

BALAJI INSTITUTE OF I.T AND MANAGEMENT KADAPA

PERFORMANCE MANAGEMENT
(17E00314)

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PERFORMANCE MANAGEMENT MATERIAL

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Units covered: 1st, 2nd, 3rd, 4th & 5th UNITS

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(17E00314) PERFORMANCE MANAGEMENT**(Elective III)**

Objective:The objective of the course is to provide an outline of performance management of individuals in the organization. The prerequisite for the course is knowledge of HRM.

1. **Introduction to Performance management:** Concept -Performance management vs. performance appraisal--Performance management vs. Human resource management- Purposes- Significance.
2. **Mentoring and Monitoring:** Concept of mentoring - Benefits of mentoring - Characteristics of mentor- Mentoring Process-Group mentoring -Benefits -Types of Group Mentoring – Pitfalls Monitoring performance.
3. **Coaching and counseling:** **Coaching** for performance improvement -. Concept - Tips for effective coaching Counseling -Functions of counseling- Steps in counseling process
4. **Annual Stock taking:** Stock taking of performance -Uses –Appraisal system design: Process and approaches - Appraisal methods - MBO and Assessment centre -360-degree appraisal - Balanced score card. Stock taking of potential- Appraisal for reward - Appraisal for recognition
5. **Learning organisation:** Concept of learning organisation- Learning approaches- Learning sources - Importance of learning-. Characteristics of learning organisation- Reward and compensation Management -Concept and types of compensation- Objectives - Competitive compensation design - Fringe benefits- Objectives -Factors influencing fringe benefits - Types of fringe benefits

Text books:

- Performance Management, A.S.Kohli, T.Deb,Oxford.
- Prem Chadha, Performance Management, McMillan.

References:

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UNIT -1**INTRODUCTION TO PERFORMANCE MANAGEMENT****1. Concept:****1.1: Meaning of performance management**

The term 'performance management' includes two words 'performance' and 'management'. performances mean accomplishment, execution, carrying out, working out of anything undertaken. performance can be regarded as behavior the way in which organizations, teams and individuals get work done. On the other hand, management means the process of dealing with employees.

Performance management is a strategic and integrated approach to delivering sustained success to the organizations by improving the performances of individuals, it can focus on the performance of an employee, department, organization and also on the processes to improve them.

Performance management is the systematic assessment of the performance of an employee and using such assessment to better the performance.

1.2: Definition:

"An effective performance management aligns individual performance with organization mission vision and objectives".

American compensation association (1996)

"A systematic approach to improving individual and team performance in order to achieve organization goals".

Hendry Bradley and Perkins (1997)

"Performance management is a process for establishing shared understanding about what is to be achieved and an approach to managing and developing people in a way which increases the probability that it will be achieved in short and longer term.

Armstrong (1994)

"Performance management is about direction and supporting employees to work as effectively and efficiently as possible in line with the needs of the transition".

Walters (1995)**1.3: Concept of performance management**

The concept of performance management is based on approaches that aim to overcome the negatives of performance appraisal by emphasizing that performance management is continuous and forward looking process in which managers and workers / individuals work together in partnership .

Hence the two key elements of performance management are;

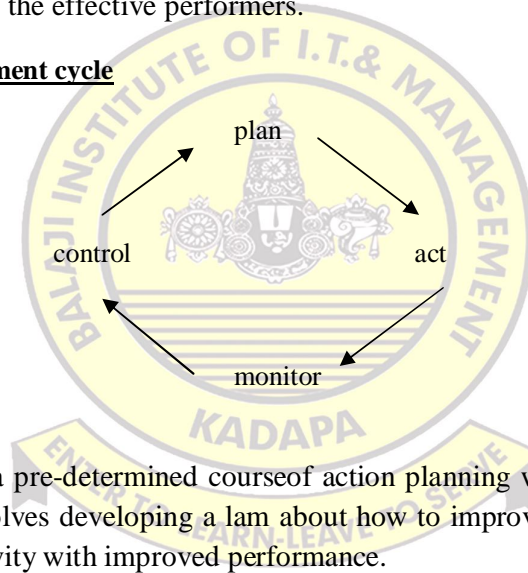
- i. Continuous process
- ii. Link to mission and goals

Performance management is commonly missing contracted with performance appraisal which is process of evaluating the performance of workforce

As a concept performance management should include the following.

- As a communication system is developed to assist employees.
- Pm is not just requires directions from managers but also active participation from employees.
- Employees should know about their job functions and aware of performance level expected.
- PM involves continuous feedback about employee's performance.
- Giving rewards to the effective performers.

1.4: Performance management cycle



1. Plan:

Planning is a pre-determined course of action planning with regard to performance management involves developing a plan about how to improve performance and how to increase productivity with improved performance.

2. Act

Once the plan has been developed this should convert into action or implementation whatever the things planned they get into action.

3. Monitor

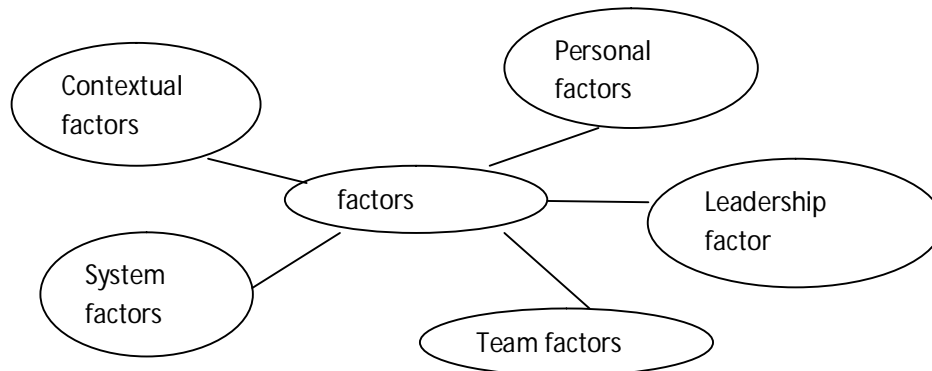
After implementing the plan, the performance should be monitored by this an idea regarding the poor performance and high level performance get generated.

4. Review

Performance review also called performance appraisal. It is a tool used to measure and assess employee efficiency and effectiveness. Manager determines deviations and take corrective actions Eg training requirement, increase in wage or salary need of employee promotion etc.

1.5: Factors affecting performance

Performance is affected by number of factors which included

**1. PERSONAL FACTORS:**

The individual's skill competence motivation and commitment have impact on performance

Egg: if an employee is not well motivated, the he /she will not able to perform well

2. LEADERSHIP FACTORS:

If includes quality of encouragement guidance and support provided by managers and team leaders

3. TEAM FACTORS

This includes the quality of support provided by colleagues. A work gets completed productively and effectively only when it is performed by all team members in co-operative ways.

4. SYSTEM FACTORS

Here, it means the system of work and facilities provided by the organization. If there is lack of facilities it has impact on performance.

5. CONTEXTUAL (SITUATIONAL) FACTORS

Internal and external environmental pressures and changes also have impact on performance.

2. DIFFERENCES BETWEEN PERFORMANCE MANAGEMENT AND PERFORMANCE APPRAISAL

- Performance management is commonly misunderstood with performance appraisal which is a process of evaluating the performance of workforce.
- Performance management can be defined as a process which continuously identifies measures and develops the performance of workforce in the organization and by doing

so, each individuals performance and objectives are connected with overall mission and goals of organization.

- Performance appraisal is a method of evaluating the behavior of employees in the work sport including both quantitative and qualitative aspects of job performance.
- Performance appraisal is a system of review and evaluation of individuals or team's performance.

- According to **MONDY ETAL.**

The differences between performance management and performance appraisal are explained here as follows,

Basis	Performance management	Performance appraisal
Meaning	It is the assessment of performance for making improvements.	It includes review and evaluation of performance
Objective	Objective of performance management is to integrate organizational, team and individual objectives	It emphasis only individual objectives
Ratings usage	Here there is less likely to involve ratings	It often uses ratings or rankings to evaluate performance
Relation with business needs	Performance management is linked to business needs	Performance appraisal is not linked to business needs
Frequency	Continuous review with one or more formal reviews in a year	Performance appraisal is done once in a year i.e. annually
Focus	It is future-oriented for achieving growth	It includes retrospective for corrections i.e. focus on past performance
Type of process	Flexible and continues process, strategic and integrated	It is monolithic/rigid system, operational process
Documentation	In performance management is a minimized need of documentation	It needs complex paper work
Ownership	PM is owned by managers and supervisors	PA is housed in human resource department.
Reward linkage	Does not have direct link to reward	PA is only linked to pay.

