PERFORMANCE MANAGEMENT

MODULE-1

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Performance

- Performance can be defined as the achievement of quantified objectives, with the help of appropriate behaviour and effective use of required knowledge, skills and competencies.

- Performance is not only a matter of what people achieves but also how they are achieving it.

Performance Management

- **According to Ronnie Malcom,**

"Performance Management may be defined as a planned and systematic approach to managing the performance of individuals ensuring their personal development and contribution towards organisational goals."

This process can be seen as one of the most effective tools for boosting the performance by defining roles within the specified competence framework, setting realistic benchmarks and communicating various expectations.

➢ **Other definitions are**:

- Performance management is: 'The development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organisation which supports and encourages their achievement' **(Lockett, 1)**.

- 'Performance management is managing the business' **(Mohrman and Mohrman, 2)**.

- Performance management is: the process of 'Directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation' **(Walters, 3)**.

- 'Performance management is a strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors' **(Armstrong and Baron, 4)**.

Purpose of Performance Management

- **Strategic purpose**
  - Helps to achieve organisational goals

- **Managerial purpose**
  - Helps to take managerial decisions

- **Informational purpose**
  - Informing expectations of an organisation
  - Feedback on their performance

- **Developmental purpose**
  - Feedback can be used for development

- **Maintenance purpose**
  - Workforce planning

- **Documentation purpose**
  - IT test

Aims of PM

- The overall aim of performance management is to establish a high-performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contributions within a framework provided by effective leadership. Its key purpose is to focus people on doing the right things by achieving goal clarity.

- Specifically, performance management is about aligning individual objec- tives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviours (expected to be).

- The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. Importantly, performance management is concerned with ensuring that the support and guidance people need to develop and improve are readily available.

- The following are the aims of performance management as expressed by a variety of organizations :

  - Empowering, motivating and rewarding employees to do their best (*Armstrong World Industries*).

  - Focusing employees' tasks on the right things and doing them right. Aligning everyone's individual goals to the goals of the organization (*EliLilly & Co*).

  - Proactively managing and resourcing performance against agreed accountabilities and objectives (*ICI Paints*).

  - Linking job performance to the achievement of the council's medium-term corporate strategy and service plans (*Leicestershire County Council*).

  - The alignment of personal/individual objectives with team, department/divisional and corporate plans. The presentation of objec- tives with clearly defined goals/targets using measures, both soft and numeric. The monitoring of performance and tasking of continuous action as required (*Macmillan Cancer Relief*).

  - All individuals being clear about what they need to achieve and expected standards, and how that contributes to the overall success of the organization; receiving regular, fair, accurate feedback and coaching to stretch and motivate them to achieve their best (*Marks & Spencer Financial Services*).

  - Systematic approach to organizational performance aligning individual accountabilities to organizational targets and activity (*Royal Berkshire and Battle Hospitals NHS Trust*).

  - The process and behaviours by which managers manage the performance of their people to deliver a high-achieving organization (*Standard Chartered Bank*).

- Maximizing the potential of individuals and teams to benefit themselves and the organization, focusing on achievement of their objectives (*West Bromwich Building Society*).

Characteristics of PM

- Performance management is a planned process of which the primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outputs in the shape of delivered performance compared with expectations expressed as objectives.

- It is based on the agreement of role requirements, objectives and performance improvement and personal development plans. It provides the setting for ongoing dialogues about performance, which involves the joint and continuing review of achievements against objectives, require- ments and plans.

- But it is also concerned with inputs and values. The inputs are the knowledge, skills and behaviours required to produce the expected results. Developmental needs are identified by defining these requirements and assessing the extent to which the expected levels of performance have been achieved through the effective use of knowledge and skills and through appropriate behaviour that upholds core values.

- Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion.

- Performance management focuses on future performance planning and improvement rather than on retrospective performance appraisal. It functions as a continuous and evolutionary process, in which performance -

improves over time; and provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs. It is mainly concerned with individual performance but it can also be applied to teams. The focus is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance- or contribution-related pay but its developmental aspects are much more important.

Development in Performance Management

- Extensive research carried out in the UK and USA has established that new perspectives on performance management have emerged with the following characteristics:

  - An emphasis on front-end planning rather than back-end review.
  - A broader definition of performance that focuses on more than narrowly defined job responsibilities.
  - An emphasis on ongoing dialogue rather than forms and rating scales.

  - The recognition that there are many factors contributing to performance outcomes.

- **Other trends in PM;**

1. Continuous performance management
2. People analytics is no longer a want, it is a need
3. Transparency in leadership
4. Emphasis on employee experience
5. Finding the leverage & developing trust
6. Increased focus on individualized employee support
7. A streamlined approach to learning and employee development

1. Continuous performance management

- The annual performance reviews rarely provide an accurate representation of employee performance. 51% of employees find these annual performance reviews inaccurate and 90% believe they are painful and ineffective. To that end, many organizations are transitioning away from annual reviews. One study by Deloitte reported that 76% of organizations are reinventing their performance management to be more continuous to satisfy the needs of employees. This includes implementing real-time, continuous feedback.

- Continuous feedback encourages employee development and accelerates skill development. It also increases the communication and trust between managers and direct reports. While continuous performance management cannot be implemented overnight (as it takes time and training), transitioning

from the traditional once-a-year reviews to continuous feedback will increase the likelihood of employees' success, and hence organizational success. In fact, out of the companies that introduced continuous performance management, 50% of them reported being more satisfied with their performance management processes and were able to outperform their competitors by 24%.

- Not only is increased success and productivity a benefit of implementing continuous performance management, but there is also an increase in employee engagement, retention, and happiness. A study done by Betterworks claimed that 66% of companies who prioritize continuous performance management can boost employee productivity all year long.

2. People analytics is no longer a want, it is a need

- 84% of HR leaders surveyed from Deloitte claimed that people analytics is imperative. Having employee performance data allows for more educated decisions to be made about your talent. Without data, making strategic people decisions can be challenging. Organizations need to be able to develop their people. This is particularly true in professional service firms where your people services are what you are selling. People analytics can provide professional services insight into their employee's strengths, weaknesses, and motivations, so better talent and training decisions can be made.

