performance.
- *Promote automatic work flows:* Employee works ahead of the deadlines through integrated emails, requests, reminders, and automatic forwarding of forms amongst managers, peers and employees. When work moves faster, employees get recognition for their improved performance.
- *Identify hidden weaknesses and strengths:* Skills inefficiency, competency gaps, other performance trends and reward fixers get identified and knowing the weaknesses help to improve performance.
- *Use limited budgets of compensation effectively:* Pay related decisions based on objective, valid, and anonymous review or feedback to gain a perspective. Employees eagerly wait for their hike in compensation annually and this hike is one of the indicators of development.

The following points highlight the benefits of employee development and 360-degree performance review:

- This type of review helps employees in developing their work skills and behaviors and employment decisions such as pay hikes and promotions.
- 360-degree approach of assessment provides equal opportunity to evaluate the efforts of the top manager or managers (their skills, talents, behavioral traits, values, ethical standards, temperament, loyalties) in running a company effectively.
- It focuses on the intrinsic qualities of the manager as well as his capacity to lead.
- It also gives feedback to all assessee on their styles and better understanding of their strengths and weaknesses. *360-degree feedback* is also called multi-rater assessment, multi-source assessment or multi-source feedback.
- 360-degree reviews analyze the employee's performance to greater breadth and depth of feedback. This gives better insight for development, coaching and ensures effective, accurate, and fair performance assessments.

15.5.2 Performance Development Skills

Performance development requires proficiency in certain skills and competencies of employees. Competencies are skill patterns that are observable and measurable abilities, knowledge, behaviors, etc., needed to perform roles related to work or occupation successfully.

Performance development skills that the supervisors (or team leaders) need to demonstrate and develop include:

- *Communication:* Maintaining clear and effective communications (oral and written) skills with individual employee along with ability to establish healthy working relationships. Ability to promote an open atmosphere, ideas sharing and involvement of employee in process of decision making.
- *Setting goals:* Ability to establish long term and short term goals with participation of employees. To set realistic targets and standards, supervisors should be able to clearly define expectations from employees.
- *Employee performance measurement:* To establish authentic performance measures (qualitative and quantitative), employees and supervisors need to monitor performance to achieve high level of performance.
- *Providing feedback:* Providing feedback to inform, enlighten, and suggest improvements to employees.
- *Developing and coaching:* Coaching skills are required to evaluate and plan the needs of development of employees and assist them in gaining skills through diverse experiences. Developing skills in managers are also required to create developmental plans using training, job enrichment, new assignments, self-study, or work analysis.
- *Recognizing:* This skill is essential for effective recognition of employees' performance for strengthening commitment of employees' to get the best out of them using rewards programs, informal recognitions, personal thanks and verbal appreciation during staff meetings.
- *Disciplining and counseling employees:* Counseling and disciplining is one of the most difficult skills to master. Effective counseling puts the responsibility and the accountability in the hands of the employee for problem solving under the support and guidance of the supervisor.
- *Decision making and analyzing risks:* Problem solving is concerned with the consequences of events happened in the past and decision making is concerned with events that will happen in future and the associated risk minimization. Every decision has its own criteria for weightage, the complexity of consequences, and finance or risk to increase the probability that the decisions taken will produce the desired results.

- *Time management and setting priorities:* Time is one of the most critical resources for managers because it cannot be compressed or stretched, stored or kept aside in reserve. Considering the time to plan and prioritize the work activities is important for time management.

15.5.3 Employee Development and Performance Review meeting: Direct Supervisor's Role

Employee performance review is a continual process that takes place regularly with a supervisor's informal conversations about an employee's work performance as also formal assessments made by him.

The immediate boss or supervisors are expected to assess an employee and highlight employee's performance accomplishments and weaknesses. This will help in identifying areas for improvement as also for setting goals for the coming year. Employees, in these reviews, will be made to understand their job responsibilities and expectations, as also methods of evaluation, and performance standards. All this contribute to employee development.

A performance review meeting helps managers to share their observations regarding performance of employees. Thus, it increases the accountability of supervisor regarding his method of communicating and giving feedback in terms of performance expectations and results. Following steps help the direct supervisor to conduct the review meeting effectively.

1. **Setting the environment**

   The meeting should be held in private, in a comfortable, fearless and undisturbed environment.

   The manager conducting the meeting should outline the objectives of meeting:

   - Performance expected from the job-holder as per job profile
   - Achievements as per expectations
   - Deficiencies against expectations
   - Identify the reasons of poor performance
   - Prepare an action plan for improvement in performance with a specified time-frame

2. **Ask the appraisee**

   The appraisee should be asked to express his own view on his performance. What were his achievements and where he did not do well along with the reasons and his plan to rectify the same. Direct supervisor should listen

actively without reaching any conclusion and motivate appraisee to be open and confident in conveying his issues and difficulties and efforts for improvement.

3. **Role of direct supervisor**

   After knowing the views of appraisee, the supervisor should discuss his feedback and the information given by appraisee one by one and review the same solely on performance and not on person. He should also discuss the impact of appraisee's performance on objectives of the organization positively as well as negatively.

4. **Discuss deviations and remedies**

   Supervisor should also discuss the gaps in performance and remedies for underperformance clearly stating the expectations from appraisee again from such remedies.

Refer to Exhibit 15.1 which illustrates the features of Qualtrics - that provides 360-degree feedback

Exhibit 15.1: 360-degree Feedback Tool at Dell

Dell Inc. deploys the 360-degree feedback tools provided by Qualtrics, the experience management company as a part of their performance management. Qualtrics 360 feedback supports the HRs to take actions as per the analysis delivered by the individual reports pertaining to each employee.

Features of Qualtrics:

- It provides accomplished features like customizable surveys, confidentiality features, and real-time progress updates.
- It is a very good pick for companies that look for sophisticated learning curve and the unresponsive customer support.
- Another striking offering of the software is its built-in confidentiality features that ensure the anonymity of the respondents/raters.
- Captures and stores all the experience data from customers and employees in a single system of record for every interaction across the organization.
- It provides powerful, predictive analytics to make sense of the entire dataset, and proactively recommends the actions to take next.
- It helps in building intelligent, customizable workflows and automatically alert the right people and trigger actions in every part of the organization.

Source: https://www.qualtrics.com/au/ (accessed on 26/4/2022)

15.6 Performance Development Review

While performance reviews assess an employee's performance against the duties and responsibilities outlined and check whether the set goals have been achieved, the performance development reviews are made with an emphasis on employee development.

Essentials of performance development review are:

- The objective behind the performance development review is to set the performance standard, at the same time, identify the underperformer and fix the performance development and improvement plan.
- During such development review period, managers should treat all his subordinates equally and should not be biased.
- He should not discriminate subordinate in the name of age, race, gender or so on.
- Development plan should also concentrate on the improvement aspects identified by managers as well as areas on which employee wants to develop himself.
- Performance development reviews should be timely, actionable, achievable and positive.

If reviews are done on the above mentioned parameters, employees will be satisfied and show tendencies to improve their performance, otherwise they will be frustrated.

The aim of performance reviews is to appreciate and reward achievements of employees and address the problem areas. The rationale behind development reviews is enumerated below:

- The purpose of such reviews is to motivate the employee to improve performance.
- As already pointed out the emphasis of performance development reviews is employee development.
- Employee development is a joint effort by the employer as well as the employee. Employees, by upgrading their skills and knowledge to move up in the organizational hierarchy.
- Further, employee development activities instill a sense of attachment among employees towards the organization.
- It is essential for employers to keep employees abreast with the latest developments in the industry to gain competitive advantage, only then they can enjoy the benefits of the review process.

Though employee development is the major responsibility of the employer, any development imposed from outside does not yield desired results. Hence the employee has to put enormous efforts for his/her development.

Consequences of ineffective development reviews

Development reviews need to be undertaken with utmost care. If not done properly, the following consequences arise:

- If performance development standards are not set properly, on the one hand productivity suffers and on the other hand employees are confused as they fail to understand the standards. The set standards may sometimes be high and unreachable and sometimes very low. In both the cases performance gets affected. If the standards are too high, employees will be frustrated and de-motivated as they are not able to reach the targets. If they are too low, a callousness occurs among employees and they start living in a comfort zone, neglecting their responsibilities and duties.
- If performance development reviews fail to identify underperformers, the growth rate diminishes in the organization with no further scope for development. Performance development reviews should be able to identify the causes of underperformance to rectify the anomalies.
- If performance development reviews fail to fix the performance development and improvement plans, no training and mentoring programs will be undertaken.
- Another important impact of poor performance development reviews is high performers would be ignored and they will be de-motivated, frustrated, leading to high attrition among high performers.
- The consequences of poor performance development reviews are: absenteeism, frustration, de-motivation and, disengagement with work among employees. Employees who are disengaged with their job and employer, lose focus on work and their efficiency levels decrease
- Poor performance development reviews fail to recognize the good work of the employees. Workplace recognition motivates and provides a sense of accomplishment and makes employees feel valued for their work. Recognition not only boosts individual employee engagement, but it also has been found to increase productivity and loyalty to the company, leading to higher retention.

All these factors lead to low organizational productivity and low image of the organization.

In a nutshell, if development reviews are not done properly, employees remain where they have started without professional growth which also affects their personal growth. This in turn affects organizational productivity.

Example

In a survey by Gartner, Inc. in 2021, it has been established that out of the IT automation technologies that were a part of the survey, only 20% of them have been successful in adoption of the same since 2020. The most common reason attributed to the same is the shortage of talent availability. Lack of performance development reviews and appropriate training programs can be blamed for the same.

Source: ICFAI Research Center

Check Your Progress - 1

1. Which of the following is a method of multi-source or multi-rater performance appraisal and feedback?
   a. Fixation of accountability
   b. Performance development planning
   c. Performance development review
   d. Rewards and Recognition
   e. 360-degree performance appraisal and feedback
2. Which of the following refer to the main domain areas of HRM?
   a. Man power planning, training and development, performance and compensation management
   b. Man power planning, job analysis, organizational restructuring, job design and development, team building, worker-machine reassignment and computerization
   c. Organizational development and design, staffing, performance appraisal and management, employee training and development, compensation and reward systems, benefits, and legal compliance
   d. HR design, downsizing, planning and restructuring
   e. Recruitment, employee induction, selection, placement, promotion, and termination
3. Which of the flowing measures a department's success as a response to pre-determined standards of productivity, quality and growth?
   a. Staffing
   b. Organizational design
   c. Performance management
   d. Employee training and development
   e. Reward systems and benefits

4. Which of the following measures the degree of employee's satisfaction (related to working conditions, performance recognition and motivation for better performance, commitment to quality and opportunity to improve performance)?
   a. 360-degree feedback
   b. Employee validity
   c. Social responsibility
   d. Employee engagement
   e. Meta-analysis
5. Which of the following refers to the help provided by a superior to his subordinates, in a supportive and empathetic atmosphere, for setting performance goals?
   a. Management
   b. Counselling
   c. Appraisal
   d. Measurement
   e. Feedback and review

15.7 Performance Appraisal and Corrective Decisions

One of the important objectives of performance appraisal is to improve employee performance which would, in turn, improve organizational performance. Care should be taken to motivate underperformers and take corrective actions in case of performance gaps.

The need for taking corrective actions in case of non-performance has been explained below:

- Non-performers, if not adequately helped, may indulge in unwarranted activities, may bring down the productivity or may contribute to accidents, wastages and defects.
- Employee needs to be informed about the problem, the need to correct the same and then improvement or otherwise needs to be evaluated again.
- Corrective decisions or improvement plans play an important role in performance development system's effectiveness as it helps supervisor and employee to decide and implement the course of action for inefficient performance.
- The emphasis should be more on turning underperformers into performers using coaching, counseling, job rotation, skill development through training and guidance

- All these corrective measures focus on nurturing and developing knowledge, skills and abilities of employees leading to their development.
- In rare cases, if these measures fail certain punitive actions need to be adapted.

Corrective decisions are two types - Punitive actions and non-punitive actions. Let us discuss the same in detail.

15.7.1 Corrective Decisions (Punitive actions)

Some of the punitive actions are given below:

Disciplinary Action: This action is taken as per policy of organization when all other actions taken to improve performance have been ineffective or employee continues to show inefficiency.

Activity 15.1 Imagine you are an HR manager in an IT company based in Hyderabad. While evaluating the performance of one of the employees, named Karthik, it was observed that his morale was down and his performance was not effective. This was leading to rumours in the organization and affecting productivity. This situation needed improvement. In your current role, you have decided to take disciplinary action against Karthik. List out the sequence of actions you would take against him. **Answer:**

- *Verbal warning:* Directly informing the employee about the job oriented problems, seriousness of the problem and expected improvement within a particular time frame.
- *Written warning:* When the desired output or performance is not indicated by the employee and the seriousness of the problem increases after verbal warning, then the employee is warned in writing (signed and dated) which becomes part of his personal file. Employee is also asked to provide written (signed and dated) reply against the warning issued.
- *Suspension:* This involves suspending an employee for day or two with pay as a part of corrective decision to decide whether he is ready to work as per expectations or not.

- *Extension of suspension:* If superior feels that the employee has not changed and he is letting the problem to continue, and his work is affecting the performance of other employees, then such suspension may be increased to more than a day but with the prior permission of HOD concerned**.**
- *Termination:* This is implemented when all other actions taken fail.

  (Non -punitive actions are mentioned later in the unit.)

15.7.2 Skill Upgradation

Skill upgradation is essential for improvement of the present performance of subordinates and development of skills to take up future responsibility i.e., for potential development and succession planning. The subordinates are also expected to take up the developmental activities seriously and contribute effectively in the achievement of all measurable and quality related goals by full utilization of the resources. Skill upgradation is also essential for the following reasons:

- Changes in technology
- Skilled employees are necessary for a successful organization
- To develop professional skills and engage employee at appropriate positions
- For career prospects and explore employee's potentials
- Technical and behavioural skill upgradation
- For job enrichment and enlargement
- To maintain reservoir of employee talent
- Better allocation of human and other resources

For skill upgradation exercise, the organization needs to identify present and future skills needed and competencies required to tap the employee. These needs are identified through recruitment process, personal interviews, aptitude tests, questionnaire and surveys, studies on competitive environment, changing technology, performance and potential appraisals, feedback from internal and external customers.