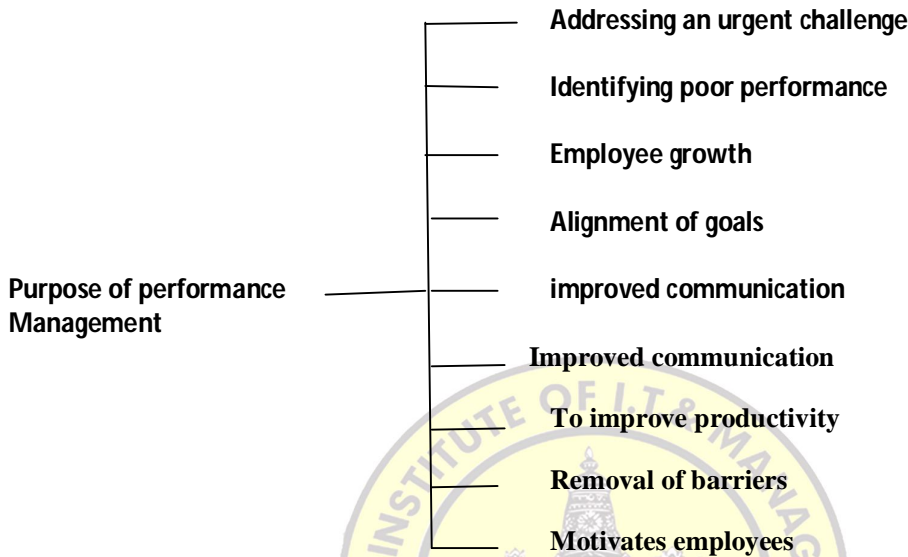
3. PERFORMANCE MANAGEMENT VERSUS HUMAN RESOURCE MANAGEMENT

- Performance management is the process of assessing progress toward achieving predetermined goals. This process focus on improving the performance of individuals in an organization by making corrections to the deviations.
- Human resource management is concerned with the management of human resources in an organization.
- It may be defined as the art of procuring, developing and maintaining competent workforce to achieve organizational goals effectively.
- Both performance management and human resource management have ultimate aim of achieving organizational objectives effectively. But there are differences in these two which are given in below table,

BASIS	PERFORMANCE MANAGEMENT	HUMAN RESOURCE
Meaning	It is the process of assessing progress towards achieving predetermined goals.	It is the approach to the management of organization of organizations most valued assets-human resource
Concept	Performance management is narrow in nature as it have less choices	Human resource management is wide in nature as it emphasize n wide aspects
Features	<ul style="list-style-type: none"> ➤ For performance development ➤ Rely on multiple sources of information 	<ul style="list-style-type: none"> ➤ Personnel administration ➤ Organizational management
Techniques used	Techniques of performance management are, <ul style="list-style-type: none"> ➤ Performance appraisal ➤ Management by objectives ➤ 360-degree feedback ➤ Reward programmers etc. 	It includes <ul style="list-style-type: none"> ➤ Flexi-work & flexi time ➤ Training & development ➤ Collaborative management etc.
Policies	Performance management is guided by policies (plans, strategy)	PM is not guided by policies
Focus	PM focus on 3 things, <ol style="list-style-type: none"> Setting priorities Collect data Communicate data 	HRM focus on, Implementing policies and procedures i.e. recruiting, training, employee-relations.
Discipline	Performance management is a normative study	HRM is a part of management discipline (but itself not a field of study)
Objectives	<ul style="list-style-type: none"> ➤ Establish standards of performance ➤ Encourage two way communication 	<ul style="list-style-type: none"> ➤ Provide organization well trained and motivated employees ➤ Help the organization to reach its goals.

4.PURPOSE OF PERFORMANCE MANAGEMENT

The main purpose of performance management is to align the organization objectives with the skills, performance goals and competencies of employee. The purpose of performance management is explained here under,



1. ADDRESSING AN URGENT CHALLENGE

Some organizations begun to modernize parts of their performance management to drive behaviors that are critical in today's work environment include,

- Providing informal feedback
- Setting clear expectations
- Working collaboratively

2. MAKING DECISIONS

Performance management helps in making decisions about pay, promotions and other performance so that in effective performance will be corrected.

3. IDENTIFYING POOR PERFORMANCE

Another purpose of performance management is identifying the lagging and poor performance in an organization and taking corrective actions to improve the performance.

4. EMPLOYEE GROWTH

Management helps in achieving the growth of employees by providing growth opportunities for their personal growth.

5. ALIGNMENT OF GOALS

By aligning the goals of individuals with organizational goals there is a change to achieve improved results and objectives of organization. (Performance management serves this.)

6. IMPROVED COMMUNICATION

To improve the open communication between supervisors and employee's the performance management is needed by this they both will express their needs, opinions and expectations freely.

7. TO IMPROVE PRODUCTIVITY

An effective performance management helps in improving the productivity of organization by enabling employees to perform to their potential.

8. REMOVAL OF BARRIERS

With performance management the barriers which inhibit the effective performance of employees are identified and removed to achieve improved performance.

9. MOTIVATES EMPLOYEES

Performance management motivates employees in an organization to improve their performance and it provides proper guidance and support to enhance performance. High level performance (by rewards hikes), lower level (guidance, support etc.).

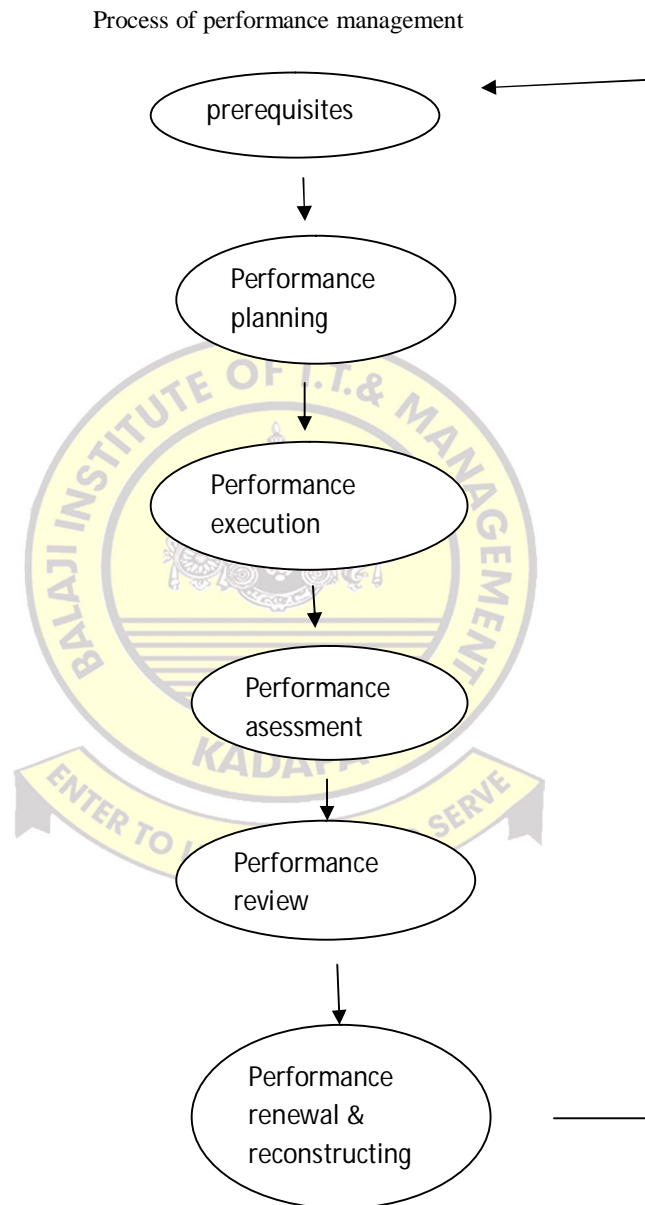
5. SIGNIFICANCE OF PERFORMANCE MANAGEMENT

The significance of performance management explained here under,

- Performance management helps to achieve sustainable improvements in organizational performance.
- PM as a lever for change in developing a more performance – oriented culture.
- PM increases the motivation and commitment of employee's which leads to improved performance in an organization.
- Performance management enable individuals to develop their abilities increase their job satisfaction and achieve their full potential to their own benefit and for whole organization.
- Performance management enhances the development of team performance in an organization.
- Performance management develops constructive and open relationships between individuals and their managers.
- Performance management provides opportunities for individuals to express their aspirations and expectations about their work.
- Performance management aligns individual performance expectations with organizational goals.
- Performance management aims to improve the performance and identifies training needs.
- To enhance the quality of work-there by to provide the customer what he wants.
- Performance management contributes for the improved productivity in organization by the effective performance.