3. Transparency in leadership

- A growing trend in performance management is transparency in leadership. In fact, 52% of Gen Z's and Gen Y's state that the most important quality for being a good leader is honesty and transparency.

- For leaders in the workplace, transparency can mean communicating less over email and through third-party communication, but rather showing up more frequently and becoming more personally engaged with employees via face-to-face and/or video interaction. Moreover, leaders should keep their employees in the loop with good and bad news (without oversharing) and welcome honest feedback, which will help build trust.

4. Emphasis on employee experience

- Employee experience has been a buzzword in the HR community. Employee experience is the journey an employee takes within your organization. It includes every interaction that happens along the employee life cycle - from the initial interview process to offboarding.

- 83% of HR managers believe that employee experience is key to organizational success. In fact, developing a great employee experience can lead to staff feeling happier, more productive, and more motivated. Creating a better employee experience comes down to two key factors: leadership and workplace practices (check out our previous article on employee experience for more details).

5. Finding the leverage & developing trust

- Companies are always looking for ways to improve employee productivity, and they can learn from high-performing organizations. Companies like Apple, Google, and Netflix are 40% more productive than the average company by using a mix of employee performance management strategies that focus on organizational structure and trust-building.

- According to research by Bain & Company, the way companies construct their teams has a major impact on productivity. Apple and Google for example, dedicate 95 percent of their top talent to key business functions, as opposed to spreading top talent across many areas.

- "It took 600 Apple engineers fewer than two years to develop, debug, and deploy iOS 10," Bain's Michael Mankins told *Fast Company*. "Contrast that with 10,000 engineers at Microsoft that took more than five years to develop, debut, and ultimately retract Vista. The difference is in the way these companies chose to construct their teams."

- Mankins also pointed out that extending trust to employees improved productivity and supported employee growth and development at top companies. He said organizational rules and processes often prevent people from getting things done or improving in their role. Netflix avoids a common process issue, expense management, by trusting its employees. The company has no expense policy. Instead, it trusts employees to act responsibly.

- "The company is telling employees, 'We assume you are not here to rip off the company, and we're not going to put in place processes that consume human capital, waste time, and zap energy,'" Mankins explains.

6. Increased focus on individualized employee support

- Personalization has become a key part of creating a delightful customer experience, and organizations will use the same approach in their performance management efforts. A one-size-fits-all management approach can't bring out the best in employees because every employee is different.

- Workforces are more diverse than ever, with teams consisting of people from various generations, backgrounds, cultures and locations–with the increasing prevalence of remote work arrangements. (About 43% of Americans spend some time working remotely, a four percentage point increase from four years earlier.)

- Relying on individual data as well as feedback conversations provides managers the tools for tailoring their performance management system, curating employee development strategies and customizing other aspects of work for each individual employee. For example, Eric Lesser and Maria-Paz Barrientos of IBM write about how personalizing the work environment can make a difference in their article in *Workforce*:

- **"Some employees are fine working in open, collaborative spaces; others are distracted. Giving employees options where they work, depending on the task, can affect short-term productivity and longer-term engagement."**

- In the coming year, more managers will change their management strategy to take a personalized approach to motivating individuals to help them meet their performance goals, which in turn will boosts team performance.

7. A streamlined approach to learning and employee development

- According to Gallup, 87% of Millennials cite access to professional development and career growth opportunities as the most important factor in a job.

- Look for companies to respond to this need by providing more employee training and development opportunities, but not the traditional kind. Organizations are moving toward micro-learning, which are short, informal, self-directed and mobile-optimized content on single topics. These can be brief videos, webinars, podcasts, or even games that provide learning materials in an easy-to-absorb format.

- Employee training software also puts staff in control of their development so that they can add to their skillset with on-demand content. Training software makes learning more continuous and engaging.

- There will also be a social aspect to this type of training, with the growth of platforms such as Slack, which allow employees to quickly share ideas. Learning and development content will continue to spread organically through these employee networks.

Concerns of PM

- The following are the main concerns of performance management:

1. Concern with inputs, process, outputs and outcomes

2. Concern with planning

3. Concern with measurement and review

4. Concern with continuous improvement

5. Concern with continuous development

6. Concern for communication

7. Concern for stakeholders

8. Concern for fairness and transparency

1. Concern with outputs, outcomes, process and inputs.

- Performance management is concerned with outputs (the achievement of results) and outcomes (the impact made on performance). But it is also concerned with the processes required to achieve these results (competencies) and the inputs in terms of capabilities (knowledge, skill and competence) expected from the teams and individuals involved.

2. Concern with planning.

- Performance management is concerned with planning ahead to achieve future success.
- This means defining expectations expressed as objectives and in business plans.

3. Concern with measurement and review.

- 'If you can't measure it you can't manage it.'
- Performance management is concerned with the measurement of results and with reviewing progress towards achieving objectives as a basis for action.

4. Concern with continuous improvement.

- Concern with continuous improvement is based on the belief that continually striving to reach higher and higher standards in every part of the organization will provide a series of incremental gains that will build superior performance.
- This means clarifying what organizational, team and indi- vidual effectiveness look like and taking steps to ensure that those defined levels of effectiveness are achieved.
- As Armstrong and Murlis (5) wrote, this involves: 'Establishing a culture in which managers, indi- viduals and groups take responsibility for the continuous improvement of business processes and of their own skills, competencies and contri- bution.'

5. Concern with continuous development.

- Performance management is concerned with creating a culture in which organizational and indi- vidual learning and development is a continuous process. It provides means for the integration of learning and work so that everyone learns from the successes and challenges inherent in their day-to-day activities.

6. Concern for communication.

- Performance management is concerned with communication. This is done by creating a climate in which a continuing dialogue between managers and the members of their teams takes place to define expectations and share information on the organization's mission, values and objectives.
- This establishes mutual understanding of what *is* to be achieved and a framework for managing and developing people to ensure that it *will* be achieved (Armstrong and Murlis, 5).

7. Concern for stakeholders.

- Performance management is concerned with satisfying the needs and expectations of all the organization's stake- holders – owners, management, employees, customers, suppliers and the general public.
- In particular, employees are treated as partners in the enterprise whose interests are respected, whose opinions are sought and listened to, and who are encouraged to contribute to the formulation of objectives and plans for their team and for themselves.
- Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not necessarily coincide.