Example

Amazon has pledged to invest over $1.2 billion to provide upskilling programs for its employees. As a part of its initiative Upskilling 2025, the tech giant will be providing training to three lakh employees till 2025 through training programs in areas including cloud computing and machine learning. Additionally, the company will be providing college tuition for its front-line employees.

For details, checkout https://www.aboutamazon.com/news/workplace/upskilling-2025 (accessed on 4/5/2022)

Challenges to Skill Upgradation

Skill upgradation is not an easy task. Organizations encounter several challenges in upgrading the skills of employees. The same are enumerated below:

- Identifying right skills for upgradation and skill tracking
- Inappropriate definition of skills and required expertise
- Employees' expiations of career advancement through skill upgradation
- Hard to change personality related behaviour and skills in a short period of time
- Subjective and unclear performance appraisal system does not give fair picture
- Attrition after skill upgradation

15.8 Managing Underperformers

Failure to perform on the expected lines is under performance. Not always all the underperformers are inefficient and incapable. It is an art to manage under performers and organizations should adopt unique techniques to manage underperformers, by understanding the reasons for low levels of performance.

Low level performance may be due to:

- Mismatch of assigned tasks and ability of performer
- Low aptitude, skill, and knowledge and over expectation of management
- Low improvement over a period of time
- Promotion to a more demanding position

15.8.1 Process of Managing Underperformance

In order to manage under performers, systematic procedures need to be undertaken. For this, understanding the process of managing underperformance is essential.

The steps to manage underperformance can be enumerated as follows:

1. Identify reasons for underperformance
2. Confront underperformance
3. Adopt improvement measures or plans

The following can be the reasons for underperformance:

- Inadequate resources to perform the task
- Spread of rumor and grapevine
- Lower self-esteem or time related problem
- De-motivation
- Usage of outdated technology
- Employees job dissatisfaction leading to stress, burnout

- Poor inter-personal relationships
- Feelings of injustice
- Situational constraints: Lack of training on appraisal system and feedback
- Spoilt organizational climate
- Damaged relationships between superior, subordinate peers and customers
- Biased behavior

To improve performance of underperformers and to increase productivity, organizations must take appropriate measures.

Methods of confronting or managing underperformance and ability: By providing one to one feedback, these measures can be discussed with underperformer to improve performance.

Non-punitive Methods to Manage Underperformance:

As mentioned earlier, organizations always put emphasis on non-punitive methods, only when they do not yield results, they use punitive methods. Different types of non-punitive methods used by organizations are listed below:

- Just convey the performance issue and observe the changes in performance or behavior. Correct the undesirable performance or behavior without making an issue as sometimes due to lack of feedback, employee is unable to do his best. This should be done in private and on time.
- Resupply the resources necessary to perform the job. Ensure that employee has adequate resources as per the needs of task and also as per the expectations from the employee's performance. Discuss with employee the reasons of frustration. This ensures organizational readiness to do the needful for the better performance of employee and the organization.
- Retrain or provide additional training assistance to update the skills as the person may be using outdated technology or techniques thus being unable to perform well. This can be done by conducting in-house or outbound training, seminars or workshops, computer based training, T group and simulations.
- Refit and reassign the task. Different components of the job can be recombined with the abilities and tasks even by rearranging the job of peers to fit the abilities and components of the given task. Basic objective is employee retention, reward work performance and meet the needs of the organization. Reassigned task should be challenging and stimulating without demotivating the underperformer.
- Exercise self-management training using self-reward and self-punishment.
- Retrench or release the employee as a last option if above four are not applicable to an underperformer and he still continues with poor performance intentionally or due to lack of motivation. (Refer to 15.7.1 for punitive actions).

Retaining a poor performer even after adopting all possible options may demotivate others, waste precious time and resources. The search for a right candidate will not happen.

Ways to Improve Motivation

Motivating employees for higher performance is always a challenge for organizations**.** Employees can be motivated in the following ways for improving their performance:

- Set and communicate performance goals - The best way to motivate employees for better performance is making employees know their targets and goals and time frames. If communicated in right way, the motivation to perform increases.
- Provide necessary training, get adequate resources - It is not enough to set goals and targets for good performance. It is equally important to provide adequate resources and training for understanding the role obligations.
- Encouraging cooperation and assistance from co-workers - Encouragement and cooperation from peers always make employees happy to work.
- Provide regular, open and two-way feedback and reward good performers – Constant interaction between managers and employees promote healthy work environment, and an important cause for motivation.

15.8.2 Counselling, Coaching and Feedback

Counselling is a direct and open discussion between the employee and the manager on a particular problem, its reason, identification of remedies and ensuring proper implementation. The whole of the counselling process is documented. Counselling may be verbal for less serious issues whereas written counselling is given for serious problems which are repetitive in nature. The copies of the written counselling are given to all concerned persons for future reference.

Counselling is a step before disciplinary action. Disciplinary action is taken when counselling fails to correct the problem.

Coaching is done via face to face guidance for the development of required skills. It is conducted by trained senior or colleague of an employee. For performance related coaching, organizations are even hiring external coaches through well-defined and designed coaching program which has now become the part of the strategy related to talent management.

Coaching is a cost effective technique to solve the performance related issues.

Example

The Project Readiness Program (PRP) of Wipro Ltd., an Indian multinational corporation, is a structured orientation program for its newly joined campus placement recruits. Since, these new incumbents come from diverse educational backgrounds, it is necessary to impart certain company specific technical and behavioral skills before they start working on live projects. The immediate boss provides support for accomplishment of the task and troubleshooting barriers if any.

Source: ICFAI Research Center

Process of Performance Coaching

The process of performance coaching can be studied in four stages- Pre appraisal, appraisal in process, appraisal feedback in process and after the appraisal (Refer Table 15.1)

Table 15.1: Process of Performance Coaching

Pre Appraisal	• Keep records of good and poor performance. • Review performance against previous goals for the evaluation of the progress. • Involve the peers of the employee to gather the information needed. • Prepare the message to be delivered clearly, carefully and in advance. • Prepare administrative details in terms of time, location and other preparation.
Appraisal in Process	• Explain the agenda of meeting in detail for the complete session. • Have effective, open and two-way communication on all aspects of performance, behavior etc. • Focus on the present and future performance with mutual conversation. • Openly discuss problem areas and areas of improvement. • Be open to positive and negative feedback and performance with an intention of improvement.
Appraisal Feedback in Process	• For evaluation, start feedback with positive areas, gradually move to negatives indicating them as expected areas of improvement. Reinforce the same after feedback as a reminder on areas to correct.

Contd….

	• Avoid any confirmation on salary, increment, promotion etc., which is not in your control. • Timely review the performance of the reviewed area.
After the Appraisal	• Complete documentation of the whole appraisal process online or offline along with feedback details, employee reaction and improvement. • Review the documentation and agreement periodically and document all learning.

Feedback

In an organization, feedback is given to an employees or a group about the past performance/behavior in order to improve their future performance/behavior. Employees have to know how well they are performing in the given tasks. Feedback has to be given carefully and frequently to yield desired results. Giving feedback on performance is a skill to be developed by managers. Essentials of feedback is enumerated below:

- Feedback should show concern related to development of performance (show strong areas to grow professionally) and not punishment for poor performance
- Feedback should be given in a positive way which will result into a positive response
- Feedback skills should focus on mutually agreed upon developmental plan
- Feedback should not be annual rather it should be a frequent process
- Feedback should be given in such a way that the performer himself comes up with his positive and negative areas of performance.

Activity 15.2 Think yourself to be the manager of XYZ organization. There are six people working under you, the job of them is to sell 15 hand pumps in a month. One of the important tasks of you is to improve their performance by guiding them through feedback. Explain on what parameters you will give feedback to them. **Answer:**

15.9 Employee Training and Development Programs

As discussed earlier employee development essentially takes place by imparting relevant skills through various training and development programs initiated by organizations. Organizations not only take up these programs from time to time, but also measure their effectiveness so as to assess the Return on Investment (ROI) on these programs.

Rapid changes in business environment need regular updating of technical, behavioral and professional skills and knowledge with future focus. This is possible by providing adequate training, development, and varied opportunities for growth. Assess skills and knowledge, match needs, and identify training and development needs.

Most employee development and training programs focus on management development; basic professional, technical, supervisory skills, and career development.

Management Development: Management development encourages career growth and development by improving knowledge and skills, to increase motivation and job satisfaction and mutual problem solving

Basic professional, technical, supervisory skills: The aim of organizations is to instill among employees basic, professional, technical, supervisory skills so as to increase productivity. And in turn help employees in their career development.

Career Development: Career development is related to continuously acquiring and refining the skills and knowledge, to gain mastery on job and professional development. This is a continuous process thus employee needs to be motivated to learn and review the goals and progress. Create learning opportunities, opportunities for career growth like promotion to enhance job satisfaction and self-confidence, motivation and productivity.

Training and Development Methods

The various training and development methods generally used in organizations are listed below:

1. **Classroom Lecture Method:** Classroom lecture is the most conventional, common and cost effective method. This method is useful for short duration mass training where a lecture is given by an expert and common topic is discussed.
2. **Group Discussion Method:** This is used to develop leadership qualities and attitude development, learning under peer pressure and commitments. A group of people discuss an issue giving ideas, discussing problems and coming up with conclusion with mutual consent of team under the presence of a leader.

3. **Simulation Exercises Method:** In this method, a situation similar to a complex workplace is created and an employee is trained on that to have a feel of real work without actually damaging the real material and machine.
4. **Role Playing Method:** Expectations from position is known as role which is decided by the role players. Role playing helps to understand the real time problem faced by a person playing the role of another person. This helps in empathizing and understanding problems of people playing different roles like trainer and trainee, buyer and seller, interviewer and interviewee and so on. This method reduces inter and intra role conflicts, role under loads and overloads. To perform roles effectively, role-playing is used to develop an art of interviewing, grievance handling, negotiating, performance appraisal, buying-selling and effective communication.
5. **Case Study:** A written description of a real work situation or incident relating to any problem faced by any organization is presented to the team and solutions to the problem derived by the team. Team members are required to provide the solution to the problem using their analytical and logical thinking, problem solving skills and knowledge.
6. **Sensitivity or T Group Training:** This method is also called laboratory training method. This is behavioral training emphasizing on clearly communicating feelings and thoughts in an unstructured environment. Without any agenda, a person interacts with the situation and people and encourages others to interact freely and sensitively creating a cohesive group. The basic purpose is to understand group dynamics and human relationship management without the use of delegated authority or power.
7. **Management Games:** Games used are related to develop team work, leadership skills, communication patterns where the team members jointly try to play the game or solve puzzles.
8. **Out Bound Training (OBT):** This training is conducted outside the actual work location, may be in camps, cabins or portable tents for a few pre decided days, sometimes with familiar and sometimes with unfamiliar people striving to survive in unknown group. They learn and unlearn their personality traits and potentials for creativity, coordination and leadership.
9. **In the basket Training (IBT):** In this method, the trainee is provided with a basket full of normal routine papers, letters and files related to his work and he is expected to examine and recommend solutions to problems and document the same. This method is useful to improve decision making skills related to day to day working like responding to messages, emails, correspondences held at the desk.
10. **Vestibule Training:** V training is conducted at a place similar to production area using resembling equipment and tools. This is mostly used for initial training where employee is not expected to produce.

11. **Apprenticeship Training:** This is a combination of classroom teaching and on the job training. Trainees here are called apprentices who work under skilled instructors to learn at real work situation along with classroom teaching. This method is normally used to develop special skills like mechanical, electrical, tailor, carpenter, plumber and printer and other technical works etc.
12. **Work Shadowing Method:** In order to have succession planning, a potential candidate is trained as a future executive while on the job. Potential candidate works (directly or as an observer) under the present job holder.
13. **Programmed Instruction:** This is a kind of online learning or computerized learning where the learner keeps reading small portion of training material called frames and simultaneously gives answer to the questions followed by the frame. There is no face to face delivery of instructions.
14. **Large Scale Interactive Events:** In this method, the experts share their experiences with the team assuming that the participants possess expertise because of the position held by them in the organization and they can share, combine or merge with others' experiences with their own. The group may consist of 300 to 400 experts. Volunteers assist in successful conduct of training.
15. **Personal Coaching Method:** As the name suggests, it's one-to-one coaching between trainee and the immediate boss.
16. **Mentoring Method:** An on-the-job method of training, where the trainees learn from senior experienced members from the organization usually on one-to-one basis. The experienced person is named as mentor who helps a new member (mentee) of the organization till the time the mentee is confident of his performance.
17. **Job Rotation Method:** In this method the trainee is shifted to different jobs in order to broaden the exposure and to relate their task to the overall functioning of the organization. In this method the person gets a feel of various jobs, its responsibility and hierarchy and interacts with people of different departments which helps him in maintaining a working relationship.
18. **Computer-based Training:** This is a technology-enabled method of training. The person is trained through computer with stereo phones and other aids via presentations including audios and videos. This enhances speed, data accuracy and feedback of learning by automatically generated scores to track performance and learning. This is conducted by a trained instructor or it may create fear or anxiety.
19. **Behavior Modelling:** This technique is in a way related to follow your ideal as a role model. It involves playing CDs and videos etc., of various entrepreneurs, corporate achievers, business tycoons, a struggler turned big business man or top management of renowned companies and so on. In between doubts are cleared, various aspects are discussed in a pause. Though

it requires usage of costly gadgets like projectors but it is useful for motivation, learning, conflict management and developing risk taking attitude and relationship management.

20. **Internship Method:** Internships are somewhat similar to apprenticeship but it involves young students of college and university who are placed temporarily on jobs where they can earn and learn. Employer has no obligation regarding permanent placement of such employee at the same time manpower requirement is met to an extent through such internships.