5.1: PROCESS OF PERFORMANCE MANAGEMENT

Performance management is an ongoing process it doesn't take place just once in a year. It is a continuous process including several components which are closely related to each other. The process of performance management is explained as follows,



1. PREREQUISITES

There are two important prerequisites that are required before implementing performance management is,

- a. Knowledge of organization's mission and strategic goals.
- b. Knowledge of job in question (done through job analysis).

2. PERFORMANCE PLANNING

Employees should have thorough knowledge of performance management at the beginning of each performance cycle supervisor and employee meet to discuss what needs to be done and how. This planning includes,

- a. Results.
- b. Behaviors.
- c. Developmental plan.

3. PERFORMANCE EXECUTION

It involves executing or performing the developed plan. This stage has following factors,

- Commitment to goal achievement.
- Ongoing performance feedback and coaching.
- Communication with supervisor.
- Collecting and sharing performance data.

4. PERFORMANCE ASSESSMENT

It involves evaluating the extent to which the desired behaviors have been displayed whether the desired results have been achieved or not.

5. PERFORMANCE REVIEW

In this stage there is a meeting between employee and the manager to review their assessments. This is important because it provides a formal setting in which an employee receives feedback on his or her performance

6. PERFORMANCE RENEWAL AND RECONTRACTING

This phase is identical to planning stage with a difference that in renewal and reconstructing stage uses the insights and information gained from other phases.

5.2: CRITERIA FOR SUCCESSFUL PERFORMANCE MANAGEMENT

The criteria needed for achieving successful performance management are given here under,

- Performance management processes must fit the culture of organization
- There should be commitment and support from management
- Performance management should add value in terms of both short-term and long-term growth
- There should be shared ownership between the managers and employees
- The involvement of stakeholders like customer's, employee's, shareholders, creditors etc., is needed to have effective performance management.
- Performance management processes should be transparent and operate fairly.
- The activities of performance management must be in ethical way by respecting individual needs, ethical processes and so on.
- Alignment of individual's goals with the goals of organizations then they will work for mutual consent.
- Performance management should focus on the development of people.

- Continuous evaluation of performance is needed to have successful performance management.

5.3: DIS ADVANTAGES/DANGERS OF POORLY IMPLEMENTED PERFORMANCE MANAGEMENT.

1. INCREASED TURNOVER

If the process is not fair employees may become upset and they leave the organization which leads to increased turnover.

2. MIS LEADING INFORMATION

If a standardized system is not in place the opportunities to fabricate the information about employee's performance may be misled.

3. LOWERED SELF-ESTEEM

Self-esteem of employee may be lowered if a feedback is provided in inaccurate way.

4. WASTED TIME AND MONEY

Performance management system involves time and money. These resources get wasted if performance management designed poorly.

5. DAMAGED RELATIONSHIPS

As a consequence of deficient system the relationship among the individuals may get damaged.

6. EMPLOYEE BURNOUT AND DISSATISFACTION

When the performance assessments not seen as valid and the system is not fair it leads to employee burnout and this satisfaction.

7. INCREASED RISK OF LITIGATION

Expensive lawsuits may be filed by individuals when they feel that they treated unfairly.

8. VARYING AND UNFAIR STANDARDS AND RATINGS

Both standards and individual ratings should be fair if not it leads to ineffective performance management.

9. UNCLEAR RATING SYSTEM

Because of poor communication employees may not know how their ratings are generated and translates to rewards.

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UNIT -2

MENTORING AND MONITORING

1.CONCEPT TO MENTORING:

1.1:MEANING AND DEFINITION OF MENTORING

MEANING: -

Mentoring is a professional relationship in which an experienced person (the mentor) assists another (The mentee) in developing specific skills and knowledge that will enhance the less experienced person's professional and personal growth.

Mentoring is important at workplace because it helps employees to do the right thing by exposing them to senior employees.

Mentoring differs from coaching because coaching is short term task and mentoring is long term task. mentoring is widely recognized today as an extremely beneficial career development tool.

Definition:

“Mentoring is a long term relationship that meets a development need,helps develop full potential and benefits all partners,mentor, mentee and the organization”.

- Suzanne Faure

“Mentoring is a protected relationship in which learning and experimentation can occur, potential skills be developed, an in which results can be measured in terms of competencies gained.”

-Audrey Collin

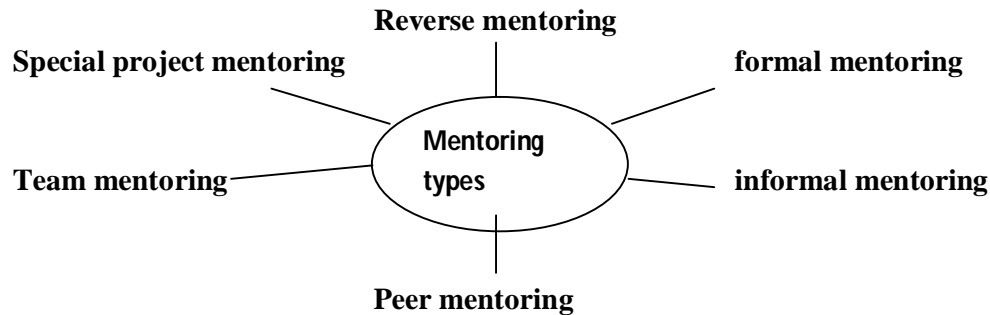
1.2: Characteristics of Mentoring:

The process of mentoring has following characteristics

- Mentoring is long term in nature.
- Mentoring involves two parties i.e. mentor and mentored in which mentor is more qualified person compared to mentee.
- Mentoring is a professional relationship.
- The process of mentoring enhances skills of mentee.
- Mentoring serves as a career development tool.
- Mentoring leads to reduced training costs for an organization.

1.2: Types of mentoring:

The types of mentoring explained as follows,



I. Formal mentoring:

Formal mentoring also referred as **classic mentoring**. This type of mentoring pairs a senior faculty member with a junior member, usually from the same department, for a specified period of time.

II. Informal mentoring:

Voluntary mentoring relationships that are not assigned and lack structure about how mentors work with mentees constitute 'informal mentoring'.

III. peer mentoring:

Members with equal ranks form either the same or different departments develop supportive networks. They meet regularly to discuss issues and challenges they are facing as well as share advice, information and strategies.

Iv. Group or Team mentoring:

In group mentoring, senior faculty members serve as mentors for a group of junior mentees who meet regularly as a team. For example, a senior member may meet with a group of junior faculty on a monthly basis.

V. special project mentoring:

Here mentor helps to guide mentees for short term project or task (normally lasting a few weeks to a few months).

VI. Reverse mentoring:

Here, the roles of traditional mentoring are reversed. A young employee takes on the role of the mentor while the mentee is an older and often more experienced employee. This relationship closes the knowledge gap for both parties.

2. Benefits of mentoring:

The benefits of mentoring process observed in the following areas

- a. mentors
- b. mentees
- c. organization

a. Benefits for mentors:

The benefits of mentoring for mentors given here as follows;

- Mentoring process strengthens mentor's active listening skills.
- Mentoring encourages knowledge sharing that increases self-worth (self-value) of mentor.
- A sense of fulfillment and achievement is established to the mentor with mentoring.
- Mentoring process helps to enhance mentor's relationship building skills.
- The process of mentoring provides an added sense of responsibility and purpose for one's career.

b. Benefits for Mentees:

The benefits for mentee given here under;

- Skills or competency levels of mentees developed with mentoring process.
- Mentoring improves mentees confidence in their ability.
- Communication skills of mentee will have to enhanced with process of mentoring.
- With mentoring process, mentee comes to know how to maintain professional relationship.
- Mentee's network of contacts enhanced.

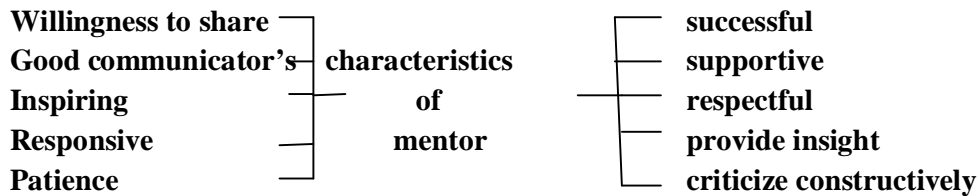
c. Benefits for organization:

With mentoring process, an organization will have following benefits;

- The process of mentoring helps an organization to achieve its talent development goals like succession planning and strong leadership development.
- Mentoring process improves employee retention keeping an employee for a long period in organization there by reducing turnover rates.
- The training costs get reduced by one to one interaction.
- By mentoring process, it is possible to inform everyone throughout the company that leadership is willing to in its employees.
- Mentoring improves talent acquisition efforts(acquiring skilled human labor to meet organizational needs) New hires are aware of this organization's career development opportunities .