8. Concern for fairness and transparency.

- Four ethical principles that should govern the operation of the performance management process have been suggested by Winstanley and Stuart-Smith (6).
- These are:
    - respect for the individual;
    - mutual respect;
    - procedural fairness;
    - transparency of decision making

Understanding Performance Management

- There are five issues that need to be considered to obtain a full under-standing of performance management:

1. The meaning of performance

2. The significance of values

3. The meaning of alignment

4. Managing expectations

5. The significance of discretionary behaviour

1. The meaning of performance

- Performance is often defined simply in output terms – the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it.
- The *Oxford English Dictionary* confirms this by including the phrase 'carrying out' in its definition of performance: 'The accomplishment, execution, carrying out, working out of anything ordered or undertaken.' High performance results from appropriate behavior, especially discretionary behaviour, and the effective use of the required knowledge, skills and competencies. Performance management must examine how results are attained because this provides the information necessary to consider what needs to be done to improve those results.
- The concept of performance has been expressed by Brumbach (7) as follows: 'Performance means both behaviours and results.
- Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results.'
- This definition of performance leads to the conclusion that when managing performance both inputs (behaviour) and outputs (results) need to be considered.
- It is not a question of simply considering the achievement of targets as used to happen in management-by-objectives schemes.
- Competence factors need to be included in the process. This is the so-called 'mixed model' of performance management, which covers the achievement of expected levels of competence as well as objective setting and review.
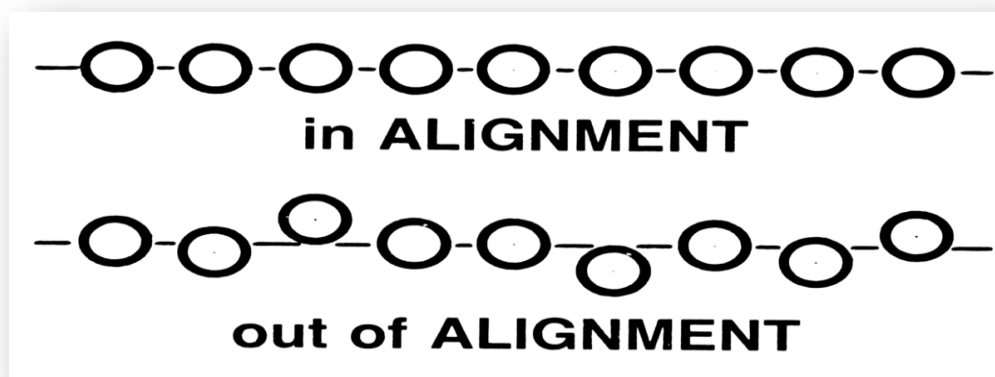
2. Performance management and values

- Performance is about upholding the values of the organization – 'living the values' (an approach to which much importance is attached at Standard Chartered Bank).
- This is an aspect of behaviour but it focuses on what people do to realize core values such as concern for quality, concern for people, concern for equal opportunity and operating ethically.
- It means converting espoused values into values in use: ensuring that the rhetoric becomes reality.

3. The meaning of alignment

- One of the most fundamental purposes of performance management is to align individual and organizational objectives.
- This means that every- thing people do at work leads to outcomes that further the achievement of organizational goals.

- This purpose was well expressed by Fletcher (8) who wrote: 'The real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organisation, helping each employee understand and recognise their part in contributing to them, and in so doing, manage and enhance the performance of both individuals and the organisation.
- Alignment can be attained by a cascading process so that objectives flow down from the top and at each level team or individual objectives are defined in the light of higher-level goals.
- But it should also be a bottom-up process, individuals and teams being given the opportunity to formulate their own goals within the framework provided by the defined overall purpose, strategy and values of the organization.
- Objectives should be *agreed*, not set, and this agreement should be reached through the open dialogues that take place between managers and individuals throughout the year. In other words, this needs to be seen as a partnership in which responsibility is shared and mutual expectations are defined.

4. Managing expectations

- Performance management is essentially about the management of expectations.
- It creates a shared understanding of what is required to improve performance and how this will be achieved by clarifying and agreeing what people are expected to do and how they are expected to behave and uses these agreements as the basis for measurement, review and the preparation of plans for performance improvement and development.

5. Performance management and discretionary behavior

- Performance management is concerned with the encouragement of productive discretionary behaviour.
- As defined by Purcell and his team at Bath University School of Management (9), 'Discretionary behaviour refers to the choices that people make about how they carry out their work and the amount of effort, care, innovation and productive behaviour they display.
- It is the difference between people just doing a job and people doing a great job.' Purcell and his team, while researching the relationship between HR practice and business performance, noted that 'the experience of success seen in performance outcomes help reinforce positive attitudes.

Performance Appraisal and Performance Management

- It is sometimes assumed that performance appraisal is the same thing as performance management. But there are significant differences.
- Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. In contrast performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future.
- Performance appraisal has been discredited because too often it has been operated as a top-down and largely bureaucratic system owned by the HR department rather than by line managers.
- It was often backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs.
- Performance appraisal schemes existed in isolation.
- There was little or no link between them and the needs of the business.
- Line managers have frequently rejected performance appraisal schemes as being time consuming and irrelevant.
- Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required, tend to be biased and are simply going through the motions.