21. **Development Centre:** This method is also called as assessment center. This method assesses the potential of available performers to take up higher responsibilities in the organization. Development Centre method is effective for developing leadership, decision-making skills, goal-setting and counseling skills amongst trainees.

Example

Abbott, a medical device company, provides its employees with an opportunity to gain exposure in four focus areas namely clinical, finance, information technology, operations. Those chosen for Abbot's program undergo a two-year assignment in which they shift between various tasks and disciplines. This gives the new graduates the ability to experience several roles in a short period of time thus allowing them to investigate their own interests and preferences.

Source: ICFAI Research Center

15.10 Measuring Training Effectiveness

Measuring the training effectiveness is as important as designing training program. Training programs are devised according to the identified needs so as to bridge the performance gaps.

The training programs need to be monitored to ensure that the objectives of the training are achieved. The effectiveness of the training programs can be measured by observation or monitoring, administering questionnaire, interviews, employee diaries, logbooks, audio-visual recording, surveys and case studies to name a few.

Training evaluation can be divided into four stages as formative, process, outcome, and impact. Let us understand them in detail:

- *Formative evaluation* is pre training evaluation based on identified needs, matching the same with designed training programs (methods, material, mode of delivery, training of trainers) to see that training will give desired output. This helps in stabilizing or upgrading the training program.
- *Process evaluation* takes place during delivery of training program. The feedback process between trainer and trainee helps in measuring the training effectiveness. This may be verbal / written or computerized based on training method in use.

- *Outcome evaluation* takes place after the completion of training program. This measures the performance of trained employee. It measures whether the employee is able to apply acquired skills at the actual workplace to produce the desired result or not, and change in behavior and learning. It is a short-term evaluation in comparison to impact evaluation.
- *Impact evaluation* is a long-term process of evaluating the overall impact of the training program on the achievement of strategic goals of the organization.

Kirkpatrick's Four-Level of Training Evaluation

Donald Kirkpatrick, in his work Evaluating Training Program gave four levels of measuring training effectiveness.

The four levels are:

1. *Reaction Level:* To measure the trainees' reaction to training about the instructor, topic, material, method, presentation, and the location. This helps in ensuring motivation at the receiving side. It also helps in finding the gaps in the present training program.
2. *Learning Level:* This level is to evaluate the impact of training on skills and knowledge. Are these impacts in line of objective of training? The positives and negatives of training guides future training plan.
3. *Behavior Level:* This is the real behavioral application of training. It measures that the impact of training on employee's behavior is long or for very short period. This also measures whether such change in behavior is only during favorable conditions or otherwise. The group behavior too measures the effectiveness of first two levels.
4. *Results Level:* This level measures the final and long term impact of training in achieving organizational goals like increased productivity, enhancement of motivation and morale, reduced attrition to name a few.

The usages of these levels are time consuming, expensive and may not be applicable to all organizations. Some favorable changes in behavior or performance may be due to change of boss or supervisors' or colleagues' behavior.

Example

LearnAmp is an online learning experience platform that uses analytics and data visualization for measuring the Return on Investment on the training programs. It also comes equipped with performance tools allowing employees to set and monitor their own Objectives and Key Results (OKRs). LearnAmp helps in monitoring the effectiveness of the training programs.

For more information, check out https://learnamp.com/ (accessed on 26/4/2022)

Check Your Progress - 2

6. Which of the following can be improved by interviews for training need identification by clearly distinguish between immediate training requirements to improve current performance?
   a. Development needs for growth
   b. Past performance
   c. Individual goals
   d. Needs of employees
   e. Future performance
7. Which of the following is undertaken to get a broad assessment of an individual from different stakeholders of the organization?
   a. Performance evaluation
   b. 360-degree appraisal
   c. Performance appraisal
   d. Performance counseling
   e. Skill development
8. Feedback is given to an employee or a group about the past performance/behaviour in order to improve their future performance/behaviour.

   True/False
9. Which of the following refers to providing the employee with necessary equipment tools & delegating authority to overcome obstacles to achieve goals?
   a. Employee feedback
   b. Employee assessment
   c. Employee empowerment
   d. Employee engagement
   e. Employee satisfaction
10. Which of the following reflects the managers' capability to take adequate responsibility and ability to influence and control others?
   a. Managerial function
   b. Managerial control
   c. Managerial involvement
   d. Managerial competence
   e. Managerial power

15.11 Summary

- The performance management framework helps in creating positive workplaces where employees are motivated, supported and goal oriented.
- The performance development planning helps superiors and employees to identify their goals (personal and business) which are significant for the organizational success.
- Performance evaluation plans help employees in knowing what is expected out of their jobs and set the standards to eliminate the jobs which are not needed any further.
- The objective of the performance development review is to identify the underperformer and fix the performance development and improvement plan.
- Managers are expected to motivate poor or underperformers for improving their performance. Several employee development and training programs are undertaken to focus on management development.
- It is important to measure their effectiveness to know whether organizational goals are realized through these programs. Donald Kirkpatrick gave four levels of measuring training effectiveness.

15.12 Glossary

Counselling: It is a direct and open discussion between the employee and the manager on a particular problem, its reason, identification of remedies and ensuring proper implementation.

Counselling: It is a direct and open discussion between the employee and the manager on a particular problem, its reason, identification of remedies and ensuring proper implementation.

Development and Assessment Centers: The centers that assess the potential of available performers to take up higher responsibilities in the organization

Formative evaluation: It is pre training evaluation based on identified needs, matching the same with designed training programs to see that training will give desired output

In the basket Training (IBT): In this method, the trainee is provided with a basket full of normal routine papers, letters and files related to his work and he is expected to examine and recommend solutions to problems and document the same

Internship Method: Internships are somewhat similar to apprenticeship but it involves young students of college and university who are placed temporarily on jobs where they can earn and learn.

Job mastery skills are skills necessary for successful performance of job.

Job Rotation: Job rotation is shifting an employee to different jobs in order to broaden his exposure and to relate their task to the overall functioning of the organization.

Mentoring: An on-the-job method of training, where the trainees learn from senior experienced members from the organization usually on one-to-one basis

Outcome evaluation: Evaluation taking place after the completion of training program

Performance Development: It is a process of encouraging, rewarding, supporting and developing employees**.**

Performance Development: It is a process of encouraging, rewarding, supporting and developing employees

Process evaluation: Evaluation taking place during delivery of training program

Punitive actions: Disciplinary actions taken by organizations as a course of corrective measure.

Simulation Exercises Method: In this method, a situation similar to a complex workplace is created and an employee is trained on that to have a feel of real work without actually damaging the real material and machine

Vestibule Training: Vestibule training is conducted at a place similar to production area using resembling equipment and tools

15.13 Self-Assessment Test

1. ‘Performance and Development Planning (PDP) is a process that is collaborative and involves both supervisor and employee’. Explain.
2. Explain the process of performance management and analyse the role of a manager in making the process effective.
3. Is performance appraisal the same as performance management? Differentiate between performance appraisal and potential appraisal.
4. How do we ensure that managers and their supervisors have the time required to properly collect performance feedback and conduct performance interviews?
5. How do we help managers get the qualitative and quantitative information they need to make useful and accurate assessments? Can performance management be a source of change?
6. How do we create an environment of trust so that managers are open to revealing learning gaps and weaknesses in order to fully develop their potential and facilitate organizational development and change?

15.14 Suggested Readings/Reference Material

1. John Shields, Jim Rooney, Michelle Brown, Sarah Kaine; Managing Employee Performance and Reward: Systems, Practices and Prospects, 3rd Edition, Cambridge University Press, 2020
2. Susan L. Verhulst, David A. DeCenzo, Rama Shankar Yadav; Human Resource Management, 13th Edition, Wiley, 2021
3. Durai Pillai, Total Reward Strategy: Retain Your Best Talent, 1st Edition, Notion Press, 2020
4. Stephen J Perkins, Sarah Jones, Reward Management: Alternatives, Consequences and Contexts, 4th Edition, Kogan Page, 2020
5. Kevin R. Murphy, Jeanette N. Cleveland, Madision E. Hanscom, Performance Appraisal and Management, Sage Publications, 2020

15.15 Answers to Check Your Progress Questions

1. (e) 360-degree performance appraisal and feedback

It is true that multi-source or multi-rater performance appraisal and feedback is also termed as 360-degree performance appraisal and feedback.

2. (c) OD, Design, Staffing, Performance Appraisal, Employee Training and Development. Compensation and Reward Systems, Benefits and legal Compliance

The main HRM domain areas are listed above.

3. (c) Performance management

Performance management measures a department's success as a response to pre-determined standards of productivity, quality and growth.

4. (d) Employee Engagement

The degree of employee's satisfaction is measured by employee engagement.

5. (b) Counseling

The help provided by a superior to his subordinates, in a supportive and empathetic atmosphere, for setting performance goals is counseling.

6. (a) Development needs for growth

Interviews for training need identification must clearly distinguish between immediate training requirements to improve current performance & development needs for growth.

7. (b) 360 - Degree Appraisal

360 Degree appraisal is to get a broad assessment of an individual from different stakeholders of the organization.

8. True

It is true that Feedback is given to an employee or a group about the past performance/behaviour in order to improve their future performance/behaviour.

9. (c) Employee empowerment

Employee empowerment means providing the employee with necessary equipment, tools & delegating authority to overcome obstacles to achieve goals

10. (d) Managerial competence

Managers' capability to take adequate responsibility, ability to influence and control others and problem solving skills shows managerial competence.

Unit 16

Motivation and Performance Improvement

Structure

16.1 Introduction
16.2 Objectives
16.3 The Concept of Motivation
16.4 Importance of Motivation for an Organization
16.5 Motivation and Performance Management
16.6 Maslow's Need Hierarchy Theory
16.7 Vroom's Expectancy Theory
16.8 McGregor's Theory X and Theory Y
16.9 McClelland's Theory of Needs
16.10 Porter and Lawler's Model of Motivation
16.11 Summary
16.12 Glossary
16.13 Self-Assessment Test
16.14 Suggested Readings/Reference Material
16.15 Answers to Check Your Progress Questions

"Whether you think you can, or you think you can't, you're probably right."

– Henry Ford

16.1 Introduction

As has been advocated by Henry Ford, motivation drives the employees towards the goals. Employee motivation helps the organization in attracting and retaining talent as well as improving productivity. In the previous unit, we have discussed about the relationship between performance management and employee development.

One of the determinants of employee performance is the extent of motivation provided by the organization to channelize the employee potential towards the organizational objectives.

This unit explains the importance of motivation and discusses the various theories of motivation. Further it would focus on how performance management system can ensure accomplishment of organizational goals.

16.2 Objectives

After studying this unit, you should be able to:

- Explain the concept of motivation
- Enumerate the importance of motivation
- Illustrate the role of motivation in performance management
- Examine the various theories of motivation

16.3 The Concept of Motivation

The concept of motivation is becoming increasingly pervasive in performance management and reward literature. Motivation is an important factor in understanding what drives employees.

According to Stephen Robbins, motivation is 'the willingness to exert high levels of effort towards organizational goals, conditioned by the effort's ability to satisfy some individual need.'

The essentials of motivation are enumerated below:

- Motivation is linked with both the strength and direction of the goal-directed behavior. Hence, motivation is said to take place when people begin to expect that a course of action will lead to the achievement of a goal.
- The achievement of desired goal should lead to a valued reward which satisfies their particular needs. Thus, we can say that 'highly-motivated' people are those who have clearly defined goals, which induce them to take action to achieve the goals. This leads to effective contribution at work both for the organization and themselves.
- Motivation is the psychological force that drives an individual to achieve various desired goals. It accounts for an individual's intensity, direction, and persistence of effort towards attaining various goals.
- It is emphasized that motivating employees is an important function of the manager. It is essential to motivate employees in order to ensure that they are performing to their optimum potential. It is only through a highly motivated workforce that the organization can progress and excel.

The channels of motivation can be categorized into:

- *Intrinsic motivators* which arise out of self-generated factors that influence people to behave in a particular way. This can be out of a sense of responsibility, freedom of action, a challenging job, and opportunity for advancement. Intrinsic motivators are by their very nature intangible and have a longer effect on individual performance as compared to external factors. However, they are very subtle and hard to measure and cannot be replicated as well.

- *Extrinsic motivators* are the external factors that are used to motivate the employees. These factors include increased pay, better working conditions, paid holidays, rewards or even punishments such as disciplinary action or loss of pay. Extrinsic motivators have an immediate effect but they do not last for a long time. Moreover, it is easy for the rivals to replicate.

Example

Amazon Care is a hybrid virtual and in-person healthcare benefit available for Amazon employees. When employees want to take time away from work, they are afforded ample paid time and paid holidays, in addition to other leave and medical accommodation options that are available for mental and physical health concerns.

For details, check out https://www.aboutamazon.com/workplace/employee-benefits (accessed on 28/4/2022)

Activity 16.1

"Motivation at work can be ignited through the intrinsic or extrinsic channels.'' What are intrinsic or extrinsic channels? Explain with one or two examples.

Answer:

Check Your Progress - 1

1. A sense of responsibility, freedom of action, and a challenging job are examples of which type of motivator?
   a. Extrinsic
   b. Intrinsic
   c. Primary and physiological
   d. Achievement orientation
   e. Visible motivation
2. Which of the following is easier to replicate?
   a. Intrinsic motivation
   b. Extrinsic motivation
   c. Manipulative orientation
   d. Visible motivation
   e. Achievement orientation

16.4 The Importance of Motivation for an Organization

Highly motivated employees become an asset to the organization and contribute to its growth. The absence of motivation can have disastrous consequences for the employees. The following are the important outcomes of motivation:

i. *High performance:* If the employees are given incentives for performance, they act as motivational factors that stimulate employees to perform. Incentives typically lead to motivation, and motivated employees will put in great effort for achieving organizational goals. This enables high performance standards to be achieved.

ii. *Low employee turnover and absenteeism:* Employees lacking motivation feel frustrated and unhappy with their jobs. Being dissatisfied, it is highly likely that they will switch to other jobs. This will increase the turnover of the firm. Moreover, dissatisfaction among employees also leads to absenteeism. Hence, it becomes essential to ensure that employees are kept motivated.

iii. *Positive organizational image:* Organizations offering better monetary and non-monetary benefits to the employees have a better reputation among the pool of workers. This positive image attracts and helps in recruiting good talent to the organization.

iv. *Better industrial relations:* A good motivational system will create job satisfaction among employees. This creates an atmosphere of confidence among employers and employees. This in turn contributes to reduced chances of conflict among the employers and employees.

v. *Acceptability towards change:* Usually, when changes are introduced in an organization the employees have a tendency to oppose them due to the fear of negative consequences. However, employees that have high levels of motivation do not resist change – they do not perceive it as a threat but as an opportunity to better themselves.

vi. *Reflective of a positive organizational culture:* Motivated employees indicate that the organization is alive and functioning and the concerns of the employees are being listened to. It shows a strong connection between the employees and the organization which is essential in today's knowledge driven organizations.