3. characteristics of mentor:

Mentors do not take their responsibility as a mentor lightly. A good mentor is committed in helping their mentees find success in their chosen profession. A mentor has the following characteristics.



i.Willingness to share:

A mentor is willing to teach what he /she knows and accept the mentee where they currently are in their professional development. For this, a mentor must be willing to share skills, knowledge and expertise.

ii. Good communicators:

Goodmentor is able to communicate complex concepts in a language that mentee understand and are in constant communication with mentee.

iii. Inspiring:

As a mentor, he or she must be able to inspire mentee to achieve more and success in their profession by motivating and inspiring the mentees.

iv. Responsive:

Mentors should respond to the needs of mentee and also the needed tools and information should be provided to help mentees for developing skills and knowledge.

v. Patience:

Another vital characteristic of mentor is patience. Patience is must because whatever the information the mentors are sharing to mentees, it takes time to understand and adopt by mentees.

vi. Successful:

Being successful is one of the important characteristic of mentor. As a mentor, they should have a successful track record in their field. Then he or she will be a role model to mentees.

vii.Supportive:

Always mentor should be supportive to the mentees by providing support and guidance to make them successful. This is also one of the important characteristic a mentor should have.

viii. Respectful:

As a mentor, he is respected by colleague and employees in the organization and the professional community.

ix. provide insight:

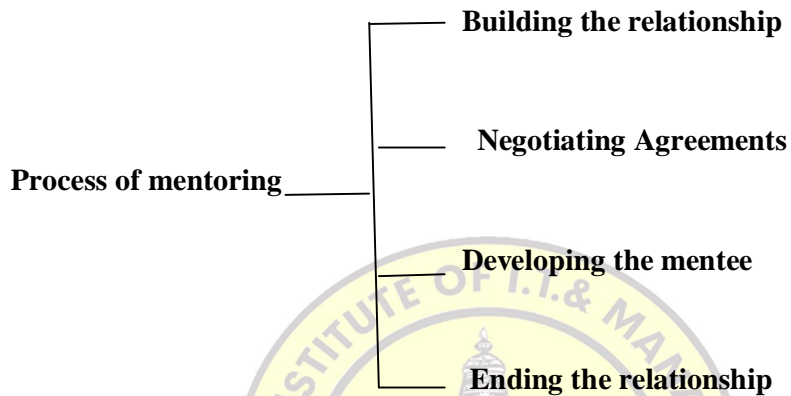
In mentoring process, mentors use their personal experience to help the mentees avoid mistakes and learn from good decisions.

x. criticizes constructively

Criticize means indicating the faults of someone or something in a disapproving way. when necessary mentors point out areas that need improvement, always focusing on the mentee's behaviors.

4. MENTORING PROCESS:

The process of mentoring includes our important steps which are given as follows;



a. Building the relationship:

This is the first and foremost step in the process of mentoring. The mentor- mentee relationship is the first vital aspect of mentoring that needs to be established. Time and money must be invested in building a good relationship. The mentor and mentee take their time in getting to know each other. With this, the process of mentoring will be easy.

b. Negotiating agreements:

Negotiating is the action of transferring legal ownership of a document. In this step, a set of agreements get established to be implemented and followed during mentoring relationship. This includes.

- Defining the roles
- Setting schedules for mentoring sessions
- Identifying limitations
- Identifying mentoring style preferences.

c. Developing the mentee:

This is the longest step of mentoring process. During this stage, both the mentor and mentee will define mentoring goals, create a list of mentoring activities to achieve their goals and keep constant communication with each other.

d. Ending the relationship:

It is the final step in the process of mentoring. The mentoring process ends with a celebration of the accomplishments and evaluation of outcomes. The mentoring relationship must end on a highly positive note rather than closing abruptly (in a rude manner).

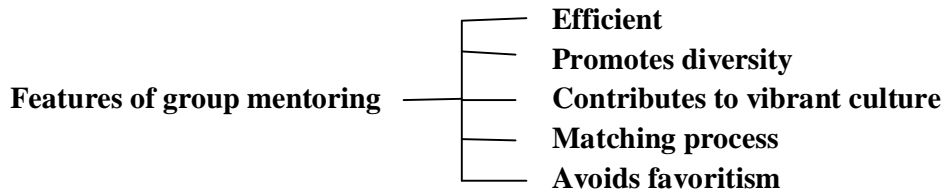
5. GROUP MENTORING:

Meaning: Group mentoring is a methodology for individual development that utilizes multiple experts (mentors) and multiple learner (mentees) in a group setting. Although structured as group, learning is individual and each mentee works on his or her own unique learning needs and development goals.

Group mentoring connects employees and advances learning within your organization

5.1. Features of group mentoring:

The features of group mentoring are given here under.



I. Group mentoring is efficient:

Group mentoring affords (provide) an organization the opportunity to extend its mentoring efforts and reach more people in a time –efficient manner.

II. Promotes Diversity:

Group mentoring promotes diversity of thinking practice and understanding. This diversity of group mentoring interaction is a powerful motivation for employee development.

III. Contribution to vibrant culture:

Here, vibrant means full of energy and life. Group mentoring also contributes to the vibrancy of mentoring culture. It expands the mentoring capacity of the organization and affords the opportunity to move learning to the next level.

IV. Matching process:

Group mentoring is a matching process that takes into consideration competency areas like teamwork responsibility, leadership, decision making and so on as well as personal characteristics like flexibility, honesty, communication skills etc., as needed in mentoring relationship.

V. Avoids favoritism:

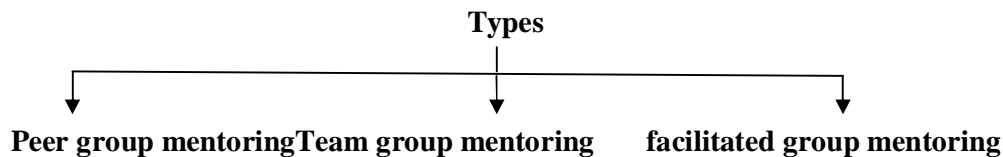
Favoritism means giving unfair preferential treatment to one person at the expense of another. Group mentoring avoids favoritism that can result when there are limited mentors and many potential mentees.

6. BENEFITS OF GROUP MENTORING:

- Group mentoring reduce costs.
- Group mentoring may communicate corporate culture faster.
- It allows mentors to observe mentees as they share leadership.
- Group mentoring allows faster matching process i.e., both business needs and personal characteristics.
- Group mentoring improves social skills thorough peer interaction.
- Group mentoring improves work performance through feedback from more than just one person.

- It provides broader peer support opportunities.
- Group mentoring offers more employees the chance to be included in mentoring program.
- Group mentoring builds team work and sense of community.
- It provides mentees a chance to build a group facilitation and leadership skills.

7. TYPES OF GROUP MENTORING:



i. Peer group mentoring:

Peer group mentoring brings together peers, colleagues with similar learning interests and needs. The group is self-directed and self-managed. It manages the learning process so that each member's learning needs are met and everyone derives maximum benefit from each other's knowledge experience.

Example:

Each participant presents a problem or issues. The other members of the group respond to problem. As a result, the collective wisdom of group is used to solve problem.

ii. Team group mentoring:

Team mentoring offers a methodology from facilitating the learning of a team. Together the individuals making up the team, articulate mutual learning goals and work simultaneously with one or more mentors who guide them.

Example,

In a law firm, two mentors with different legal specialties work with an internal group of associates with the goal of helping them better understand what they do and how they do it.

iii. Facilitated group mentoring:

Facilitated group mentoring allows a number people to participate in a learning group and to benefit simultaneously from the experience of a mentor or mentors.

Example:

Once a month several physicians meet to talk about issues in their area of practice. For each session, they choose an outside facilitator (a medical academician) based on the topic they are exploring.

8. PIT FALLS IN MONITORING PERFORMANCE:

8.1 Monitoring performance:

Meaning:

'Monitoring' means consistently measuring performance and providing ongoing feedback to employees and work groups towards reaching their goals.

‘Performance monitoring’ also defined as a process of promoting a climate of continuous learning and development helping to sustain employee performance at planned level, enhancing individual competencies.

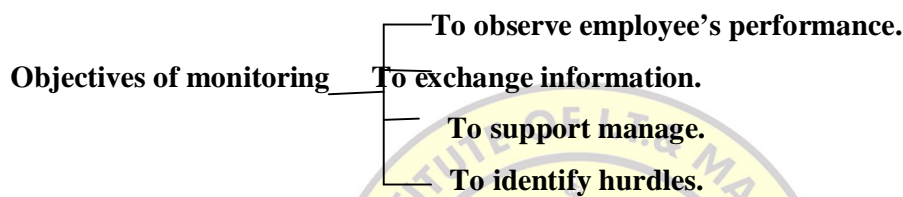
Definition:

“Performance monitoring makes a contribution in the evaluation of work methods and employee performance”.