Table 1.1 Performance appraisal compared with performance management

Performance appraisal	Performance management
Top-down assessment	Joint process through dialogue
Annual appraisal meeting	Continuous review with one or more formal reviews
Use of ratings	Ratings less common
Monolithic system	Flexible process
Focus on quantified objectives	Focus on values and behaviours as well as objectives
Often linked to pay	Less likely to be a direct link to pay
Bureaucratic – complex paperwork	Documentation kept to a minimum
Owned by the HR department	Owned by line managers

Basis of Difference	Performance Appraisal (PA)	Performance Management (PM)
1. Objectives	Focuses only on individual objectives	Stresses upon integrated , i.e. , organizational and team objectives along with the individual objectives
2. Nature of performance measuring methods	Qualitative as well as quantitative measures	Quantitative measures and on the basis of skill required to perform a particular task
3. Repetitive Occurrences	Conducted annually	Constant reviewing
4. System of evaluation	Ratings are assigned by the managers to the subordinates	Combined and collective discussion
5. Reward system	Mostly associated with monetary benefits	No direct reward system
6. Ownership	Conducted by the HR department	Directed by line managers
7. Nature of intent	A separate process, i.e. , not in line with the organizational development	Integrated approach, i.e. , intended to achieve individual as well as organizational goals
8. Approach of assessment	Reactive approach, i.e. , on the basis of past performance	Proactive approach, i.e. , in order to improve future performance
9. Nature of questions	Feedback of earlier performances, e.g. , how well the task was implemented?	Discussion regarding the future tasks, e.g. , how employees should be assisted to derive effective performance?

PM & Management By Objectives (MBO)

- **Management by objectives** (**MBO**), also known as **management by planning** (**MBP**), was first popularized by Peter Drucker in his 1954 book *The Practice of Management*.

- Management by objectives is the process of defining specific objectives within an organization that management can convey to organization members, then deciding how to achieve each objective in sequence.

- This process allows managers to take work that needs to be done one step at a time to allow for a calm, yet productive work environment.

- In this system of management, individual goals are synchronized with the goals of the organization.

- An important part of MBO is the measurement and comparison of an employee's actual performance with the standards set.

- Ideally, when employees themselves have been involved with the goal-setting and choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

- According to George S. Odiorne, the system of management by objectives can be described as a process whereby the superior and subordinate jointly identify common goals, define each individual's major areas of responsibility in terms of the results expected of him or her, and use these measures as guides for operating the unit and assessing the contribution of each of its members. MBO refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace.

- Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization.

- Management By Objectives (MBO) is a personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time.

- The core concept of MBO is planning, which means that organization and its members are not merely reacting to events and problems but instead being pro-active.
- MBO requires that employees set measurable personal goals based upon the organizational goal.
- MBO is a supervised and managed activity so that all the individual goals can be coordinated to work towards the overall organizational goal.
- Rewards are based upon goal achievement.

Need for Management by Objectives (MBO)

- The Management by Objectives process helps the employees to understand their duties at the workplace.
- KRAs are designed for each employee as per their interest, specialization and educational qualification.
- The employees are clear as to what is expected out of them.
- Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.
- Employees in their own way contribute to the achievement of the goals and objectives of the organization. Every employee has his own role at the workplace. Each one feels indispensable for the organization and eventually develops a feeling of loyalty towards the organization. They tend to stick to the organization for a longer span of time and contribute effectively. They enjoy at the workplace and do not treat work as a burden.
- Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.
- Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels. A supervisor of any organization would never directly interact with the Managing Director in case of queries. He/She would first meet his reporting boss who would then pass on the message to his senior and so on. Every one is clear about his position in the organization.
- The MBO Process leads to highly motivated and committed employees.
- The MBO Process sets a benchmark for every employee. The superiors set targets for each of the team members. Each employee is given a list of specific tasks.

How does MBO work?

- Management by objectives (MBO) aligns team member goals with company objectives so team members feel more motivated and included at work.
- First introduced by Peter Drucker in his 1954 book "The Practice of Management," the MBO model also places focus on monitoring team member performance using reporting tools and performance reviews.
- MBO uses objective standards to measure team member and company performance.
- Objective standards outline what is fair, reasonable, or acceptable in an agreement.
- You can use these standards to assess team member productivity and identify opportunity areas within the team. MBO works because part of the MBO process involves management and team members aligning and agreeing on these objective standards.

Process of Management by Objectives (MBO)
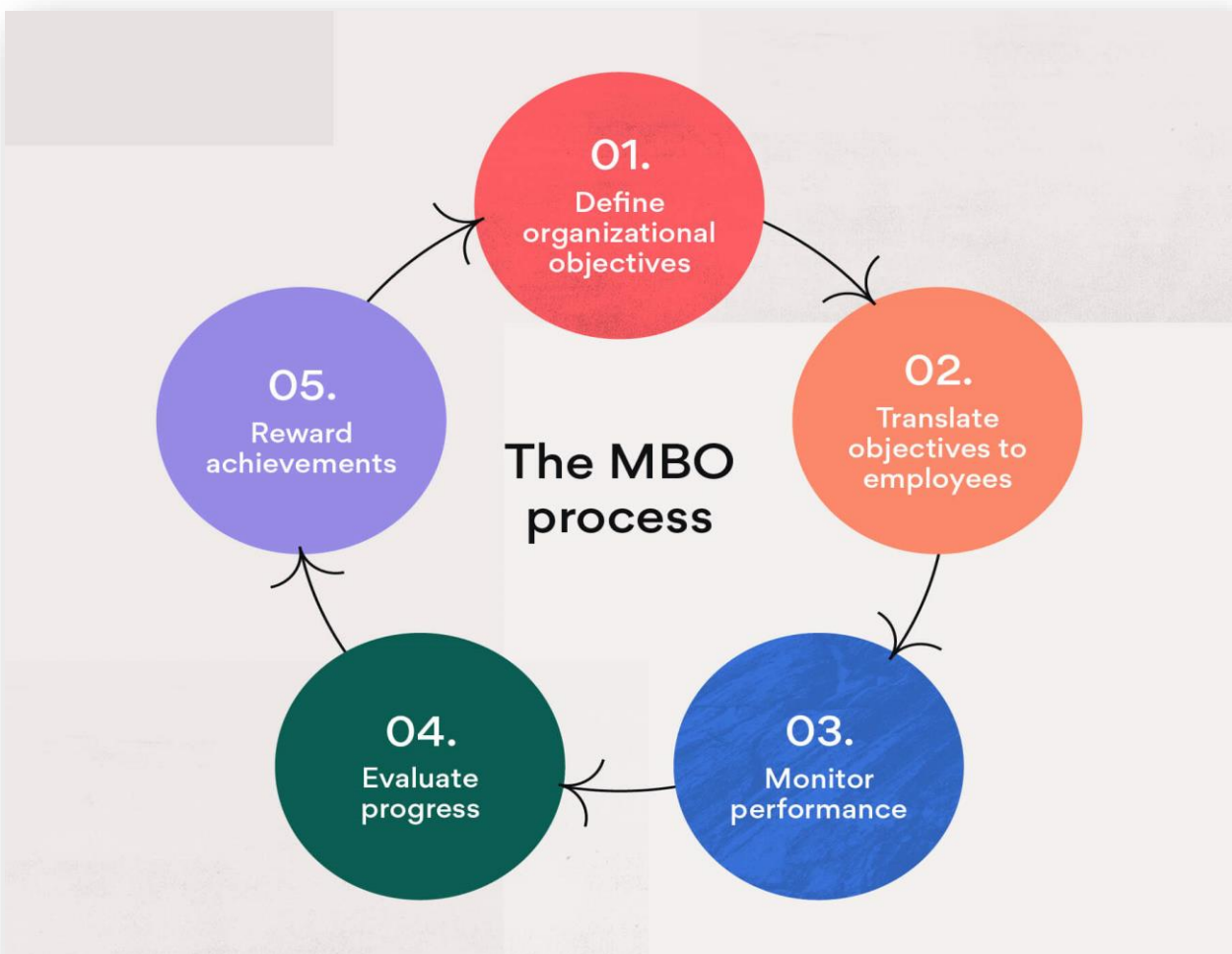
The 5 step MBO process