Refer to Exhibit 16.1 which illustrates the commitment and approaches of Microsoft for motivating and empowering their employees.

Exhibit 16.1: Employee Motivation and Empowerment - The Microsoft Way

Microsoft, strives to create a respectful, rewarding, diverse, and inclusive work environment that enables their employees to create products and services that help others achieve more. Following are their approaches:

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The Global Human Rights statement of Microsoft and the participation as a signatory to the UN Global Compact, demonstrates the commitment of Microsoft to respecting the human rights covenants and declarations.

Microsoft provides dynamic, sustainable, and strategic programs that provide a highly differentiated portfolio to attract, reward and retain top talent and enable their employees to do their best work. These programs result in global performance and development approach that fosters their culture and competitive compensation that ensures equitable pay by role while supporting pay for performance, and distinctive benefits that result in employee delight.

Microsoft is committed to supporting their employees' well-being and safety while they are at work and in their personal lives. In addition to their comprehensive benefits package, their Occupational Health and Safety program helps ensure employees can stay safe while they are working.

The growth mindset culture of Microsoft begins with valuing learning over knowing—seeking out new ideas, embracing challenges, learning from failure, and improving over time. To support this culture, they offer a diverse range of learning and development opportunities. Opportunities include the following:

- Personalized, integrated, and relevant views of all learning opportunities on Microsoft Learning and LinkedIn Learning.
- In-the-classroom learning and sharing with learner boards.
- On-the-job "stretch" opportunities for advancement.
- Frequent promotion opportunities.
- Coaching on career development through ongoing manager connections.
- Customized manager training to enhance coaching and mentoring skills.
- New employee orientation covering a range of topics including company values, culture and standards of business conduct.

Source: https://www.microsoft.com/en-us/corporate-responsibility/empowering-employees (accessed on 28/4/2022)

16.5 Motivation and Performance Management

Performance can be defined as the ability to accomplish a particular task and is measured in terms of established standards of accuracy, speed, and costs involved. Performance is a function of two variables: ability and motivation. Of these, ability is a function of the skills, competencies, and experience of an employee. It takes substantial investment and time to build employee ability. Keeping ability constant, it is only when the employee has high levels of motivation that he/she is able to deliver high levels of performance. It is essential that managers be able to adequately motivate the employees, so as to ensure that standards of performance are maintained.

Some of the ways of motivating employees are:

- *Positive reinforcement:* Positive reinforcement is a stimulus that strengthens the probability of a specific response. The most common types of positive reinforcements are appreciation and recognition. To get the best rewards from positive reinforcements, the most effective way would be to ensure that their skills match the task at hand.
- *Setting high expectations:* By setting high expectations of employees, managers communicate their confidence in the employees' ability to rise to higher standards. This makes the employee feel special and he/she works harder to achieve the target. Research has shown that the setting of high expectations acts like a self-fulfilling prophecy. This phenomenon is also termed as the 'Pygmalion-effect'.
- *Disciplinary measures:* There are two aspects to disciplinary action at the workplace. Managers must spend time interacting with employees and trying to understand them. Most importantly, in case an employee shows consistent initiative and self-discipline, he/she should be publically praised. Second, in case there are instances where some behavior is inappropriate, the behavior should be checked immediately. In case inappropriate behavior is not checked, it will lead to a declining morale at the workplace.
- *Treating employees fairly:* Employees should be treated fairly. This does not mean that all employees have to be treated equally. The organization must ensure at all costs that there is no discrimination on account of an employees' religion, gender, race, sexual orientation or disability status.
- *Determine work-related goals:* The organization can help employees set specific work-related goals. These goals are specific and act as a rudder for employees to put in efforts in the right direction and work.
- *Rewarding on job performance:* Rewarding is related with compliance of employees. Those who comply are rewarded, and those who do not are streamlined either by the rewards being withheld or by disciplinary action being taken.

The common organizational barriers to motivation are lack of recognition and rewards, inequitable treatment, inconsistency of goals, autocratic leadership, unjust performance management system, ineffective communication and feedback mechanism.

Example

Steel Icons and Shabash are the central recognition framework for Tata Steel through which they appreciate their employees for their extraordinary efforts. Employees are appreciated through simple yet meaningful exchanges ranging from simple thank you to formal rewards.

For details, check out https://www.tatasteel.com/careers/work-at-tata-steel/rewards-and-recognition/ (accessed on 28/4/2022)

Activity 16.2

Indian Online Trading Company

Imagine that you are an HR manager in an online training company based in India. The company offers various training courses to clients based in the US. With a slump in the US market, the company is going through a financial crunch. The company has been forced to withhold the salary increments of its employees. You have learnt that there is a strong rumor among the employees that lay-offs are imminent. The morale of the employees is low and you feel that this is affecting their performance. In your current role, what steps will you take to increase the motivation levels of the employees?

Answer:

Check Your Progress - 2

3. Which of the following will lead to better industrial relations?
   a. Job satisfaction
   b. Job switching
   c. Job resignations
   d. Job specification
   e. Job rotation
4. What is the best option to describe a 'stimulus that strengthens the probability of a specific response'?
   a. Work related goals
   b. Positive reinforcement
   c. Fair treatment
   d. Avoidance
   e. Accommodation
5. The Pygmalion effect is related to which of the following?
   a. Positive reinforcement
   b. Treating people fairly
   c. Setting high expectations
   d. Rewarding job performance
   e. Setting objectives of performance

16.6 Maslow's Need Hierarchy Theory

Work motivation theories examine the psychological aspects of what motivates people in a formal organizational setting. Motivation and rewards are inter-related in an organization as rewards are given on the understanding that the employees are sufficiently motivated to perform the desired tasks.

The process of motivation begins with an assumption that behavior, at least in part, is directed towards the satisfaction of needs. Maslow proposed that human needs can be arranged in a particular order from the lower to the higher. Maslow considers effectiveness as a function of matching the available opportunity with an employee's position on the hierarchy of needs.

Maslow's theory of motivation is important as it is held that the behavior of an individual at a particular moment is an outcome of his/her strongest need. The same has been explained below:

- A particular reward or organizational outcome may satisfy the particular need of the employee and motivate him/her.
- Maslow holds that when the needs at a particular level are fulfilled, they will no longer to be able to motivate.
- The person then moves on to the subsequent level of motivation where the needs of that level become active.
- It is through this step by step process that the person working at the physiological level of needs can graduate from level to level to reach the highest level of self-actualization.

Maslow need hierarchy comprises the following levels of needs:

i. *Physiological needs:* These are basic needs such as food, water, shelter, sex, sleep that are necessary for bare sustenance. In the organizational context, they refer to amenities at workplace, lighting and ventilation to name a few.

ii. *Safety needs:* When the physiological needs are satisfied and they are no longer controlling thoughts and behaviors, the need for security becomes active. This is the need for self-preservation. At the workplace, this refers to the need for job security, health and safety measures at workplace, retirement benefits to name a few. In case this need is under threat, the other higher needs seem unimportant.

iii. *Social needs:* When the needs for physiological well-being and safety are satisfied, the next class of needs is that for love, affection, and belongingness which are otherwise known as social needs. Since humans are social beings, they derive identify from the social groups that they form with family being the primary group. At the workplace, interpersonal relationships, informal work groups, recreational facilities are some of the elements that satisfy the social needs of the employees.

iv. *Self-esteem needs:* After achieving a need for belonging for a period of time, an individual wants to earn self-esteem and recognition from others. Self-esteem is boosted when the person gets high evaluation, recognition, and respect from the members of his/her group. The individual feels confident and valuable as a person in the world. From the workplace perspective, this means that if employees are not given a sense of confidence and self-worth at the workplace, the natural tendency would be to shift to disruptive behavior in order to feel important. This can take the form of angry outbursts and quarrels to even strikes and lockouts.

v. *Self-actualization needs:* It is only when all these needs (physiological, safety, social and self-esteem) have been satisfied that the need for self-actualization becomes activated. This need is related to a person's desire to realize his/her true potential. Maslow's words, this means doing what 'a person was born to do'.

Now that we have understood the various categories of needs, let us discuss in detail, the complexities involved in them:

- First, it is easy to understand and satiate the lower order needs; however, the higher order needs are among the most difficult to understand.
- Second, it is also highly likely that the self-actualization needs will change as a person begins to age and his/her mental horizons expand.
- Most people in a work situation are above the physiological level and safety/security level, provided there is no immediate threat to their job.
- The majority of people hovering around the belongingness level aspire to self-actualization through self-esteem. If the management of the employee is not effective, the employee can get stuck in the safety/security level, where he/she fears for his/her job or in the belonging level, where he/she craves acceptance from both management and peers.

Example

Microsoft CARES is a platform provided by the company for its employees to seek and get answers for stress that they come across in their personal and professional lives. Professional coaches provide 24/7 support to assist the employees in developing the necessary coping skills to maintain emotional balance.

For details, check out https://www.microsoft.com/en-in/ microsoftlivewell365 /microsoft-cares.aspx (accessed on 28/4/2022)

16.7 Vroom's Expectancy Theory

Vroom proposed a model of expectancy in 1964. Vroom's theory is based on the assumption that behavior is largely the result of the conscious choice made by individuals from among various alternatives whose purpose is to maximize pleasure while minimizing pain. Accordingly, the strength to act in a certain way

depends on the strength of the expectancy that the act shall be followed by a given consequence (or outcome) and on the value of the attractiveness of that consequence (or outcome) to the actor.

Thus, motivation translates into the choice to exert effort on a certain task. It has a two-stage process which can be enumerated as follows:

- The individual's expectation that a certain level of effort will lead to a desired performance level
- As a result of achieving the performance level or goal, there being a reasonable chance of achieving the desired outcomes.

The model is based on three key elements: Expectancy, Instrumentality, and Valence. Now let us discuss them in detail:

- *Expectancy* is the belief of the individual that he/she will be able to achieve a specific level of performance in a given task. It depicts the confidence of the person about his/her own capability. The essentials of expectancy can be enumerated as:
    - All other things remaining the same, an individual would try harder at a job if he/she believes that he/she can do it.
    - Expectancy is affected by having the right resources available (e.g. raw materials, time) to do the job, having the right skills to do the job, and having the necessary support of the supervisors to get the job done.
    - The probability of expectancy can range anywhere from zero (the person assumes that he/she cannot accomplish the task) to one (the person has no doubt in his or her mind that the task will be accomplished).
- *Instrumentality* is based on the individual's belief that by achieving a desired level of outcome, a person would be able to get what they desire. If the outcome of the task is something that the person wants or is gratifying, then the person will place a high value on performing that particular task.
- *Valence* is the positive or negative value people place on the expected outcomes. In other words, it is the strength of an individual's preference for a reward. The valence will be positive if an individual wants to have something as opposed to not having it. The valence of an outcome depends on the needs and personal preferences of the individual.

The combination of all the three factors will lead to various outcomes. Outcome is the end-result or what people can expect from their job. There are two levels of outcomes: one is the first-level outcome that looks at the quantity of output or the desired performance level. The second level outcome is the end result which is expected to follow from the first level outcome.

To sum up, Expectancy Theory propounds that an individual puts in a certain level of effort, depending on the value placed on the outcomes received and the strength of the link between the effort and outcome.

According to Vroom, the motivational force of an individual is a multiplicative product of expectancy, instrumentality, and valence. A major implication of the multiplicative model is that motivation does not depend on one single variable but on all three variables together. This means that if any of the three variables is zero, there cannot be a motivational force.

Motivational force = Expectancy x Instrumentality x Valence

Example

SAP Success Factors Compensation tool is deployed by Whirlpool Corporation to improve individual and business performance with personalized, timely rewards and recognition programs. It not only drives the employee towards the goal but also helps Whirlpool to make informed decisions about employee pay, automating and simplifying employee compensation planning and centralizing employee compensation management which, in turn, elevate employee motivation and morale.

For details, check out https://www.sap.com (accessed on 28/4/2022)

Check Your Progress - 3

6. Which of these theories works on the assumption that behavior is a result of conscious choice?
   a. Vroom's expectancy theory
   b. Maslow's need hierarchy theory
   c. Pygmalion effect
   d. Theory X
   e. Theory Y
7. Which of the following elements depicts the confidence of the individual about his/her capability?
   a. Expectancy
   b. Instrumentality
   c. Valence
   d. Outcome
   e. Output
8. Which of the following options shows the individual's belief that by achieving a desired level of outcome, a person would be able to get what he/she desires?
   a. Expectancy
   b. Valence
   c. Instrumentality
   d. Rewards
   e. Output

16.8 Douglas McGregor's Theory X and Theory Y

Douglas McGregor had come up with two opposite sets of assumptions on employees and management views about the nature of people at work. These have been represented by Theory X and Theory Y. Theory X stands for the set of traditional beliefs held while Theory Y stands for the set of beliefs based upon researches into behavioral science, which is concerned with the modern social views on man.

16.8.1 Assumptions of Theory X

The assumptions of Theory X are:

i. Employees inherently dislike work and, whenever possible, attempt to avoid it.

ii. Since employees dislike work, they have to be coerced, controlled, or threatened with punishment to achieve goals.

iii. Employees will avoid responsibilities and seek formal direction whenever possible.

iv. Most workers place security above all other factors associated with work and will display little ambition.