-According to Haynes

8.2 Objectives of monitoring performance:

The objectives of monitoring performance are as follows;



I. To observe manage performance:

Performance monitoring helps to observe the employee's performances against planned quality, time, cost, set standards related to the tasks and goals.

II. To exchange information:

Performance monitoring aims to exchange information mutually regarding the developmental execution of performance plan.

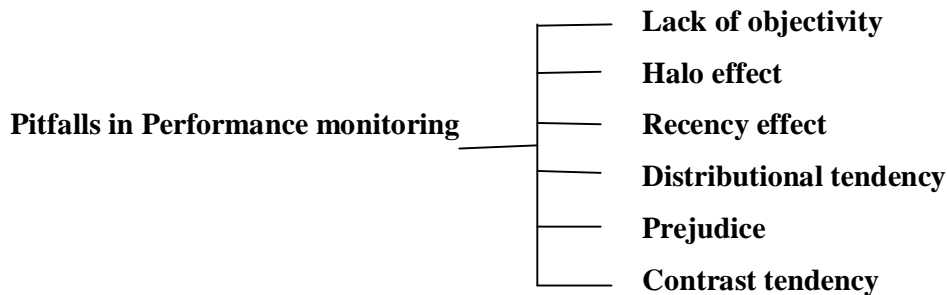
iii. To support managee:

Monitoring of performance helps to support the managee for plan implementation adequately and in time. By this, managee performance will be effective.

IV. To identify hurdles:

With the help of performance monitoring, the hurdles in the implementation of plan observed, and corrective actions developed to solve such hurdles.

8.3.Pitfalls in monitoring performance:



i.Lack of objectivity:

Bias is generally defined as an inclination or prejudice for or against person Or group especially in a way considered being unfair in the context of performance appraisal. This has impact on overall performance of employees

ii.Halo effect:

This type of problem arises when the person carrying out the appraisal generalizes (make a general statement) the positive or negative impression to several individual performance categories, thus overall performance influenced by this exploitation.

iii.Recencyeffect:

It implies the evaluator's tendency to focus on an employee's recent activities, behaviors and performance (good or bad) rather the performance registered over a period of time.

iv. Distributional tendency:

In this case evaluators face three types of errors;

- a) Strictness tendency: all those evaluated are rated below average.
- b) Central tendency: when no one is rated really bad or really good.
- c) Leniency tendency: all those assessed to have performed above average.

v.Prejudice (Stereotype):

It entails the identification of an employee with a certain group and the assumption that the characteristics of that group apply to the employee as well irrespective of its positive and negative nature.

vi. contrast tendency:

Here, evaluators resort to comparisons between employee performance with the view of assessing each individual's performance and they fail to objectively evaluate it based on actual facts and results.

8.4. WORKING MODEL FOR MENTORING:

The working model for mentoring includes the following stages.

Stages 1: Introduction:

The objective of introduction is to build a connection and start the relationship between mentor and mentee. This is a good time to get to know each other better before starting mentoring sessions.

Stage 2: Foundation:

This entails an agreement about the mentor and mentee roles and sets the expectations for mentoring process.

Stage 3: Orientation:

The mentee is oriented to the process in order to lessen the tension and increased motivation.

Stage 4: Collaboration:

In this stage, the mentor works together with the mentee and is seen as a caring partner.

Stage 5: Problem solving:

At this stage, mentor helps the mentee to identify the issue about his skills and performance. This issue is rectified by corrective actions.

Stage 6: personal framework:

Here the mentoring relationship is strengthened and the mentor is regarded as a trustworthy partner. The mentor makes an effort to help mentees in developing confidence and self-esteem.

Stage -7 professional frame work:

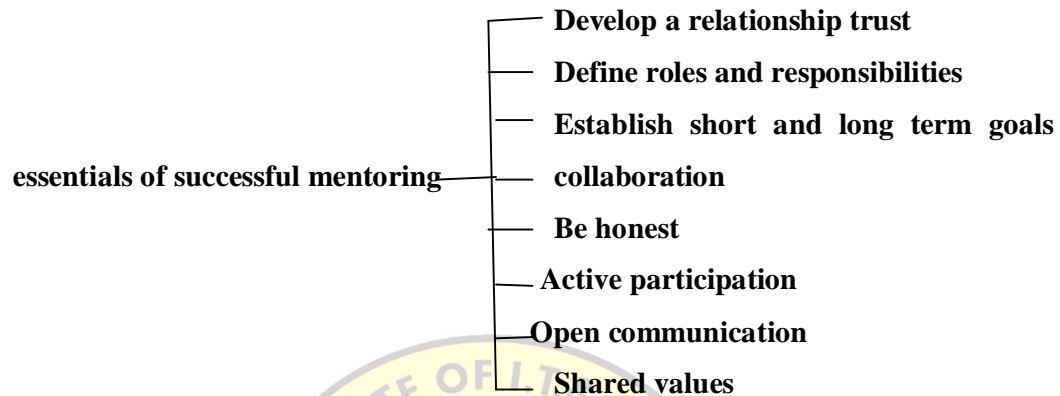
At this stage mentee views the mentor as a role model and now the focus is on skills improvement and performance improvement.

Stage 8 Transitions:

Transition refers to change. This is the last stage encourages the interdependence of mentor and mentee. The mentee is taught to work independently but the guidance of mentor is still there.

8.5: ESSENTIALS OF SUCCESSFUL MENTORING :(PERVIOUS EXAM)

For achieving successful mentoring program following essentials should be considered



i. Develop a relationship of trust:

Relationships need to be built before any effective mentoring take place. An environment of trust and mutuality must be established. It is important for the mentor and mentee to become acquainted know to with each other.

ii. Define role and responsibilities:

To achieve successful mentoring the roles and responsibility of both mentor and mentee should clearly defined it includes.

- What will be the role of mentor?
- What types of mentoring will be more effective?
- What are the responsibilities of mentor and mentee?

iii. Establish short and long term goals

By establishing short term and long term goals, mentors and mentees will work together to develop mutually agreed upon goals. These goals become the basis from mentoring activities.

iv. Collaboration:

Collaborating is another essential for successful mentoring program. Be collaborative in solving problems mentors need to allow mentees the opportunity to identify concerns and potential solutions.

V. Be honest:

Being honest is another essential for both mentor and mentee

Mentor: be honest and truthful in evaluations.

Mentee: let mentor know if mentee don't understand something.

vi. Active participation

There should be active participation from both mentor and mentee to achieve successful mentoring.

Mentor: engage in own learning while mentoring, ask questions and experiment.

Mentee: listen the mentors information carefully (active listening).

Vii) Open communication

Open communication also one of the important element for successful mentoring.

Mentor: Help mentee set realistic expectation also the reason for Un availability should communicated to mentee openly.

Mentee: let mentor know what mentee's goals are.

viii. shared values

Both mentors and mentees should share interests and values which will establish a common ground options shared by each other

8.6. ROLES AND RESPONSIBILITIES OF MENTOR AND MENTEE:

A) mentor roles and responsibilities:

1. Identifying roles

- Have a clear understanding of why he /she want to be mentor
- Mentor with a realistic assessment of mentees skills and experiences

2. Communicating expectations

- Have a clear understanding of mentor's expectations for mentee
- Clearly communicating those expectations.
- Stay flexible in changing expectations.
- Adopt feedback to mentee's learning style.
- Be realistic about setting timelines.

3. Working together

- Advice, don't dictate.
- Advice on what mentor know and admit things he/she don't know.
- Give good examples.
- Offer constructive feedback.
- Evaluate progress.
- Be supportive to mentees, be reliable.

4. Meeting all the goals:

- After mentoring is completed, follow up on successes.
- Provide an evaluation of the experience.
- Repeat the mentoring process with others.

B) Mentee roles and responsibilities:

1. Identifying roles

- Have an understanding about what mentee want to be mentored.
- Select a mentor based on his /her goals.

2. Communicating expectations

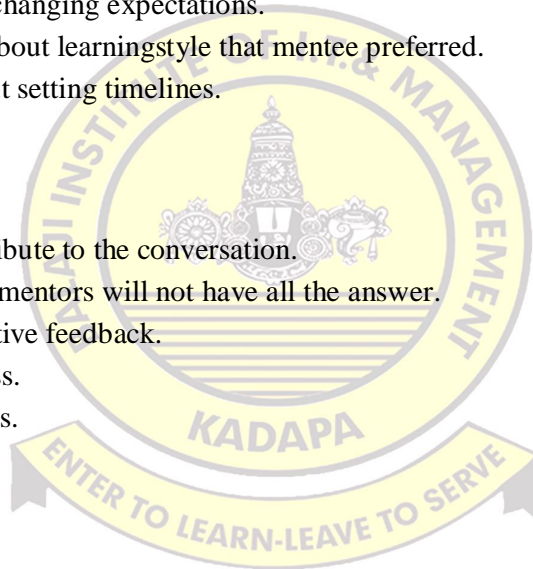
- Have a clear understanding of mentee's expectations for mentor.
- Clearly communicate those expectations.
- Stay flexible in changing expectations.
- Inform mentor about learning style that mentee preferred.
- Be realistic about setting timelines.