- There are five steps to the MBO technique. Implementing this process involves creating organizational goals and turning those goals into a set of individual objectives that team members can follow.

1. Define organizational objectives

- The first course of action is to define your organizational objectives.
- As a project manager, your job may be to co-create company objectives or translate company objectives to your team in an understandable way.
- You can use a business goals template to structure your specific goals in this stage.

2. Translate objectives to team members

- After you've defined the company's objectives, use a top-down approach to translate the company objectives into individual goals for each team member.
- Make sure you're using the SMART goals framework to ensure your team members' goals are measurable and achievable.
- When team members have personal goals that ladder up to larger company goals, they understand how they fit into the bigger picture.
- According to our research, only 26% of employees have a clear understanding of how their individual work relates to company goals and just 16% say their company is effective at setting and communicating goals.

3. Monitor performance

- As your team members work toward their specific objectives, you'll need to monitor their performance.
- You can monitor the performance of each team member by gathering success metrics from your project management tool and assessing whether objectives and key results (OKRs) are being met.
- Monitoring team member performance will also help you assess team member productivity.

4. Evaluate progress

- You can evaluate team member progress by setting up performance appraisals. Performance appraisals will allow you to give personal feedback on what each team member is doing well and where they can improve on their individual goals so they can better serve the company as a whole.
- This step in performance management is crucial because it emphasizes effective communication between management and the team. Team members may look forward to performance evaluations because feedback can provide a boost in team productivity.

5. Reward achievements

- The last step in the MBO system is rewarding the team for their achievements. This increases team morale and keeps teammates motivated to work hard during the next MBO process.
- You can reward your team in both intrinsic and extrinsic ways. You can promote intrinsic motivation by challenging team members, recognizing their

hard work, ensuring they feel a sense of belonging, and offering team-building activities.

- With these actions, you'll help team members develop self-confidence and self-motivation.

- Extrinsic rewards may include praise, a paid bonus, a salary increase, promotions, extra responsibility in their current role, or with paid time off. These rewards may be tangible or intangible, but they'll likely incentivize team members to continue working toward their individual objectives and the company's.

What are the pros and cons of MBO?

- MBO became a popular management strategy in the 1960s and 1970s after it was first introduced by Drucker.
- However, widespread usage of the model has since decreased as companies tested out new styles of management. Some companies today still use MBO, but there are arguments for and against it.

Pros of MBO

Supporters of MBO believe that using this form of management within a larger system creates a simpler management structure. Other benefits include:

- Increased team productivity: When team members have personal objectives, they have more clarity about why their work matters. As a result, their motivation and productivity increases.
- Improved team communication: The MBO model can improve team communication and create a more open work environment because team members understand the objectives of the company and know that their personal goals align with those objectives.
- Personalized team member objectives: Because the MBO system personalizes team member objectives and makes it a priority for team members to reach their highest potential, everyone in the company understands how their work makes an impact.

Cons of MBO

Opponents of MBO believe that the model risks overlooking company ethics and values by placing so much focus on individual goals. Other drawbacks include:

- Prioritization of goal-setting over strategic planning: Prioritizing personal objectives for team members may come at the expense of long-term strategic planning. Companies that spend so much time setting goals may have less time to focus on company culture, operational issues, and other areas of involvement.
- Increased strain on team members to meet goals: Because MBO focuses on the individual, team members may feel too much pressure to reach their goals.

- This can be a drawback of MBO because team members may become overworked in this type of work environment, which can lead to low retention and low morale.
- Competition between team members: The extrinsic-focused reward system incorporated in MBO may promote competition between team members, which may get in the way of creating a healthy work environment. Healthy team dynamics in the workplace should include teamwork and supporting one another to reach personal and company goals.

Management by objectives example

An example of MBO in action would be a company that has a quarterly objective to earn 30% of overall revenue from their marketing efforts. To achieve this objective, they break it down into personal objectives for each team member.

- For the digital marketers on the team, their personal objectives are to secure three new marketing clients for the quarter.
- Managers monitor team member performance over the quarter to identify how each team member plans to achieve their personal goal and whether they're making progress toward the goal.
- If a team member reaches their goal at the end of the quarter, they are rewarded with a paid bonus.

Set goals and achieve company objectives with MBO

- MBO is most effective when used as one part of a more comprehensive management plan. When team members have goals that connect to the company mission, they'll feel more motivated to collaborate.
- With goal-tracking software, you can help your team members stay on track with their goals and help them meet those goals in real time.