Implications of Theory X: McGregor's Theory X propounds the following important points about employee motivation:

- In order to improve performance, the manager will have to lay emphasis on discipline, incentive programs, welfare measures, close supervision, and pension and other benefit programs.
- Theory X holds that external control is appropriate for dealing with irresponsible, unreliable, and immature people, if work is to be got done from them.

16.8.2 Assumptions of Theory Y

The assumptions of Theory Y are:

i. Employees can view work as natural as rest or play.

ii. People will exercise self-direction and self-control.

iii. The average person can learn to accept, even seek, responsibility.

iv. The ability to make innovative decisions is widely dispersed throughout the population and is not necessarily the sole province of those in management positions.

Implications of Theory Y: McGregor's Theory X propounds the following important points about employee motivation:

- People are self-motivated and enjoy work, provided it is challenging.

- Employees need to be provided with autonomy for taking decisions concerning their work. Managers should give emphasis on consultation, participation and communication.
- Employees should be provided with opportunity to take initiative and formulate managerial and personnel policies.

Example

Adobe Inc. runs Kickbox methodology to encourage creativity and accelerate innovation velocity. It provides its employees with the Kickbox which is a small, red cardboard box containing everything an employee needs to generate, prototype, and test a new idea.

For details, check out https://www.kickbox.org/ (accessed on 28/4/2022)

16.9 McClelland's Theory of Needs

David McClelland who examined the relationship between needs and behavior proposed in his acquired needs theory that an individual's specific needs are acquired over time and are shaped by his/her self-experience. Needs can be categorized into need for achievement, affiliation and power.

- *Achievement:* People with a high need for achievement (nAch) seek to excel and thus tend to avoid both low-risk and high-risk situations. Achievers avoid low-risk situations because they feel that easily attained success is not a genuine achievement. In high-risk projects, achievers see the outcome as one of chance rather than one's own effort. High nAch individuals prefer work that has a moderate probability of success, ideally a 50 percent chance. Achievers need regular feedback in order to monitor the progress of their achievements. They prefer either to work alone or with other high achievers.
- *Affiliation:* Those with a high affiliation (nAff) need harmonious relationships with other people and need to feel accepted by other people. They tend to conform to the norms of their work group. High nAff individuals prefer work that provides significant personal interaction. They perform well in customer service and client relations.
- *Power:* A person's Power need (nPow) can be one of the two types–personal and institutional. Those who need personal power want to direct others, and this need often is perceived as undesirable. Persons who need institutional power (also known as social power) want to organize the efforts of others to further the goals of the organization. Managers with a high need for institutional power tend to be more effective than those with a high need for personal power.

Implications: The theories are highly relevant as they hold that each and every individual has a different level of needs. This has important implications:

- *High need for achievement*: High achievers should be given challenging projects with reachable goals. Individuals with a high need for achievement would do well in companies that have a pay-for-performance environment.
- *High need for affiliation*: These are the employees that have a high need for affiliation and want to perform best in a cooperative environment. The need for affiliation is much higher in the lower cadre of employees.
- *High need for power*: Management should provide power seekers the opportunity to manage others. Thus, top managers should typically have a high need for power and control others.

Last, all the three types of needs are present in the individual, but are continually being shaped by the cultural background and life experiences of the individual concerned. However, one of these needs will be dominant, depending on the personality of the individual

Example

A spot bonus program is used to recognize and reward exemplary achievements at Google. The program allows managers to reward any employee who served on their project teams with a monetary award or with non-cash recognition, such as dinner for two.

For details, check out https://about.google/ (accessed on 28/4/2022)

16.10 Porter and Lawler's Model of Motivation

Lyman Porter and Edward Lawler (1968) modified and built upon Vroom's Expectancy (1964) and Adam's Equity theories of motivation. We have already discussed Vroom's expectancy theory. Equity theory of motivation essentially holds that people work on the basis of fairness. To establish this sense of fairness, the employees compare the ratio of effort and reward, with the ratio enjoyed by others who are held in relevant reference.

Porter and Lawler's model holds that employee motivation is a function of the degree to which an employee values certain rewards, as well as the extent to which the employees believe that their efforts would result in receiving those rewards. Further it advocates that that individuals' abilities and perceptions moderate the relationship between effort and performance. These perceptions are in turn a function of fairness of the rewards received.

Elements of the model: According to the Porter Lawler model, the various elements in the process of employee motivation are:

a. ***Effort*:** Effort refers to the amount of energy which a person exerts on a job.

b. ***Value of reward*:** First of all, people try to figure out whether rewards that are likely be received from doing a job will be attractive to them. This was valence in Vroom's theory.

c. ***Perceived effort reward probability*:** In addition, before people put forth any effort, they will also try to assess the probability of a certain level of effort leading to certain kinds of rewards. Based on the valence of the reward and the effort reward probability, people can decide to put in a certain level of work effort.

d. ***Performance*:** Efforts lead to performance. It is here that the model builds on the other models. It holds that the expected level of performance depends upon the amount of effort, the abilities, and traits of the individual – along with the role perceptions.

e. ***Rewards*:** Performance leads to certain outcomes in the shapes of two types of likely rewards namely extrinsic and intrinsic rewards. (i) Extrinsic rewards are the external rewards given by others in the organization in the form of money, recognition, or praise. (ii) Intrinsic rewards are internal feelings of job satisfaction, self-esteem, and sense of competence that individuals feel when they do a good job.

f. ***Satisfaction*:** Satisfaction will result from both extrinsic and intrinsic rewards. However, to be satisfied, an individual will compare his/her actual rewards with perceived rewards. If actual rewards meet or exceed perceived equitable rewards, the individual will feel satisfied and if these are less than the equitable rewards, the individual will feel dissatisfied.

Implications: The Porter and Lawler model has important implications for management:

- The organization must ensure that the employees value the rewards that are offered.
- Employees shall put in more effort if they believe that good performance will lead to the achievement of the desired rewards.
- The employees must have the opportunity, ability, resources, and effective management to carry out the tasks, and must believe that the quality of work, and hence their reward, is directly related to and reflects the effort they put into the job, failing which the employees may not perform well.
- Managers must communicate their expectations and objectives clearly.
- To increase the expectations that desired performance will be rewarded, the managers must make sure that the rewards are clearly and visibly linked to performance.
- Managers must recognize the important role played by comparisons in determining employee satisfaction.

Example

Infosys' Digital Quotient is a comprehensive score that helps Infoscions to keep track of their digital capabilities. Using the score, Infoscions can understand their relative skillset compared to others and enable them to realize new opportunities. Those with a higher digital quotient have greater access to new opportunities and interesting projects.

For details, check out https://www.infosys.com/2021 (accessed on 28/4/2022)

Check Your Progress - 4

9. The assumption that employees fundamentally dislike work and have to be coerced to work is given by which of these options?
   a. Theory Y
   b. Theory X
   c. Theory Z
   d. Theory A
   e. Theory B
10. In the context of the Porter Lawler's model, what do you mean by perceived effort reward probability?
   a. The probability of a certain level of effort leading to certain kinds of rewards
   b. The probability that effort will lead to output
   c. The probability of the effort leading to satisfaction
   d. The probability of the effort leading to dissatisfaction
   e. The probability of a certain level of effort leading to certain kind of achievement

16.11 Summary

- The performance of non-human factors like machines depends upon the level of technology and the competence of those who use them. The performance of the employees depends on two factors, i.e., ability of the employees and their motivation.
- Motivation is an important factor which encourages the employees to contribute their best performance and in reaching the goals of the enterprise.
- Job performance is considered to be a function of ability and motivation. Ability in turn depends on education, experience, and training. Motivation can be achieved by positive reinforcement, effective discipline, and punishment, treating people fairly, satisfying employee needs, setting work related goals, restructuring jobs, and basing rewards on job performance.

- According to various motivational theorists, it is difficult to understand motivation without considering what people want and need from their work.
- Maslow's theory is considered to be one of the important theories of motivation because it highlights the needs of the people.
- In the expectancy theory, the approach is made to help us understand how people develop and act on their mental maps.
- Douglas McGregor has presented two opposite sets of assumptions on employees and management based on the nature of men at work.
- David McClelland proposed that an individual's specific needs are acquired over time and are shaped by his/her self-experience; most of these needs are classified as achievement, affiliation, or power.
- Porter and Lawler (1968) modified and built upon Vroom's Expectancy (1964) and Adam's Equity theories of motivation. These theories can be termed process theories of motivation as they consider the dynamic relationship between efforts and performance-reward for each individual.
- The theories of motivation encompass the dynamic relationship between efforts, performance, and reward (which encourages an individual to put in his best effort.)

16.12 Glossary

Job performance: Job performance is considered to be a function of ability and motivation.

Maslow's hierarchy of needs: Maslow defines human effectiveness as a function of matching man's opportunity with the appropriate position on the hierarchy of needs. Motivation starts with the assumption that behavior is directed toward the achievement of the satisfaction of needs. Maslow arranged human needs in a hierarchy from the lower to the higher levels.

Motivation: Motivation is a psychological force that drives an individual to achieve various desired goals. It is the process that accounts for an individual's intensity, direction, and persistence of effort toward attaining various goals.

Porter and Lawler's model of motivation: Lyman Porter and Edward Lawler (1968) modified and built upon Vroom's Expectancy (1964) and Adam's Equity theories of motivation. These theories can be termed as process theories of motivation as they consider the dynamic relationship between efforts and performance-reward combination expected by each individual.

Theory of needs: David McClelland proposed that an individual's specific needs are acquired over time and are shaped by his/her self-experience. A person's motivation and effectiveness in certain job functions are influenced by the need for achievement, the need for affiliation, and the need for power.

Theory X: According to Douglas McGregor's Theory X, workers are fundamentally lazy. Thus, external control is necessary to deal with irresponsible, unreliable, and immature people. Managers place emphasis on discipline, incentive programs, welfare measures, close supervision, pension, and other benefit programs.

Theory Y: According to Theory Y, workers see work as natural as rest or play. The workers will do far more than is expected of them if they are treated like human beings and permitted to have personal satisfaction on the job.

Vroom's expectancy theory: This approach helps us understand how people develop and act on their mental maps. Vroom says that the multiplicative product of expectancy, instrumentality, and valence shall determine the motivational force of an individual.

16.13 Self–Assessment Test

1. What do you mean by motivation? What is the importance of motivation for an organization, especially with regard to performance management?
2. Explain Maslow's theory of motivation, describing the various levels of hierarchies with appropriate examples.
3. Describe Vroom's expectancy theory. How does one explain motivational force in this model?
4. Explain Douglas McGregor's theory X and theory Y, Discuss the specific assumptions made in each case.
5. Describe McClelland's theory of needs. Give simple examples of need at every level.
6. Describe Porter and Lawler's model of motivation and performance. How does it build upon the earlier models?

16.14 Suggested Readings/Reference Material

1. John Shields, Jim Rooney, Michelle Brown, Sarah Kaine; Managing Employee Performance and Reward: Systems, Practices and Prospects, 3rd Edition, Cambridge University Press, 2020
2. Susan L. Verhulst, David A. DeCenzo, Rama Shankar Yadav; Human Resource Management, 13th Edition, Wiley, 2021
3. Durai Pillai, Total Reward Strategy: Retain Your Best Talent, 1st Edition, Notion Press, 2020
4. Stephen J Perkins, Sarah Jones, Reward Management: Alternatives, Consequences and Contexts, 4th Edition, Kogan Page, 2020
5. Kevin R. Murphy, Jeanette N. Cleveland, Madision E. Hanscom, Performance Appraisal and Management, Sage Publications, 2020

16.15 Answers to Check Your Progress Questions

1. (b) Intrinsic

Intrinsic motivators arise out of self-generated factors that influence people to behave in a particular way. This can be out of a sense of responsibility, freedom of action, a challenging job, or an opportunity for advancement.

2. (b) Extrinsic motivation

Extrinsic factors such as increased pay, paid holidays, rewards or punishments such as disciplinary action or loss of pay are much easier to replicate for organizations when compared to intrinsic motivators.

3. (a) Job satisfaction

A good motivational system will create job satisfaction among employees. This creates an atmosphere of confidence among employers and employees. This in turn contributes to reduced chances of conflict among the employers and employees.

4. (b) Positive reinforcement

The concept of reinforcement was given by Skinner (1938). It essentially says that a positive reinforcement is any stimulus that will strengthen the probability of a specific response.

5. (c) Setting high expectations

The Pygmalion effect holds that by setting high expectations for employees, managers communicate their confidence in the employees' ability to rise to higher standards. This makes the employee feel special and he/she works harder to achieve the target. Research has shown that the setting of high expectations acts like a self-fulfilling prophecy which leads to the term 'Pygmalion effect'.

6. (a) Vroom's expectancy theory

Vroom proposed a model of expectancy in 1964. Vroom's theory is based on the assumption that behavior is largely the result of the conscious choice made by individuals among various alternatives whose purpose is to maximize pleasure while minimizing pain.

7. (a) Expectancy

Expectancy is the belief of the individual would be able to achieve a specific level of performance in a given task. It depicts the confidence of the person about their own capability. 'Ceteris Paribus', a Latin term which means 'all other things remaining constant,' an individual would try harder at a job if he/she believes that he/she can do it.

8. (b) Valence

Instrumentality is based on the individual's belief that by achieving a desired level of outcome, a person would be able to get what he/she desires. If the outcome of the task is something that the person wants or is gratifying, then the person places a high value on performing the particular task.

9. (b) Theory X

According to Prof. Douglas McGregor's Theory X, employees inherently dislike work and, whenever possible, will attempt to avoid it.

10. (a) The probability of a certain level of effort leading to certain kinds of rewards

This holds that before people put forth any effort, they will also try to assess the probability of a certain level of effort leading to certain kinds of rewards. Based on the valence of the reward and the effort reward probability, people can decide to put in certain level of work effort.