3. Working together

- Listen and contribute to the conversation.
- Understand that mentors will not have all the answer.
- Accept constructive feedback.
- Evaluate progress.
- Celebrate success.
- Be reliable.

4. Meeting the goals

- Provided updates to the mentor after mentoring is completed.
- Provide evaluation of the experience.
- Say thank you.



(17E00314) PERFORMANCE MANAGEMENT**(Elective III)**

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5. **Learning organisation:** Concept of learning organisation- Learning approaches- Learning sources - Importance of learning-. Characteristics of learning organisation- Reward and compensation Management -Concept and types of compensation- Objectives - Competitive compensation design - Fringe benefits- Objectives -Factors influencing fringe benefits - Types of fringe benefits

Text books:

- Performance Management, A.S.Kohli, T.Deb,Oxford.
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References:

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UNIT-3

COACHING AND COUNSELING

1. COACHING FOR PERFORMANCE IMPROVEMENT

1.1 MEANING OF PERFORMANCE COACHING

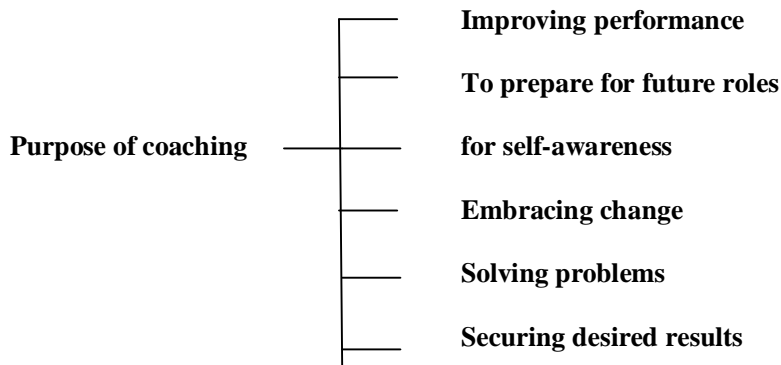
- Coaching is a person to person technique designed to develop individual knowledge, skills and abilities. Coaching is most effective if it takes place informally as part of the normal process of management or team leadership.
- Performance coaching involves establishing a partnership between managers and their staff for the purpose of improving performance.
- Performance coaching is developmental processes in which all personnel grow and develop improve their performance and advance their carriers.
- Performance coaching for executives or employees achieves a fulfilling balance between professional goals and personal development. In the context of business performance coaching can bring out the true potential of staff at all levels.

1.2 HOW DOES WORKING WITH A COACH HELP?

- Working with a coach and help individual to.
- Identify roadblocks to achieving individual's true potential.
- Set practical, achievable goals.
- Develop new skills.
- Identify and maximize strengths.
- Develop tools to overcome weaknesses.
- Develop a greater understanding of his/her wants, needs and desires.
- More effectively inspire and drive a team towards success.
- Address and overcome negative behavior and thought process that create road blocks (obstacles/hurdles).

2. CONCEPT**2.1 PURPOSE OF COACHING**

The purpose of coaching is explained here as follows,

**1. IMPROVING PERFORMANCE**

- The main purpose of coaching in workplace is to improve the performance of employees.
- For improving the performance of individuals, coach adopts following five important steps
- Identification of required performance outputs and communicates them to employees.
- Identifying the activities required to produce a given output.
- Developing and communicating performance standards that must be met or exceeding performance outputs.
- Compare individual's current performance with established standards, to know deviations.
- Develop actions plans to correct deviations thereby improving performance of individuals.

2. TO PREPARE FOR FUTURE ROLES

- Coaching has become a tool to develop leaders and their leadership capabilities.
- By thinking through the situations with the assistance of a coach, the leader is able to plan how to handle anticipated situations and also gain confidence to handle unplanned situations.
- Coaching makes individuals to deal with dynamic, complex situations and thereby they prepared to deal with future roles effectively.

3. FOR SELF-AWARENESS

- Most common purpose of coaching focus on building self-awareness through identifying blind spots and strengthening skill gaps.
- With the usage of 360 degrees' feedback assessment, leaders are able to compare feedback from others to their own self-perception.
- This self-perception gives a deep understanding of strengths and opportunities so they can develop an action plan to move forward.

4. EMBRACING CHANGE

- Improvement in performance cannot occur without change.
- By understanding the fundamentals of change and human reactions, it enables coaches to leverage their knowledge of the individual and the organization to make change happen.
- To change, following steps are included,
 - a. Lead the change.

- b. Create a shared need.
- c. Shaped a vision.
- d. Mobilize commitment.
- e. Change systems and structures.
- f. Monitor progress.

5. SOLVING PROBLEMS

- Performance coaching is an effective means to solve problems creatively.
- Performance coaches' employee's variety of problem solving techniques to solve problems.
- One of the most effective approach to solve problems include the following steps,

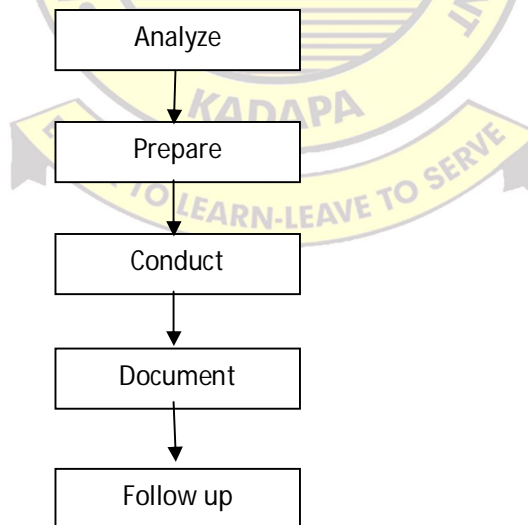
- a. Identify the problem.
- b. Isolating the root cause of problem.
- c. Generating possible solutions.
- d. Analyzing solutions.
- e. Selecting a solution.
- f. Implementing and evaluating a solution.

6. SECURING DESIRED RESULTS

- Performance coaching helps the firm to achieve the results it needs.
- Desired results may include increased sales revenue, greater productivity, better customer service, improved quality and efficiency etc.
- For achieving these desired results, coaching is helpful for an organization.

2.2 PROCESS OF PERFORMANCE COACHING

The process of performance coaching includes the following five stages,



STEP ONE: ANALYZE

- First and foremost, step in performance coaching is to collect and interpret performance data and segment employees by performance.
- Identify the areas of knowledge skills or capabilities where learning needs to takes places to qualify people to carry out the task provide for continuous development improve performance, and enhance skills.

STEP TWO: PREPARE

- After analyzing the needs of coaching, before starting coaching, set the coaching session objective, focusing on one or two behaviors.
- Ensure that people understand and accept the need to learn.
- Discuss with people what needs to be learned and the best way to undertake the learning thereby preparing them for coaching session.

STEP THREE: CONDUCT

- During the session, ask questions share perspective and insight and determine options to move forward.
- Coaching is a two-way communication process that requires that the supervisor and the employee both be fully engaged and motivated.
- Encouragement and advice should be provided to help people in pursuing self-learning program.
- Specific guidance also required where people need help.

STEP FOUR: DOCUMENT

- Follow the employee progress overtime create a list, library of best practices and learning tips based on experience and employees input.
- Document in helpful for the future reference.

STEP FIVE: FOLLOW UP

- After documenting the progress of individuals, follow up their performance through reviews and effective monitoring.
- Follow up is the final and most important step in the process of coaching where the deviations are rectified by corrective action plans.

3. TIPS FOR EFFECTIVE COACHING

Tips for effective coaching are given here as follows,

(i) COACH MUST BE ABLE TO DEFINE THE BOUNDARIES

- Coaches must understand that they need permissions before they can give any coaching.
- An effective coach must be able to define the boundaries of his or her relationship with the different managers and executives.
- For a coach to work at his or her best it is vital that the coaching role must be agreed upon.

(ii) COACH MUST BOTH RESOURCE AND KNOWLEDGABLE

To become an effective coach, one must both be resourceful and knowledgeable. When the coacher is tasked to coach and along the coaching process there are questions that he cannot provide answers to it is best that tell the truth.