7 Rules of Excellence

- In today's competitive business environment where people management has come on priority, excellence in discharging HR functions is on high demand from HR managers.
- There can not be any magic stick by which any HR manager can be transformed into an excellent one.
- It is only by proactive mindset and practice; HR manager can bring excellence in him.
- No one is born with the excellence value. Practically it is developed slowly by passage of time. It is not necessary that only a highly qualified manager from a premier management school brings with him the guarantee of excellence.
- I have witnessed many persons with average upbringing, educational and social back ground proving themselves to be an excellent HR manager. What is required is the quest of learning and attitude of taking ownership of the problems in the organization by the person.
- The following are the rules of excellence for HR managers:

1. Become leader not a manager

2. Be careful, honest and sincere while selecting a person

3. Don't make induction a ritual

4. Make employees clear what is expected from them

5. Be firm and fair

6. Confront problems

7. Apply the principle of 20-80

1. Become leader not a manager.

- The basic skills of excellence in HR require a manager to build people, bind people together with hearts minds and souls and for this he has to become a leader and not a mere manager.
- Every organization that has maintained its excellent over the period of time has been able to do so because it had a leader and not a manager who was able to transform the culture of excellence.
- While a manager does things right, as a leader HR manager should always do right things.
- While a manager may be efficient to move in a right direction to achieve excellence, as a HR manager you should have a vision to choose that direction.
- While manager may use the authority to discharge his functions, as a leader you should use your power derived from employees respect.
- HR manager has to develop the capability of working well without losing balance in times of crisis.

2. Be careful, honest and sincere while selecting a person.

- Engage right person at the right job. Don't try to fit a square in a hole. Discourage favoritism in recruitment.
- Don't compromise with the quality and requirement of the job. Always prefer attitude in a person.
- Engage for attitude and train for skills. It is the attitude of the person which makes a difference while performing his job. Problem starts from this point.

3. Don't make induction a ritual.

- Most of the HR managers do this exercise as a ritual and leave it on subordinates which ultimately turn out to be an utter failure in achieving purpose of this exercise.
- This is high time for HR manager to mold new employee and tune him with the organizational culture.

- Most of the new employees leaving organization in a short tenure reveal the startling fact of their poor/negative induction at the time of joining making their prime cause demotivation.

4. Make the employee clear what is expected from him.

- It is for the HR manager to ensure that employees working in the organization are well aware of what the organization expects from them.
- In one of the reputed organization when I was called as an expert to diagnose the problem in people management, after observing the work culture I commented, 'In your organization everybody is doing every body's job and no body knows what he is doing'.
- HR Manager has to be cautious about this silent killer of the organization culture.

5. Be firm and fair.

- HR manager has to practice this policy down the line all the time. While dealing employee relations he has to exhibit and display his firmness and fairness even in sensitive situations to command respect from all corners.
- He has to champion the cause of employees and employer too.

6. Confront Problems.

- HR manager who escape from tricky situations and problems cannot excel in discharging his functions.
- He has to confront the problems as they arise and disseminate them. Always remember that avoiding problems and keeping the dust under the carpet will not pave the way of excellence.
- In any organization where HR people pass the buck and shift the burden of problems like shuttle cock are bound to face more complex situations which may explode in a more aggressive way causing irreparable losses to organization culture.

7. Apply the principle of 20-80.

- As a HR professional it is not necessary all the time to use your technical knowledge for achieving excellence but what is required is skill of dealing with people and this ratio is known as 20-80.
- 80% is of your people handling skills in all situations with common sense management of human dignity and 20% is of your technical knowledge.

7 signs of HR Professionals

1. Sorting through record number of applicants

2. Cost effectiveness

3. Improves company's corporate image

4. Better condition of service

5. Conflict resolution

6. Increase employee performance

7. Maintains company principles

1. **Sorting through record number of applicants**

- With the worldwide economic meltdown, employers have been faced with a deluge of job applicants and the vast majority of these applicants are not suited to those job positions.
- The Human Resource Department is effective to help screen all jobs applicants in a way that won't overwhelm the departments conducting interviews.
- A good HR department will help filter applicants in order to get the best candidate.

2. **Cost Effectiveness**

- Human resource departments help to save costs in a variety of ways including writing job descriptions or training programs for the company.
- When an organization hires independent contracted HR companies to help them with their HR assignments, this can cost a great deal of money.
- By having an in-house HR department, those individuals will become more aware of your company's specific needs and address them accordingly.

3. **Improves Company's Corporate Image**

- If people work for an organization and they are well treated by the Human Resource Department, this can prompt employees to tell others about the company and the quality and professional advice of the HR departments.
- This can be an added advantage to help boost the image of a company.

4. **Better condition of service**

- An HR department helps employees of an organization to help enjoy better conditions of services, while on the job and even after retirement.
- An HR department can be effective in making sure that employees work under conducive environments and their welfare is well taken care of.

- This can greatly improve company morale, which in turn positively affects an employee's productivity.

5. Conflict Resolution

- The Human Resource Department is saddled with the responsibility to resolve conflicts amicably.
- They are specially trained to handle difficult situations at work, which will help to save the company lost productivity, hassles, time and money and has even proven to help reduce the risk of possible litigation.

6. Increase employee performance

- An HR department helps to develop performance management and training programs for the employee which has proven to increase their commitment to the job, thereby improving their productivity.

7. Maintains Company Principles

- The Human Resource Departments is highly effective in maintaining the principle and objective of the company.
- This department is more than just a shoulder to cry on, as they make sure all the employees are on the same page and following the same principle that the company wants to portray, both to the public and within the company itself.
- By following a common stated principle, employees have a clear understanding of what is expected of them and their work.
- By working toward a common goal and image employees can be further encouraged to work as a team, strengthening their commitment to each other and to the company as a whole.

7 sins of HR Professionals

- An typical workday for an HR might vary according to the size of the company but in general, the routine involves scheduling recruitments, meetings, welcoming new joiness, managing attendance and payroll, latest work policies, and many more such tasks.
- Depending on the size of staff and the company, they might be advertising open positions and recruiting new employees, onboarding new staff, managing payroll and benefits, investigating complaints, writing and policing the company policies, changing employee status forms, overseeing staff training and development and much more.
- But the HR Department is often doing some sins as part of their work.
- Let us look at some of them and what can be done to seem it less like a sin.

1. Not treating job seekers well

2. Being the moral police

3. Being incompetent

4. Being the liar

5. Not taking action

6. Favouring the management

7. Forced participation

1. Not treating job seekers well

- Every person coming in contact with an HR has the potential to voice their opinion indirectly affecting the company's reputation in a big way.
- You never know who will prove as a boon to your company's progress and who might be trying to pull you down.
- They might be your future customers too.
- It is essential to value job seekers you have to design your training and recruitment programs accordingly.