Unit 17

Emerging Trends in Performance Management

Structure

17.1 Introduction

17.2 Objectives

17.3 Best practices in Performance Management

17.4 Human Capital Management and Measuring HR Performance

17.5 Human Capital Trends

17.6 Length of Employment and Employee Retention

17.7 Succession Planning and Talent Management

17.8 Bench Strength

17.9 Telecommuter Management and Performance Evaluation

17.10 Performance Management of Virtual teams

17.11 Low Administrative Performance Management

17.12 The Challenges to Effective Performance Management

17.13 Summary

17.14 Glossary

17.15 Self-Assessment Test

17.16 Suggested Readings/Reference Material

17.17 Answers to Check Your Progress Questions

"The goal of agility measure is to keep track of the most value-driven factors to lead business success."

- Pearl Zhu

17.1 Introduction

As has been popularized by Pearl Zhu, a well-designed, quantitative and automated employee review process is essential for employee development and maximization of productivity in the workplace. In the previous unit, we have discussed about the impact of employee motivation on performance management.

Modern performance management system helps the organization to achieve its strategic objectives by improving administrative decision making, providing a channel of communication and feedback and assessment of training needs.

In this unit, we would discuss about the emerging trends in performance management and its impact on employee retention, succession planning and talent management.

17.2 Objectives

After studying this chapter, you will be able:

- Explain the trends and challenges in performance management
- Enlist the negative consequences of poor design and implementation of a performance management system
- Describe the importance of employee involvement and employee engagement
- Enumerate the current trends of human capital management and measuring HR performance and performance management of virtual teams and telecommuters

17.3 Best Practices in Performance Management

An organization should have a transparent performance review process that would reduce stress, improve employee engagement and enhance productivity. To have effective performance appraisal, the following efforts should be ensured:

- Set the organization's objectives and strategic plans for the coming year. Align employee expectations with organizational objectives. Create an environment where together the manager and employee can question, challenge and discuss goals and objectives to gain clarity.
- Consider performance management as an entire system, starting from interviews of potential employees to their orientation, training, coaching and counselling, and recognizing peak performance and setting rewards. Do not consider it as an annual event for salary planning or filling forms. It should be considered as an on-going workplace conversation.
- Avail information about the accomplishment of employee's performance last year. If required second-level review of performance appraisals, either by HR or second-tier management should be collected.
- Get details of developmental efforts or professional aspirations of the employee in the past year. Provide training to managers and employees on providing and getting positive and negative feedback on regular basis. Manager should be held accountable for regular conversation about work and goals.
- Link the performance appraisal system with employee retention, training and development, and succession and career planning initiatives. This communicates clearly the reasons for advancement of specific people.
- Plan the organization's strategic human resources management strategies, formal training program for the coming year. Ensure that the employee is aware of his past feedback and has no issues of bias etc.

- Staff should be aware of the expectations from the organization, pertaining to their performance and should have clear information of good and /poor performers' criteria
- Other supervisors, if looking after the same employees, should also give consent for measuring the performance and giving reviews.
- Compensation system based on performance should be communicated clearly and effectively to preclude the situations arising from any kind of rumors.
- Managers should ensure that the concerned employee is given the chance to explain his performance and problems faced in performance of the task effectively.
- Instead of comparing peers at the same level the performance of employees should be evaluated against the predetermined standards.
- Business decisions related to succession planning, compensation systems, manpower planning, and employee retention and talent management should not be influenced by any kind of bias or comparison errors but should be based on accurate and fair data.

Methods of Avoiding Bias

One of the most important criticisms leveled in performance management is bias in giving appraisals. All the managers who give appraisals must be trained to give appraisals in a fair and impartial way. Following are few suggestions for avoiding bias:

- *Continuous feedback:* Instead of doing annually, the feedback should be provided frequently because it is hard for a manger to recollect the performance related data at the end of the year. This can be done by properly noting down the instance of good or poor performance and other issues arising from time to time and kept as a record for review during appraisal.
- *360 Reviews:* In 360 multi-rater reviews different people at different level rates the employee thus it minimizes the chances of bias or influence.
- *Benchmarking:* This is the comparison of processes that are similar throughout the organizations and industries in order to identify the best of practices fix targets for improvement and measure the progress. The result of benchmarking usually serves as future targets for Balanced Scorecard.
- *Use customized formats:* Choose automated, online performance management software including customized appraisal templates for quick and easy way for building, maintaining, and updating by the organization which will avoid bias related to appraisal.

Refer to exhibit 17.1 which illustrates the cloud-based performance management system at Bombay Mercantile Co-operative Bank Ltd.

Exhibit 17.1: Agile Performance Management by TCS CHROMA

Bombay Mercantile Co-operative Bank Ltd. implemented CHROMA, TCS' talent management solution on cloud to digitalize their performance appraisal process which enables agile performance management and Artificial Intelligence/Machine Learning (AI/ML) driven promotion process.

With CHROMA, feedback-based culture has been inculcated in the organization with system features such as continuous feedback, multi-source feedback and 360-degree feedback. It ensures effective harnessing of talent through personalized performance development and capturing of career aspirations. Features such as quarterly appraisal evaluations, goal cascade and goal share by managers ensure that individual goals are aligned to the organizational overall objectives.

Furthermore, CHROMA helps reduce bias and attrition rate by AI/ML driven promotion recommendations to the managers, which supports vertical growth uniformity among employees which enables agile performance management and Artificial Intelligence/Machine Learning driven promotion process.

BMC Bank achieves higher employee satisfaction with uniform and transparent appraisals. Benefit of using Chroma have been enumerated below:

- Enhanced employee engagement
- Improved employee productivity
- Reduced operational overheads
- Reduced accountability for documentation
- Anytime, anywhere feedback

Source: https://www.tcs.com/bmc-bank-digitize-performance-appraisal-process (accessed on 28/4/2022)

Activity 17.1

You want to change your organization's performance appraisal system where you find biased appraisals. Write a memo to the supervisor in two paragraphs giving the advantages of having fair and impartial appraisals.

Answer:

17.4 Human Capital Management and Measuring HR Performance

Human capital is an approach to employee staffing that perceives people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment. It is the collection of competencies, habits, knowledge and skills, social and personality attributes (creativity, cognitive abilities, ability to perform) leading to economic value.

Many theories relate investment in human capital development with education, and the role of the human capital in innovation, economic development, and growth in productivity for education and job skills training.

An organization that supports management of human capital communicates the performance expectations clearly and consistently to employees. Managers undertake responsibility for appraising, rewarding, rating, and making employees accountable for the achievement of specific business goals, creating culture of innovation and fostering environment of continuous improvement.

Example

Amazon's company-wide expectation on continuous improvement is reinforced by Amazon's evaluation process, which assesses employees for their commitment to continuous improvement. "Always looks for ways to make Amazon.com better," the standard reads. Employees at Amazon are provided with opportunities to make decisions that would lead to long term success and are encouraged to suggest bold ideas and goals along with boldness to try new approaches.

For details, check out https://www.aboutamazon.com/ (accessed on 28/4/2022)

17.4.1 Measuring Human Capital Performance

Human capital is considered as a resource and an asset to the organization. But, unlike other resources and assets, human capital is an intangible asset as that of intellectual property or patents.

Measuring human capital is not as easy as measuring tangible assets. Human capital can be measured through organizational performance on the counts of return on investment (ROI), profitability, productivity, quality of products, innovation, efficiency and effectiveness and customer satisfaction.

17.4.2 What HR Departments Measure

Following factors are measured by Human Resource departments as a part of continuous organization improvement:

- **Cost per hire:** It is a tool to measure recruitment effectiveness. Cost per hire matches the hiring methods, the associated costs and to finalize the best way to employ new staff. Fees for advertising, agency, referrals of employee, travelling expenses, relocation charges, and cost of internal recruiter are some of the factors.

- **Time per hire**: The time per hire includes the media used for advertising and the geographical constraints of employment (like travel, relocation) and costs of associated time.
- **Employee Absenteeism Rates:** The frequency of employees remaining absent from their work is absenteeism. The absenteeism rate is directly related to HR planning, recruitment and performance appraisal. When employee is absent from work, the organization incurs direct costs of lost wages and decreased productivity and cost of extra workers hired to meet the contingent requirement and indirect cost associated with excessive absenteeism.
- **Employee turnover rate:** Employee turnover is a measurement of number of employees who left the company vs average number of employees over a period of time. Employee turnover is a critical measurement of company's talent management and acts as a key cost driver.
- **Employee turnover cost:** This includes the cost of:
    - Person(s) placed at the vacant position including the overtime rates
    - Lost productivity of the person's compensation and benefits cost for temporary or permanent vacancy
    - Conducting an exit interview including the time spent by the person conducting the interview, the costs of stopping payroll, benefit enrollments, benefit deductions, notification and administration, and the cost of the various forms
    - Manager who undertakes to get the pending work done till a replacement
    - Training and education invested on the departing employee including licenses or certifications provided by the company to the employee for their job effectiveness
    - Departmental productivity including work that affects departmental deadlines that will not be met or late delivery due to departure
    - Benefits and severance continuation given to the departing employees that they are eligible for coverage under these programs
    - Lost knowledge, skills and contacts that the departing person is carrying along with him out of the organization
    - Losing the customers associated with leaving employee and the cost of retaining the customers especially if the departing employee is associated with marketing and sales

Cost of Training and Development Activities with Respect to Company Goal Attainment:

The quality of employees, and the continual improvement of their skills and productivity through training, is now widely recognized as a vital factor in ensuring the long-term success and profitability of businesses.

In general, training programs have very specific and quantifiable goals, like operating a particular piece of machinery, understanding a specific process, or performing certain procedures with great precision.

On the other hand, developmental programs concentrate on broader skills that are applicable to a wider variety of situations, such as decision making, leadership skills, and goal setting.

The training costs include the following:

- *Facilities:* Place for conduct of training: hotel rooms and meeting space required. For Web or computer based training, the dedicated equipment, utilities, and software and hardware maintenance. Reimbursement for lodging in case of multi days training.
- *Instructors:* Payments to the instructors, trainer expenses and licence fees to use the materials.
- *Participants:* Salaries and benefits costs against the time spent on training. Cost of time spent out of the office, at seminars, travelling, or preparing for training while on the job.
- *Material format:* Type of materials ie media, books, tapes, CD-Rom, web-based or video, sources to obtain the material, cost of shipping, packaging, or transmission. If the material is developed in-house then reimbursements to technical experts, redesign costs of material used in past if not obsolete.
- *Communication and marketing:* Cost of promotional materials to generate interest in the training i.e. brochures, pamphlets, direct mail, postage, and web sites. Cost of time spent by senior managers selling the training internally and learning about the training.
- *Tuition reimbursement:* Cost of the actual benefit described in the company policy, costs of communicating the program and processing the benefit, if the company policy excludes reimbursement for unsuccessful completion of course requirements than the cost of reimbursement.
- *The learning curve:* Cost of adaptation, the costs of potential mistakes while in the learning process, cost of lost production on an incremental basis, if the employee had been fully trained from the start.

The more specifically human resource measures fits into company goals, the better the measures serve the organization. Measurement of HR performance is a must for the stability of the organization in today's competitive environment.

17.5 Human Capital Trends

Innovative new performance management models are now emerging because of changing human capital trends. Companies are transforming are redefining their evaluation methods of employee performance. They are simplifying their evaluation methods, ending traditional methods such as forced ranking, discussed earlier in the units.

Example

Slite is a performance review app that helps in team performance review by providing a comprehensive template that includes sections on team name, department, review period, team accomplishments and strengths, team self-evaluation and team goals for the next number of years.

For details, check out https://slite.com/templates/performance-review (accessed on 28/4/2022)

17.6 Length of Employment and Retention

Length of employment usually means working for the same employer without a break, or with short breaks that don't interrupt continuity of employment. These may include time out of service due to strikes, lock-outs and even unfair dismissal where the employee is reinstated or re-engaged into the service. Longer the tenure, it is believed higher the commitment to the organization and better is the performance.

But job hopping (switching from one job to the other) has become the norm of the current generation. One of the biggest problems encountered by organizations is attrition (turnover of employees) of their talent pool. Retaining them has become a challenge.

Factors that motivate employees to continue in a job include job satisfaction, career development, compensation comparable in the industry, recognition of good work, and above all good performance reviews.

By adapting good employee performance management policies, organizations can bring down the attrition rate and also would be able to retain talented employees and promote long term loyalty of the employees to their organizations.

Turnover is the number or percentage of employees who voluntarily or involuntarily leave employment in comparison with the number or percentage of employees who stay in employment over a certain period of time, generally a calendar year.

Employee turnover ratio is a useful measurement to observe recruitment process, employee satisfaction and organizational culture.

Preventing turnover is a long term goal for most of the growth oriented organizations. There are the few areas in which proper planning can help in employee retention. The same can be achieved by:

- Analyzing compensation including benefits in light of market and competitors.
- Discontinuing with perks, facilities, motivational employee activities, and events, without any reason gradually affects the employee retention.

- Providing recreational activities at workplace
- Rewarding performers as a part of employee recognition. Simple thank you note, letter of appreciation or a token gift would also go a long way to keep up the momentum.
- Conducting performance development meeting to plan developmental goals and aspirations.

Example

Employee retention strategies at Infosys include launch of career movement program named "Pathfinder", a quarterly promotion cycle for its employees, Infosys Leadership Institute for grooming and nurturing future leaders in the company, bridge programs that enable employees to pick up alternative skills which result in higher compensation, to name a few.

For details, check out https://www.infosys.com/ (accessed on 27/4/2022)

17.7 Succession Planning and Talent Management

Succession planning is a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement.

Talent management refers to recruitment, retention, and development of the most talented employees available in the job market.

Organizations must work together to ensure the right people for the right jobs with the right skills at the right time. These components require a coordinated and consistent approach that accomplishes the intended results. Some of the key requirements for talent management include:

Organization Design: An efficient and effective organization with clear responsibility, authority and accountability and the work aligned with business goals and future needs.