(iii) COACH MUST HAVE CLEAR UNDERSTANDING OF DIFFERENT COMPETENCIES

- Coaches work hand in hand with managers so that training programs can be tailored according to the needs of the different skill areas.
- Coaches can help managers in making behavioral changes that are required in carrier growth and development. It is thus important that coaches must have a clear understanding of the different competencies where they will be making an impact on.

(iv) **COACH IS ALWAYS AN EDUCATOR**

- The coach is always an educator but it does not necessarily mean he or she is an oracle who has answer to every kind of question.
- It helps to have communication skills so that the creator can easily express what he really means to say, especially in those.

(v) **COACHES MUST REMEMBER THAT THEY ARE IN CONTROL**

- The coach does not control the relationships or actions or decisions of the person that he or she is coaching.
- The coach merely gives recommendations and at the end of the day, the coached person is still responsible for his or her own actions and decisions.

4. COUNSELLING

4.1 MEANING

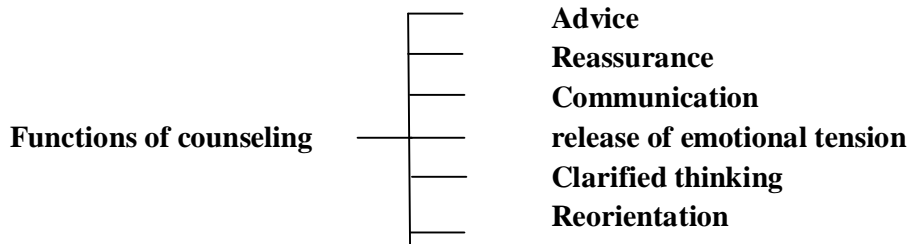
- Performance counseling is the process of communicating to an employee the managers assessment of the strong aspects of employee's performance of job and ways in which that performance may be improved.
- Performance counseling is a significant activity that helps the employees to know themselves better.
- Performance counseling refers to support provided by a manager to his subordinates in objectively analyzing their performance. It essentially focuses on the analysis of performance and identification of training and development needs for bringing about further improvement.
- Performance counseling attempts to help the employee in:
 - Understanding himself this strengths and weaknesses.
 - Improving his acknowledged and interpersonal support by giving him feedback about his behavior.
 - Establishing goals and formulating action plans for further improvement.
 - Generating alternatives for dealing with various problems.

4.2 DEFINITION

Counseling can be defined as any activity in the workplace where one individual uses a set of skills and techniques to help another individual to take responsibility for and to manage their own decision making, whether it is work related or personal.

5. FUNCTIONS OF COUNSELING

The functions of counseling are explained in the following heads,



1. **ADVICE**

- Advice giving is not desired for counseling as it is a process of self-growth which advising would hamper. But many times counselors do have to advice so as to show/guide the counselor towards a path of actions.
- Counselor after carefully listening to the problems of counselor makes judgments about the counselor's problems.
- Advising develops a very good relationship between the counselor and counselee.

2. **REASSURANCE**

- Counseling has to provide reassurance to the employee that he or she is progressing well and moving towards achieving the desired goal.
- Reassurance provides courage, confidence and strength and develops a positive feeling that employee is doing well.
- Reassurance here can be meant as encouragement also. Reassurance is needed when an employee is assigned a challenging task.

3. **COMMUNICATION**

- Counseling is mostly about proper communication.
- A proper communication is required to pass the employee problems to the management and also to air the views of management to the employees.
- Communication skills such as listening providing feedback etc, are required for an effective counseling session.
- Therefore, counseling facilitates in improving upward and downward communication.

4. **RELEASE OF EMOTIONAL TENSION**

- Counseling gives a scope of to the employee to release their emotional tension. This release also termed as emotional catharsis.
- Emotional outbursts help the employee to release one's anger and frustration to a sympathetic listener, which in turn helps in subsiding the tension.
- This emotional release may not solve the problem but paves way for solution.

5. **CLARIFIED THINKING**

- Another important function of counseling is clarified thinking.
- Discussing one's problem with someone helps the person to see those points and facts which have been overlooked due to emotional involvement with the problem.
- Clarified thinking helps the person to think in a rational and realistic manner.
- This clarified thinking encourages a person to accept responsibility and be more realistic in solving problem.

6. REORIENTATION

- Reorientation is a result of clear thinking which helps an employee to access oneself-one's potential and limitation and in accordance to them set new goals and values.
- Reorientation leads a person to have a better self-image and it also helps to treat the patients of depression.
- A clear self-image leads to be more confident person and also a more effective worker.

6.0 STEPS IN COUNSELING PROCESS

The counseling process is a planned, structured dialogue between a counselor and a client. It is a cooperative process in which a trained professional helps a person called the client to identify sources of difficulties or concerns that he or she is experienced. Steps in the process of counseling are here as follows,

STEP-1 Relationship building.

STEP-2 Problem assessment.

STEP-3 Goal setting.

STEP-4 Counseling intervention.

STEP-5 Evaluation, termination.

STEPS IN COUNSELING PROCESS**1. RELATIONSHIP BUILDING**

- The first step in counseling process involves building a relationship and focuses on engaging clients to explore issue that directly affect them.
- In this step the relationship between clients and the counselor developed to build relationship, counselor need to follow steps like,
 - Introduce yourself
 - Invite client to sit down
 - Address the client by name
 - Watch for nonverbal behavior as signs of client's emotional state.
 - Invite client to describe his or her reason for coming to talk.
 - Indicate that you are interested in the person.

2. PROBLEM ASSESSMENT

- While the counselor and the client are in the process of establishing a relationship, a second step takes place i.e. problem assessment.
- Problem assessment involves the collection and classification of information about the client's life situation and reasons for seeking counseling.
- This step involves assessing the problem of client clearly.

3. GOAL SETTING

- Like any other activity, counseling must have a focus.
- Goals are the results or outcomes that client wants to achieve at the end of counseling.
- Goals play important role in giving proper direction to the counseling process.

- With goals setting, these goals enables both counselor and counselee to have effective counseling process of achieve their goals.

4. INTERVENTION

- There are different points of view counseling what a good counselor should do with clients depending on the theoretical positions that counselor subscribes to do.

FOR EXAMPLE:

- Person – centered approach suggests that the counselor gets involved rather than intervenes by placing emphasis on relationship.

5. EVALUATION, FOLLOW-UP, TERMINATION

- For the beginning counselor, it is difficult to think of terminating the counseling process, as they are concerned with beginning the counseling process.
- However, all counseling aims at successful termination.
- Terminating the counseling process will have to be conducted with sensitivity with the client knowing that it will have to end.
- At the end of counseling process, proper evaluation and follow-up is needed to achieve successful termination.

7.0 APPROACHES TO EFFECTIVE COUSELING

A non-directive approach is best, which means not telling people what their problem is or what they should do about it. Instead it is preferable to do the following,

1. LISTEN WITH INTELLIGENCE AND UNDERSTANDING

- People in difficulty cannot fail to benefit it if they are encouraged to discuss their problems with a sympathetic listener.
- When listening, counselors must try to understand the perspective of other person. They should attempt to communicate their understanding so that both parties can agree on what the situation or problem is.

2. AVOID BEING JUDGEMENTAL

- A counseling session aims to help people, not to criticize them (by making unwelcome moral judgments)
- If an individual engaged in counseling is judgmental, the other party is likely to calm up or go on the defensive, and the rapport (support) established by active listening get destroyed.

3. DEFINE THE PROBLEM

- Encourage individuals to define the problem for themselves with the aid of sympathetic listening and careful questions.
- A considerable amount of listening and questioning may be necessary before the point becomes clear, because clarity of expression and strong emotions seldom go together.

4. STAY ALERT AND FLEXIBLE

- The meeting ought to be planned to decide broadly how it should be tackled, but the counselor should be prepared to change the direction in the light of new information.
- So counselors should stay alert and flexible.

5. OBSERVE BEHAVIOUR

- Observing behavior of the client is another important approach to be considered in counseling process.
- While observing behavior it includes observing how the person talks react and responds.

6. CONCLUDE THE MEETING

- Help people to work out a solution to the problem that they can put into effect, possibly with some help from manager or another person.
- Meeting should be concluded with questions like,
 - Well, what do you think you should do now?
 - Where do we go from here?
 - How could I help?
 - Is there any other help you feel you need?



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Unit -4**ANNUAL STOCK TAKING****1. STOCK TAKING OF PERFORMANCE**

Annual stock taking of performance is basically a performance audit function, which apart from usual employee evaluations emphasizes on measuring the proper alignment of performance results with the organizational and employs growth.