2. Being the moral police

- 80% of employees dislike being monitored from head-to-toe while at the workplace.
- No doubt, it is an HR's responsibility to make sure employees adhere to company guidelines and policies but then too an HR must know where to pull the chords and where to be the moral police.

3. Being incompetent

- In most situations an employee expects the human resource department to resolve an issue in the workplace.
- But employees often find the HR to be incompetent and inadequately trained to handle employee conflicts.
- This happens mostly when an HR prefers to ignore the actual problem by sending flowery emails.

4. Being the liar

- It is a well-known fact that the HR department has access to confidential employee information and company policies.
- They are the direct point of conflict for the management as well as the employees.
- Many employees feel the HR department can easily slip away by concealing the truth behind a situation.
- Though human resource is supposed to be more humane, it is often the part of their job to withhold certain information from employees.

5. Not taking action

- Though HR department is linked to the recruitment process; it more often the best interest of the managers to decide whether to keep an employee or fire them right away.
- While employees might see this as a sin by the HR; they actually have not much control to make hiring and firing decisions.

6. Favoring the management

- Most employees feel that the HR department would only favor management while dealing with employee grievances.
- They have the responsibility to keep the company safe from any legal hassle.
- So there are situations where an HR would not go against the management.
- And it is very rare to find employee interest coincide with company policies.
- This all things look like a sin to employees.

7. Forced participation

- To promote healthier work-life balance, there might be several feel-good events arranged in the office premises like a secret santa or a lucky pot.
- But the participation window must be kept open for employees to decide about their involvement.
- You obviously cannot force someone to enjoy a particular event.

- **Whether sin or not Human Resource department spends hours to keep an organization going strong.**
- **In part of their job to keep certain things a certain way, an employee's perception about HR is a sensitive topic which is changing over time.**

MCQs

Sr.no.	Question	Answer
1.	What can be defined as the achievement of quantified objectives, with the help of appropriate behaviour and effective use of required knowledge, skills and competencies?	**Performance**
2.	Performance can be defined as the achievement of quantified objectives, with the help of appropriate behaviour and effective use of required?	**knowledge, skills and competencies.**
3.	What is not only a matter of what people achieves but also how they are achieving it?	**Performance**
4.	Performance is not only a matter of what people achieves but also _____	**How they are achieving it**
5.	What are the Purpose of Performance Management?	• **Strategic purpose** • **Managerial purpose** • **Informational purpose** • **Developmental purpose** • **Maintenance purpose** • **Documentation purpose**
6.	The overall aim of performance management is to _____	**establish a high-performance culture**
7.	The _____of performance management is to establish a high- performance culture	**overall aim**

8.	What is a planned process of which the primary elements are agreement, measurement, feedback, positive reinforcement and dialogue?	**Performance management**
9.	Performance management is a _____ process of which the primary elements are agreement, measurement, feedback, positive reinforcement and dialogue.	**planned**
10.	What is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results?	**Performance management**
11.	Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve_____.	**the required results**
12.	Performance management focuses on _____planning and improvement rather than on retrospective performance appraisal.	**future performance**
13.	Performance management focuses on future performance planning and improvement rather than on?	**retrospective performance appraisal**
14.	Who are always looking for ways to improve employee productivity, and they can learn from high-performing organizations?	**Companies**
15.	Companies are always looking for ways to improve_____, and they can learn from high-performing organizations	**employee productivity**
16.	What has become a key part of creating a delightful customer experience, and organizations will use the same approach in their performance management efforts?	**Personalization**
17.	Personalization has become a key part of creating a_____, and organizations will use the same approach in their performance management efforts	**delightful customer experience**
18.	Relying on individual data as well as feedback conversations provides whom the tools for tailoring their performance management system, curating employee development strategies and customizing other aspects of work for each individual employee?	**managers**
19.	Relying on individual data as well as feedback conversations provides managers the tools for tailoring their_____, curating employee development strategies and customizing other aspects of work for each individual employee.	**performance management system**
20.	What also puts staff in control of their development so	**Employee training**

	that they can add to their skillset with on-demand content?	<u>software</u>
21.	<u>Employee training software</u> also puts staff in control of their development so that they can add to their skillset with?	**on-demand content**
22.	Performance management is concerned with _____to achieve future success.	**planning ahead**
23.	Performance management is concerned with planning ahead to?	**achieve future success**
24.	If you _____it you can't manage it.'	**can't measure**
25.	If you can't measure it you_____'	**can't manage it**
26.	Performance management should respect the _____-as well as those of the organization, recognizing that they will not necessarily coincide.	**needs of individuals and teams**
27.	Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not?	**necessarily coincide**
28.	Four ethical principles that should govern the operation of the performance management process have been suggested by ?	**Winstanley and Stuart-Smith**
29.	What should govern the operation of the performance management process have been suggested by Winstanley and Stuart-Smith?	**Four ethical principles**
30.	Four ethical principles that should govern the operation of the performance management process are?	• **respect for the individual;** • **mutual respect;** • **procedural fairness;** • **transparency of decision making**
31.	There are five issues that need to be considered to obtain a full under- standing of_____	**performance management**