Workforce Planning

Talent management requires effective workforce planning on the following lines:

- Proactive planning on key issues that will affect workforce like assessment of current and projected demographic trends and linking workforce strategies to business outcomes.
- Ensuring ability to fill critical skills and positions, strategic investments in developing existing talent to meet future needs.
- Attracting, developing and promoting talented people for succession planning.
- Ensuring well-rounded and knowledgeable managers and employees, ensuring fast, agile and supportive HR processes.

Talent Acquisition: Attracting and hiring high quality talent using internet-based sourcing tools, providing speedy and flexible staffing solutions for future vacancies.

Retention

For retaining talented employees, organizations engage, inform and motivate throughout the employee lifecycle to make an organization a compelling and productive place to work.

High Performance Standards

As talent management requires high performance standards, organizations should be cautious on the following aspects:

- Defining the behaviors and results that are important and measuring them
- Fostering a culture of high standards of performance, valuing contribution and success
- Addressing low performance with improvement measures

Learning and Leadership Development

For learning and leadership development, organizations have to concentrate on:

- Focusing on the right skills and competencies, developing employees for future business needs.
- Defining critical managerial competencies, fostering continuous learning.
- Defining leadership competencies and developing them through an executive development program, providing mid-management development and front-line manager development.

Succession Planning

A lot of planning is required for developing new leaders on the following aspects:

- Determining future workforce needs, critical positions and capabilities, bench-strength needs and timing, creating a pool of internal candidates ready to fill future positions.
- Leveraging existing talent and critical knowledge, developing critical leadership capabilities.

Assessment of Talent and Potential

Organizations need to continuously assess the talent and potential of its employees in the following ways:

- Uncover hidden talent through an enterprise-wide talent search that uses comprehensive search criteria
- Identify employee competency and skill levels by using assessment tools
- Objectively assess employee performance vs. potential with drag-and-drop calibration

Optimization of Organizational Alignment and Ensuring Leadership Continuity

For organizational alignment and leadership continuity, the following actions need to be taken:

- Use skills and competency libraries to align workforce with critical business needs
- Define career paths that align employee career aspirations with organization's business requirements
- Assess the risk and impact of loss, and gain visibility into bench strength
- Instantly nominate successors to key positions throughout the company
- Close talent gaps and build bench strength with development plans and learning activities

Engagement and Motivation of Employees with Meaningful Development Plans and Career Opportunities

Highly motivated and engaged employees make meaningful contributions to their organizations which require development plans. For motivating and engaging employees, organizations should take the following actions:

- Engage employees to explore career paths, connect with others in desired roles, and identify and address gaps to prepare for future roles by using the career worksheet
- Empower employees to create and manage goals for personal development
- Accelerate learning through targeted development plans
- Promote user adoption and engagement with an elegant, easy-to-use interface
- Explore "good fit" job role recommendations to find positions that match employees' skills and interests by using the suggested roles capability on the career worksheet
- Use talent pools to develop high-potential talent

Enabling Strategic Succession Management to Drive Better Business Outcomes

For superior organizational performance and superior outcomes to gain competitive advantage, organizations should concentrate on the following:

- Leverage workforce planning insights to analyze talent supply and demand
- Reduce organizational risk by proactively addressing talent gaps with succession plans
- Understand the domino effect of enacted succession plans by viewing the succession lineage chart; define career paths to address critical workforce gaps before they occur
- Measure the effectiveness of succession plans and the impact they have on business outcomes

Example

Career Acceleration Program (CAP) is a flagship program of Reliance Industries aimed at identifying high caliber employees and grooming them for future leadership roles. It supports accelerated career progression through targeted development interventions like exposure to high impact critical projects, visibility to senior leaders at Reliance, mentoring, special assignments and early access to leadership training.

For details, check out https://careers.ril.com/frmleadershipdevelopment (accessed on 27/4/2022)

17.8 Bench Strength

Succession planning is closely associated with bench strength. Bench strength can be defined as the number of important positions for which an organization has identified minimum one successor who is ready and willing to take up the responsibility.

Bench strength indicates the preparedness and capabilities of potential successors ready to take up a key leadership and professional positions. Bench strength is very critical in business as every organization faces restructuring, turnover, and changes in strategies of business.

Whenever a person in key position leaves (involved in management, leadership, or line operations), the organization must have in line a successor ready or replacement plan to avoid any kind of interruption in business.

Example

Microsoft has revamped its "People Review" and introduced "Talent Talks" that centers around identifying the strength of the bench, how external talent is being cultivated and review of talent inflow and outflow.

For details, check out https://hbr.org/how-microsoft-builds-a-sense-of-community-among-144000-employees (accessed on 27/04/2022)

17.9 Telecommuter Management and Performance Management

To improve the performance of employees, organizations from time to time have been adapting innovative techniques, one of them being offering telecommuting facility to its employees.

Telecommuting is understood as tele-work which uses of technologies of telecommunication to help employees perform their job duties from remote area, not near to their central workplace as a part of their agreement of work.

Benefits of Telecommuting

Benefits of telecommuting are listed below:

- Increase in employee productivity: work atmosphere improves because of few co-workers and non-business interruptions. This improves employee effectiveness and morale
- Retention of the skilled employees and reduced turnover as it increases job satisfaction
- Improved work-life balance for employees as it accommodates employees having short-term or long-term problems related to health or responsibilities of family like care of elders or children
- Reduced corporate real estate expenses, cost savings of office space, sick leaves, absences, including allowances relating to conveyance/transportation to workplace.
- Reduced air pollution due to less traffic congestion, reduced transportation costs and increased energy conservation from the point of view of public.

  Because of the advantages in tele commuting, many organizations are giving this benefit to employees.

Challenges or Problems of Telecommuting

It is to be noted here that telecommuting is not without its problems:

- Supervision challenges
- Difficult to manage remote workers
- Employees feel isolated and socially deprived
- Inefficiency due to a lack of proximity and collaboration among workers, and
- Security risks

Managing employees based at a remote location is a challenging task. Managers of telecommuting measure performance by results, excellent interpersonal communications, and expertise of using electronic tools.

Strategies Recommended for Management and Performance Evaluation of Telecommuters

Deploying a telecommuting program successfully requires not only a high-speed internet connection and a computer but also planning of specific procedures and policies, selection of technology and technical support, training, budget and cost management, and satisfaction of user. Some aspects in this respect are:

- Identify the tasks for remote work: Managers should focus on the type of tasks that can be performed and supervised in a telecommuting environment keeping in view the abilities of telecommuters to telecommute on part or full

time basis. Personal factors such as professionalism, dependability, resourcefulness, communication, strong job skills and high level of job knowledge, demonstrative high productivity need to be kept in mind while identifying the task.

- Identify the ground rules: The telecommuting relationships will only be successful if we have adequate rules. Telecommuting procedures and policies should be uniform and communicated well to all telecommuters and managers for harmonious interaction and clear communication.
- Develop effective practice of meeting management: Meetings become more important for telecommuting employees who collaborate on the same projects. In-person meetings should be scheduled frequently (preferably weekly) to develop team cohesiveness and coordination of the work to be performed.
- Provide support for technological infrastructure*:* A detailed telecommuting strategy should include a well-planned and evaluated technical architecture in relation to the existing local area network (LAN) and wide area network (WAN) environment of the company.
- A telecommuter must be provided with reliable and adequate equipment options to meet any contingency, troubleshooting with documentation and 24 X 7 help desk support.
- Set expectations: Employees should not only know what to do but also should know how well to do it. The performance standards should be communicated clearly. Supervisors can utilize standards written in employee performance policy for communicating the expectations, and should also reinforce by communicating verbally and frequently.
- Ensure direct reporting of results: Effective management for telecommuters should keep performance at acceptable levels irrespective of amount or frequency of supervision.
- Communicate effectively: Where telecommuting employees work most of the time off-site, additional efforts are required to be made by supervisors to make these employees feel that they also belong to the office. Utilizing latest technology of communications and holding periodic face-to-face meetings will solve most of the issues faced by company.
- *Apply performance metrics:* An effective telecommuters' manager should break employee work into projects, objectives, tasks, and items for action. Assigning, evaluating, tracking, and rewarding work results using above specifics will improve knowledge of the manager related to work activities, consistency in expectations establishment, and ability to determine objectively the results so achieved. The measures in general for supervisor to review the performance of telecommuter are quality, quantity, cost effectiveness and timeliness.

- *Telecommuter's coaching:* Managers should solve the problems of telecommuting by coaching them. Telecommuters need guidance for performing their jobs similar to office employees. Managers should also coach on behavioral changes by being proactive.
- *Develop group collaboration:* The usage of systems related to collaborative software or group support (GSS) and shared workspace software will allow telecommuter team to collaborate on project management, customer relations management, report writing, product development, problem solving, and decision making activities.

Example

Cisco's WebEx provides personalized video meeting rooms where users can host and join meetings. People can use WebEx for team collaboration, webinars, training and customer support.

For details, check out https://www.webex.com/ (accessed on 27/4/2022)

17.10 Performance Management of Virtual Teams

"Virtual teams" are the work groups with few core members primarily interacting through electronic means and are assigned the interdependent tasks that are to be performed in an integrated manner as a part of the team work.

These teams have members who are dispersed geographically and communicating through information and communication technologies (ICT) working on projects related to one or more areas of work.

The Challenges Faced by Virtual Teams

Virtual teams face daunting challenges such as:

- The inability to read nonverbal cues
- Not sufficient time for building relationships during virtual meets
- Lack of feeling of being colleagues among members in a virtual team
- Difficulty in establishing rapport and trust amongst virtual team members.
- Managing conflict is more difficult as compared to that of conventional teams
- Difficulty in decision making
- Seeking opinion of virtual teams
- Difference in time zones for working of virtual teams
- Difference in language, technology, holidays, local customs and laws

To overcome these challenges and manage performance of virtual teams the organization can work on the following practices. These practices include:

- Initial face to face induction of the team members to develop trust and building relationship as well to develop a shared vision and guiding principles for collaborative virtual team efforts.

- Simplify and divide the work to group or sub-groups of two or three team members. Ensure clarity of work process, with specifications on who does what and when. Hold reviews to evaluate progress and to identify training needs and process adjustments.
- Create guidelines to establish norms of behavior while participating in meetings of virtual teams such as minimizing noise in the background and side conversations, talking clearly by maintaining sufficient pace, non-dominating listening etc.
- Post team members' profiles on online directory including areas of expertise and position of members in the organization structure.
- Involve participation of virtual team members in the meetings held early morning or late night in their respective time zones. For the virtual team members working in varied time zones, put them on rotation by regulating the meeting times and spreading the load equally.
- Strictly avoid multi-tasking during meetings and calls and manage virtual meetings and work-cycles.

Example

Ganttic is a virtual team management tool that provides an overview of projects, tasks and resources and facilitates sharing plans with the whole team, controlling viewing and editing options and many more.

For more details, check out https://www.ganttic.com/ (accessed on 27/4/2022)

17.11 Low Administrative Performance Management

Manual performance appraisal management systems need high administrative input and involve lot of duplication of records. With automated performance management, the applications may be fully integrated with other workflows and thus reduces time, effort and money.

Automated evaluation process helps in identifying and addressing key skill gaps and required talent at the organizational level. Further it reduces the time spent, the cost of administrating the HR process and per-employee cost as discussed below:

Reduction in time for administration work: With automation in HR the time spent by staff on administrative work can be reduced.

Reduction in the cost of administration processes of HR: Changes can be made easily and quickly with the help of streamlined online decision making processes.

Reduction in per-employee cost administration by HR: In traditional systems, average annual cost of HR services administration per employee is very high. By doing away with traditional paper-based and process-based inefficiencies companies can achieve annual cost reductions per-employee to a great extent.

Reduced cost of bench strength and new leadership: The talent management process can help in cost reduction by providing the list of job skills with definitions to an automated centralized library right from creating requisitions for jobs, to writing descriptions of job, evaluating the performance of employee, creating material for learning and development, and grooming the employees for succession and advancement.

Example

Synergita is a software that provides performance management and employee engagement and Objectives and Key Results (OKR) solutions to organization that thrives to achieve high performance-driven growth. It seamlessly interlinks employee engagement, employee development, rewards and recognition, continuous check-ins and micro and macro performance reviews and delivers a powerful performance management solution with actionable insightful reports.

For more details, check out https://www.synergita.com/ (accessed on 27/4/2022)

Check Your Progress - 1

1. Which of the following refers to performance management & valuating both the behaviour and outcomes of the employees at the workplace?
   a. Training & development
   b. Performance appraisal
   c. Compensation management
   d. Job analysis
   e. Job enrichment
2. Which of the following is maximised by human resource management?
   a. Efficiency
   b. Economy
   c. Effectiveness
   d. Performance
   e. Profits
3. "A person is known by the company he/she keeps" is related to which issue of performance appraisal?
   a. Prejudice
   b. Stereotype
   c. Introversion
   d. Extroversion
   e. Curiosity

4. Who among the following are responsible for training provided to the raters/managers for the performance appraisal?
   a. HR department
   b. Top management
   c. Line managers
   d. Production department
   e. Middle level management
5. Which of the following can be adopted by the companies to provide career counselling and development oriented advice for employees seeking career growth?
   a. Establishing a corporate campus
   b. Encouraging role reversal
   c. Providing career coaches
   d. Offering online career centers
   e. Promoting employees

17.12 The Challenges to Effective Performance Management

Implementing an effective and objective performance management process is not an easy task. The challenges to effective performance management are enumerated below:

- Aligning individual goals with that of organizational goals
- Determining and communicating to employees the priorities of the organization
- Identifying tasks and accountabilities
- Designing performance metrics that are measurable on SMART objectives
- Ensuring development orientation among employees
- Providing necessary tools to measure performance
- Motivating employees to reach organizational goals
- Differentiating high performers and low performers
- Rewarding and motivating effective performance
- Training managers to impartially measure performance and maintaining transparency
- Convincing employees that pay rise is not automatic but requires meritorious performance
- Balancing and distributing the available financial resources among employees

- Adapting to changing scenarios
- Measuring the performance in relation to the prioritized goals of the organization
- Understanding and knowing corrective methods to be applied to under performers
- Giving timely feedback to employees on the achievement of goals

Performance appraisal needs to focus on forthcoming objectives and developmental plans against objectives throughout the year. It needs frequent interim meeting to plan the contingencies around the year. Measures to combat the above said challenges and provide for an effective performance management system involves the following:

- *Monitoring the progress:* Manager's inability to track the performance against the organizational objectives, identify the deficiency and take remedial actions on a continuous basis. This can be done by some online customized software where performance is tracked regularly.
- *Accessing and recording relevant information:* Business and line managers, HR and talent managers and employees need to be able to record relevant events as and when they happen and not store them up for the next meeting.
- *Software* which involves gathering and recording progress as it happens will ease the challenge.
- *Expectation Management:* Management of the expectations of the stakeholders with regard to the performance management process is a real challenge to the organization. The team member may perceive it as an opportunity for pay rise, manager to deal with poor performance, and the business leader to feel assured that everyone is contributing towards the business objectives.