32.	There are how many issues that need to be considered to obtain a full under- standing of performance management?	**five**
33.	What emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results.'	**Behaviours**
34.	Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of _____effort applied to tasks – and can be judged apart from results.'	**mental and physical**
35.	One of the most fundamental purposes of performance management is to?	**align individual and organizational objectives.**
36.	One of the most fundamental purposes of what is to align individual and organizational objectives?	**performance management**
37.	What should be *agreed*, not set,	**Objectives**
38.	Objectives should be ?	**agreed, not set,**
39.	Performance management is concerned with the encouragement of productive?	**discretionary behaviour.**
40.	Performance management is concerned with the _____of productive discretionary behaviour.	**encouragement**
41.	What refers to the choices that people make about how they carry out their work and the amount of effort, care, innovation and productive behaviour they display?	**Discretionary behaviour**
42.	Discretionary behaviour refers to the?	**choices that people make about how they carry out their work and the amount of effort, care, innovation and productive behaviour they display.**
43.	What can be defined as the formal assessment and	**Performance**

	rating of individuals by their managers at, usually, an annual review meeting. In contrast performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future.	**appraisal**
44.	Performance appraisal can be defined as the _____of individuals by their managers at, usually, an annual review meeting. In contrast performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future.	**formal assessment and rating**
45.	Management by objectives (MBO), is also known as?	**management by planning (MBP)**
46.	What is also known as management by planning (MBP)?	**Management by objectives (MBO)**
47.	Management by objectives (MBO), also known as management by planning (MBP), was first popularized by whom in his 1954 book *The Practice of Management*.	**Peter Drucker**
48.	Management by objectives (MBO), also known as management by planning (MBP), was first popularized by Peter Drucker in his 1954 in which book?	**The Practice of Management.**
49.	An important part of MBO is the measurement and comparison of ?	**an employee's actual performance with the standards set**
50.	An important part of MBO is the _____of an employee's actual performance with the standards set.	**measurement and comparison**
51.	According to whom , the system of management by objectives can be described as a process whereby the superior and subordinate jointly identify common goals, define each individual's major areas of responsibility in terms of the results expected of him	**George S. Odiorne**

	or her, and use these measures as guides for operating the unit and assessing the contribution of each of its members?	
52.	According to George S. Odiorne, the system of management by objectives can be described as a process whereby the _____jointly identify common goals, define each individual's major areas of responsibility in terms of the results expected of him or her, and use these measures as guides for operating the unit and assessing the contribution of each of its members.	**superior and subordinate**
53.	Management by Objectives defines what for the employees and help them chalk out their future course of action in the organization?	**roles and responsibilities**
54.	Management by Objectives defines roles and responsibilities for the employees and help them chalk out their _____ in the organization.	**future course of action**
55.	Management By Objectives (MBO) is a personnel management technique where managers and employees work together to set, record and monitor goals for?	**specific period of time**
56.	Management By Objectives (MBO) is a _____where managers and employees work together to set, record and monitor goals for a specific period of time.	**personnel management technique**
57.	Rewards are based upon?	**goal achievement**
58.	What are based upon goal achievement.	**Rewards**
59.	What are designed for each employee as per their interest, specialization and educational qualification?	**KRAs**
60.	KRAs are designed for each employee as per there?.	**interest, specialization and educational qualification**
61.	The MBO Process sets a _____for every employee.	**benchmark**
62.	The MBO Process sets a benchmark for?	**every employee.**
63.	What outline what is fair, reasonable, or acceptable in an agreement?	**Objective standards**
64.	Objective standards outline what is fair, reasonable, or acceptable in an?	**agreement**
65.	There are _____steps to the MBO technique.	**five**
66.	There are five steps to the MBO technique. True/False?	**True**
67.	What is 1st step in MBO technique?	**Define organizational objectives**
68.	What are 2 steps in MBO technique?	**Translate**

		objectives to team members
69.	What are 3 steps in MBO technique?	**Monitor performance**
70.	What are 4 steps in MBO technique?	**Evaluate progress**
71.	What are 5 steps in MBO technique?	**Reward achievements**
72.	Who believe that the model risks overlooking company ethics and values by placing so much focus on individual goals?	**Opponents of MBO**
73.	Opponents of MBO believe that the model risks overlooking _____and values by placing so much focus on individual goals.	**company ethics**
74.	MBO is most effective when used as one part of a more comprehensive?	**management plan**
75.	MBO is _____ when used as one part of a more comprehensive management plan.	**most effective**
76.	In today's competitive business environment where _____has come on priority, excellence in discharging HR functions is on high demand from HR managers.	**people management**
77.	In today's competitive business environment where people management has come on priority, excellence in discharging HR functions is on high demand from?	**HR managers**
78.	Which Departments is highly effective in maintaining the principle and objective of the company?	**The Human Resource**
79.	The Human Resource Departments is highly effective in maintaining?	**the principle and objective of the company**
80.	Every person coming in contact with an HR has the potential to _____indirectly affecting the company's reputation in a big way.	**voice their opinion**
81.	Every person coming in contact with an HR has the potential to voice their opinion indirectly affecting the company's?.	**reputation in a big way**
82.	How much of employees dislike being monitored from head-to-toe while at the workplace?	**80%**
83.	80% of employees dislike being?	**monitored from head-to-toe while at the workplace.**
84.	In most situations an employee expects the human resource department to resolve an issue in the?	**workplace**
85.	In most situations an employee expects which department to resolve an issue in the workplace?	**human resource**
86.	It is a well-known fact that the _____has access to confidential employee information and company	**HR department**

	policies.	
87.	It is a well-known fact that the HR department has access to _____information and company policies.	**confidential employee**
88.	Though HR department is linked to the recruitment process; it more often the best interest of the managers to decide whether to keep an employee or fire them right away. True/False?	**True**
89.	Though HR department is linked to the _____ it more often the best interest of the managers to decide whether to keep an employee or fire them right away.	**recruitment process**
90.	HR has the responsibility to keep the company safe from any?	**legal hassle**
91.	Who has the responsibility to keep the company safe from any legal hassle?	**HR department**
92.	Most employees feel that the HR department would only favor whom while dealing with employee grievances.	**management**
93.	Most employees feel that the HR department would only favor management while dealing with employee grievances. True/False?	**True**
94.	Though human resource is supposed to be more humane, it is often the part of their job to withhold certain information from?	**employees**
95.	Though _____ is supposed to be more humane, it is often the part of their job to withhold certain information from employees.	**human resource**
96.	A typical workday for an HR might vary according to the?	**size of the company**
97.	An typical workday for an HR _____according to the size of the company	**might vary**
98.	By working toward a common goal and image employees can be further encouraged to work as a team, strengthening their?	**commitment to each other and to the company as a whole**
99.	By working toward a common goal and image employees can be _____ to work as a team, strengthening their commitment to each other and to the company as a whole.	**further encouraged**
100.	The Human Resource Department is saddled with the responsibility to resolve conflicts amicably. True/False?	**True**