The table 17.1 shows the conflicting and multiple needs of a performance management system.

Table 17.1: Conflicting and Multiple Needs of a Performance Management System

Need of Employee	Need of Line Manager	Need of HR	Need of Business Leader
• To be supported well by superiors	• To identify poor performers • To identify	• To be able to plan manpower • To identify	• To gain structured and unstructured feedback from

Contd….

• To be promoted, trained etc. • To be acknowledged for their work, processes, rewards and relationships • To participate in goal and target setting • To have clarity on expectations of superiors • To get feedback on performance and ways to improve the deficiencies. To see that his work is valued by managers and makes a positive contribution to the team and organization	expectations of employee • To do future planning • To identify training and development needs and plan the program • To deal with poor performance • To be of assistance in effective delegation of work	employee with high potential • To design and develop training and development • To ensure right job description and specification • To ensure that legal requirements are complied with. • To help in documentation for the cases of dismissal, poor performance etc. To handle people management so that HR can focus on strategic interventions	the workforce • To communicate current priorities to enhance capacity and capability of the organization • To ensure managers are effectively engaged To enable the business to utilize manpower to the fullest potential by minimizing the costs of errors, omissions and poor performance

- *Engaging both line managers and employees in the process:* There is a need to understand the benefits of a business-focused, flexible and culturally appropriate performance management process. Each of the employees needs to understand his contribution in success or failure of certain process or that of the organization. They need to ensure the links between performance management and career development, improved performance, business strategy, effective management practice
- *Develop role models* at senior levels known to have good performance conversations/ feedback communication with their direct reports. This will exemplify, led by example.

- *Need for Flexibility for customization of performance appraisal systems:* Performance management works best when aligned with the changes evolved over time. It is necessary to review the changes frequently, thus having impact on operational perspective using effective communications, reviews and the briefings by seniors. These seniors should be able to understand the needs of updating.

Example

Peakon is a cloud-based tool that automatically collects employee feedback, analyses it and then delivers the insights that the organizations need to improve their business. In the real-time, instant, automated, interactive and collaborative environment of the modern organizations, "Peakon Engage" fixes all the problems with employee engagement as well.

For more details, check out https://support.peakon.com/hc/en-us/articles/360018855039-About-Peakon-surveys-and-how-they-work (accessed on 27/4/2022)

Activity 17.2

There are several characteristics of an ideal performance management system. List out characteristics of an ideal system, and explain how an organization can achieve each characteristic. For example, one characteristic of an ideal PM system is that it is reliable. An organization can make its system reliable by ensuring that performance measures are consistent and free of error.

Answer:

17.12.1 Latest trends transforming performance management

Business organizations are facing severe challenges in leadership continuity, motivation, engagement and above all in performance appraisals. They are hence trying to evolve innovative approaches to appraise their employees and in the process new trends in performance management are emerging.

Transformation in Performance Management Process

Innovative new performance management models are emerging to change the age old practices. Companies now are focusing on coaching and feedback and want new technologies to make performance management much easier that improves employee engagement and drives business results.

Now the focus is less on evaluation and more on agile goal setting, regular feedback, coaching, and development. Another important change is to shift the focus away from forced-distribution rankings toward coaching people to succeed.

Today's biggest challenges include engagement, retention, and capability development. Many of the changes observed in the performance management process are enumerated below:

- The agile and goal setting refers to how companies set goals and manage people. For example, Intel uses a transparent, agile goal management process known as OKR (Objectives and Key Results) which focus on giving achievable goals and help them to achieve them with the support of others.
- A number of companies, including Adobe, Juniper, and Microsoft, have felt that ratings-based performance management negatively impacts culture and engagement and self-confidence of the employees.
- Another emerging trend is to focus on managing strengths, not weaknesses. When employees are given meaningful work, their personal strengths and aspirations enhance.
- Performance management process is more productive and useful if technology is used in goal-setting and agile performance management.
- Performance management is not linked with compensation. Today, companies are starting to base compensation decisions on the competitive value of an employee and real-world market conditions.
- New models focus on team-centric goal-setting and tools to help teams improve collaboration and performance.
- Bottom-up feedback from employees, often gathered through the engagement process, helps managers see their own weaknesses and improve their own performance.
- Many companies, including Microsoft have abandoned the stack ranking method of performance appraisal which is otherwise known as the vitality curve which forces companies to declare a certain percentage of employees as top, good, average and as low performers as such categorization demotivates majority of employees.

Recent changes adapted by companies have been enumerated below:

- *Simplify:* Get rid of unnecessary, time-consuming, paper-filled steps.
- *Align philosophy with strategy:* Making sure that the company's performance management philosophy is aligned with the organization's strategy and culture.
- *Separate performance from compensation:* Disconnect performance management conversations from compensation conversations. Discussions about compensation often block an employee's ability to hear and adopt the feedback that can lead to improved performance.

- *Build a new performance management culture:* Encourage ongoing feedback, enable effective coaching through training, and use change management and communications teams to shift the performance management culture from an emphasis on top-down evaluation to continuous development.
- *Empower local managers:* Give managers the authority to recognize and reward employee performance throughout the year. Invest in leadership development that helps managers learn how to coach and develop their teams.
- *Ditch the curve:* Tying employees to a normalized curve can inhibit performance. Relax the curve and let local management decide where to spend incremental dollars.

In response to the changes in the internal and external environment, organizations evolve, shift their business goals and targets, and change as per our customers' needs. Some of these changes are gradual and some are frequent. In response to these changes organizations are adopting the tools, technologies and techniques for managing performance and developing employees. Some of them are enumerated below:

- **Policy to Bring Your Own Device (BYOD) -** Many companies are adopting these policies for various reasons like cost-effectiveness, attract young workers, and to have 24/7 connectivity mobile devices provide to the workers travelling frequently and working remotely. Some say that by using personal devices people are motivated to perform well and also in their leisure times are able to contribute to professional work at home.
- **Learning Bite-size -** Organizations are coming up with the practice of developing the lessons and topics in smaller piece packets to make the details digestible. The rationale behind this is to increase retention of information and to helping the busy employees to understand a topic in a few minutes. It also helps learning more effective in the age of the mobile, fluid, and multi-generational workforces.

Now let us discuss in detail about some of the latest trends in performance management:

1. *Real-Time Feedback* - moved from annual performance reviews in favor of 'on-going' check-ins.
2. *Alignment to Objectives* - ensures that employees are rowing in the same direction and are completely and transparently aligned with focus on goal setting
3. *Future and Strength Focused* - key to the way forward – focus and emphasize on the strengths while eliminating time spent talking about weaknesses.
4. *Split-Up Assessment and Development Discussions* - shift from 'once a year performance reviews'. Split them into two separate sessions.

EXAMPLE

Example

Microsoft 'Connects' provides real-time feedback to the employees which would help them to learn, grow and focus on their strengths and key learning areas. This flexibility allows managers to discuss performance and development throughout the year.

For details, check out https://www.impraise.com/microsoft-throws-stack-ranking-out-the-window (accessed on 4/5/2022)

Check Your Progress - 2

6. Which of the following challenges for "successful workforce measurement and management", asks whether managers have the access, capability, and motivation to use measurement data to communicate strategy and monitor progress?
   a. Metrics
   b. Perspective
   c. Execution
   d. Validation
   e. Quality workforce
7. Which domain would include assessment of an individual, or a department, degree of success in meeting or exceeding predetermined levels of productivity and/or quality?
   a. Organizational design
   b. Staffing
   c. Performance management
   d. Employee training and organizational development
   e. Reward systems, benefits, and compliance
8. Which of the following involves the arrangement of work tasks based on the interaction of people, technology, and the tasks to be performed in the context of the mission, goals, and the strategic plan of the organization?
   a. Employee and organizational development
   b. Organizational design
   c. Staffing
   d. Performance management
   e. Organizational development

9. Which of the following is measured by, the level of employee satisfaction regarding working conditions, recognition and encouragement for good work, opportunities to perform well, and commitment to quality?
   a. Validity
   b. 360-degree feedback
   c. Meta-analysis
   d. Engagement
   e. Social responsibility
10. Organizational design is concerned with establishing, fostering, and maintaining employee skills based on organizational and employee needs.

    True/False

17.13 Summary

- From employees' point of view, a good appraisal system increases self-esteem and motivation, improves performance. It clarifies the job tasks and relevant duties, provides insight to self and creates opportunities for development. It clarifies the expectations of supervisors.
- From the HR perspective a good appraisal system should fulfil its aims. It enables the organization to manage human resources and growing talent effectively. Performance management also provides data on training needs and the method suitable to satisfy those needs.
- Performance management has progressed from appraisals and reviews to becoming a valuable tool to drive performance, link performance to strategy and to do this in an environment that is less onerous on HR than it has ever been in the past.
- From the view of managers, good appraisal system helps managers in gaining insight of employees. It helps in taking appropriate and fair actions, communicating goals of organization clearly. Good appraisal system helps in differentiating between poor and good performers and driving organizational changes.
- On-line management is driving the desire for adequate systems which they can use to deliver both the organizations and their goals and objectives.
- Businesses are also finding other important benefits. The online system of HR management helps as a central repository to safely store the information which can be accessed only by authorized users.

17.14 Glossary

Bench strength can be defined as the number of important positions for which an organization has identified minimum of one successor who is ready and willing to take up the responsibility.

Benchmarking - This is the comparison of processes that are similar throughout the organizations and industries in order to identify the best of practices, fix targets for improvement and measure the progress.

Cost per hire: It is a tool to measure recruitment effectiveness. Though it is a valuable measure it excludes the quality of the hire and length of time taken to fill up the position.

Employee Absenteeism Rates: The frequency of employees remaining absent from their work is absenteeism. The absenteeism rate is directly related to HR planning, recruitment and performance appraisal

Employee turnover rate: Employee turnover is a measurement of number of employees who left the company vs. average number of employees over a period of time.

Expectation Management: Management of the expectations of the stakeholders with regard to the performance management process

Human capital: It is an approach to employee staffing that perceives people as assets (**human capital**) whose current value can be measured and whose future value can be enhanced through investment

Job hopping: Process of switching from one job to the other

Talent Acquisition: Attracting and hiring high quality talent

Telecommuting: This is also understood as tele-work which uses of technologies of telecommunication to help employees perform their job duties from remote area, not near to their central workplace as a part of their agreement of work

Time per hire: The time per hire includes the media used for advertising and the geographical constraints of employment (like travel, relocation etc.) and costs of associated time.

Virtual teams: These are the work groups with few core members primarily interacting through electronic means and are assigned the interdependent tasks that are to be performed in an integrated manner as a part of the team work.

Workforce Planning: Proactive planning on key issues that will affect workforce like assessment of current and projected demographic trends and linking workforce strategies to business outcomes.

17.15 Self-Assessment Test

1. ‘Performance and Development Planning (PDP) is a collaborative process involving both supervisor and employee’. Elucidate
2. Is performance appraisal the same as performance management?
3. Discuss the challenges and their remedies related to employee performance management.

4. What are the three most popular sets of criteria for evaluating employee performance?
5. What purpose does performance evaluation serve in organizations? Discuss the trends.

17.16 Suggested Readings/Reference Material

1. John Shields, Jim Rooney, Michelle Brown, Sarah Kaine; Managing Employee Performance and Reward: Systems, Practices and Prospects, 3rd Edition, Cambridge University Press, 2020
2. Susan L. Verhulst, David A. DeCenzo, Rama Shankar Yadav; Human Resource Management, 13th Edition, Wiley, 2021
3. Durai Pillai, Total Reward Strategy: Retain Your Best Talent, 1st Edition, Notion Press, 2020
4. Stephen J Perkins, Sarah Jones, Reward Management: Alternatives, Consequences and Contexts, 4th Edition, Kogan Page, 2020
5. Kevin R. Murphy, Jeanette N. Cleveland, Madision E. Hanscom, Performance Appraisal and Management, Sage Publications, 2020

17.17 Answers to Check Your Progress Questions

1. (b) Performance Appraisal

Performance management valuating & managing both the behavior & outcomes of the employees at the workplace is called Performance Appraisal.

2. (c) Efficiency

Human resource management aims to maximize employees as well as organizational efficiency.

3. (b) Stereotype

"A person is known by the company he/she keeps" is related to which issue of performance appraisal is Stereotype.

4. (a) HR Department

Training provided to the raters/managers for the performance appraisal is the responsibility of HR department.

5. (c) Career Coaches

The companies can provide career counselling, development oriented advice, etc. for employees seeking career growth by career coaches.

6. (c) Execution

The challenges for "successful workforce measurement and management" is execution.

7. (c) Performance Management

The domain that includes the assessment of an individual, or a department, degree of success in meeting or exceeding predetermined levels of productivity and/or quality is Performance Management.

8. (b) Organizational Design

Organizational design involves the arrangement of work tasks based on the interaction of people, technology, and the tasks to be performed in the context of the mission, goals, and the strategic plan of the organization.

9. (d) Engagement

Engagement is measured by, the level of employee satisfaction regarding working conditions, recognition and encouragement for good work, opportunities to perform well, and commitment to quality.

10. False

False because Organizational design is not concerned with establishing, fostering, and maintaining employee skills based on organizational and employee needs

Performance Management and Reward Systems

Course Structure

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