Stock –taking or inventory checking is the physical verification of the quality of performance in an organization. This may be done to provide an audit of existing stock (performance that existing)

For organization, stock –taking of performances helps in achieving the goals by optimizing staff performance, duly identifying, the strength and weaknesses. For employees, on the other hand it helps in providing guidance to Perform their jobs and also help in defining their career path.

1.1 SKILLS FOR ANNUAL STOCK-TAKING

While stock –taking, the following skills can help a manager make the process smoother

- The ability to identify individual strengths and weaknesses.
- The ability to offer genuine reinforcing feedback in right time.
- The ability to offer negative feedback in clear honest get supportive and developmental terms.
- The ability to provide feedback that the receiver can use effectively for developmental purpose.
- To ensure effective communication and ability to keep the cultural context in view.
- The ability to listen effectively, appropriately using active as well as passive modes.
- The ability to guide and conduct discussions without manipulating others.
- The ability to documents processes and outcomes of discussions concisely accurately and meaningfully for all concerned.

2. USES OF STOCK –TAKING OF PERFORMANCE:

Stock –taking of performance can serve several uses for an organization and such uses are as follows

- 1) Enabling managers to observe, monitor and guide manage performance as well as potential, in an effective way.
- 2) Facilitating multichannel communication on tasks and manage development issues sensitizing seniors to problems at lower levels and juniors to the organizations expectations.
- 3) Emphasizing and enabling improvement over previous performance of each manager and the manager have roles and expectation that must be fulfilled
- 4) Appropriately communicating to each manager the organizations perception of his /her contribution value to the organization
- 5) Ensuring role clarity to improve role performance and to enhance takes accountability

- 6) Accounting for helping and hindering environmental forces or organizational factors that affect individual performance and establishing equivalence of performance among comparable managers working across the organization
- 7) Generating performance dataset can provide a reliable basis to develop rational measurable performance standards for each job
- 8) Generating performance data that could lead to improving the quality of other human resource decisions
- 9) Establishing effective control tools to channel human resource effort towards fulfilling the organization goals by modifying unproductive and by reinforcing the productive ones
- 10) Helping in building trust and understanding between manager and his/her individual managers.

3. APPRAISAL SYSTEM DESIGN

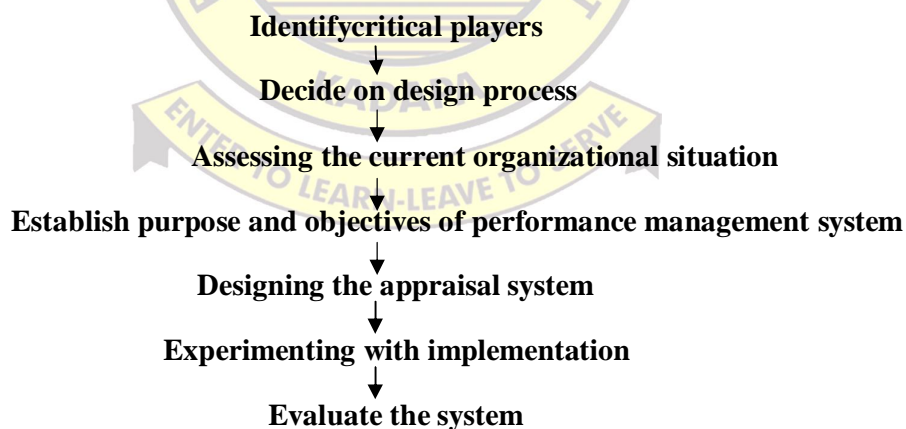
Each organization must examine its own unique human resource features, task characteristics, work culture and internal climate, and figure out precise system that will be functional as well as acceptable.

An important principal in the design of any system is that it must be simple and be acceptable to its users

4. PROCESS AND APPROACHES

4.1 PROCESS OF APPRAISAL SYSTEM DESIGN

The process of appraisal system design includes the following steps



1) IDENTIFY CRITICAL PLAYERS:

Identification of critical players are the first and foremost step in appraisal system process. Critical players include

- a) **EMPLOYEES AND THEIR MANAGERS:** a cardinal rule in any type of design effort is to get the people who will be using the system involved in its design.

The organizations line managers and the employees who are on the receiving end of performance management are the players of this design

- b) **CUSTOMERS:** customers should be involved in the setting of standards of performance
- c) **TOP MANAGEMENT:** though the groups at the sharp end are important, the design process also has to bring in the organization's senior management and the personnel HR function
- d) **PERSONNEL /HR MANAGEMENT**
 - Personnel/HR may be users of information generated by the performance management system
 - Aside from this personnel specialist may have a facilitative role to development process.

2. DECIDE ON DESIGN PROCESS:

- In large organizations the direct involvement of everyone who will be affected by performance management is clearly unrealistic
- However, a major reason for arguing that a participation involving approach has special appropriateness with respect to performance management.
- At the designing the system all writers should be considered who are associated to performance management with a set of values trust openness frees communication and involvement

3. ASSESSING CURRENT ORGANIZATIONAL SITUATION:

- An organization which routinely carries out monitoring and maintenance of its performance management system will readily have evidence about how well it is working
- Organizations commonly do little way of monitoring and evaluation and change is likely to come about as a result of some kind of problem
- So, at the time of designing system, current situation of organization should be assessed.

4.0 ESTABLISH PURPOSES AND OBJECTIVES OF PERFORMANCE MANAGEMENT SYSTEM

- Performance management systems are commonly multipurpose and those purposes predominantly to serve organizational ends.
- All these purposes and objectives of performance management system should be established

5. DESIGNING THE PERFORMANCE APPRAISAL SYSTEM

- At the time of designing performance appraisal system it is necessary to decide what the purpose of the performance management system is to be is perhaps the most important part of the whole development process as his design of system will follow in large part from decision taken about purpose.

- This step in the overall development process involves answering whole series of question about the nature scope context and mode of operation of performance management.

6. EXPERIMENTING WITH IMPLEMENTATION

- In this step the designed appraisal system is implemented the implementation of appraisal system may well be organizational change on a large scale.
- The more wide ranging the scope of the system the greater is the scale of the task even if the system is relatively circumscribed as an employee focused intervention implementation will be a big task

7. EVALUATE THE SYSTEM

As the final step of appraisal system design the system is evaluated and corrective actions are taken on the basis of feedback

4.2 APPROACHES TO APPRAISAL SYSTEM DESIGN

Performance appraisal is not a single event, but rather a process that is ongoing.

Creamer and Janosik outline several approaches to appraisal system design including

- Behavior based approaches.
- Results focused approaches.

1) BEHAVIOR BASED APPROACHES

Behavior based approaches tend to use specific performance factors to evaluate employees. Some such behavioral approaches are

2) RATING SCALE:

- These rating scales use words or phrases to describe the degree to which certain behaviors or characteristics are displayed
- Categories for behaviorally enclosed scales can be created from job descriptions.
- If there are no appropriate behaviors or characteristics within the job description managers should work with employees to determine what behaviors and characteristics would be most useful in setting appraisal.

ii) WEIGHTED CHECK LIST:

- Weighted checklist provides a list of performance related statements that are weighted.
- Employees are judged on a scale indicating the degree to which the statement accurately describes performance.

III) FORCED CHOICE METHOD:

- In this method a list of performance related statement is evaluated on how well they differentiate among employee and how important they are to organizational performance.
- Differentiation and desirability statements are placed on a grid in clusters that differ on differentiation but are closely related in desirability.
- Differentiation and desirability are multiplied to yield a total score card

b) **RESULT FOCUSED APPROACHES:**

result forced approaches have both advantages and disadvantages on the positive side, they produce short and long term results in the context of original performance on the negative side they can be overly result oriented and they may be inflexible

There are two approaches based on results

i. **MANAGEMENT BY OBJECTIVES**

- Management by objective emphasizes participation by all organization members the following are elements in MBO.
- Formation of trusting and open communication throughout the organization.
- Mutual problem solving.
- Creation of win win relationship.
- Minimal use of forces and political fear games
- Development of positive proactive and challenging organizational climate.

II. **ACCOUNTABILITIES AND MEASURES APPROACH**

- This approach involves the manager and employee agreeing on accountability and performance factors performance is there forecast for each factor to enable quantifiable measures for each factor.
- An accountability and measure form can be created with performance factor categories.

5.0 APPRAISAL METHODS:

5.1. APPRAISAL OF PERFORMANCE MEANING:

A performance appraisal also referred to as a performance review performance evaluation career development discussion or employee appraisal. Performance appraisal is a method by which the job performance of an employee is documented and evaluated performance appraisals are a part of career development and consist of regular review of employee performance within organizations.

A performance appraisal is a systematic general and periodic process that assesses an individual employee's job performance and productivity in relation to certain reestablished criteria and organizations objective soother aspects of individual employees are considered as well as such as organizational citizenship behavior accomplishments strengths and weakness etc.

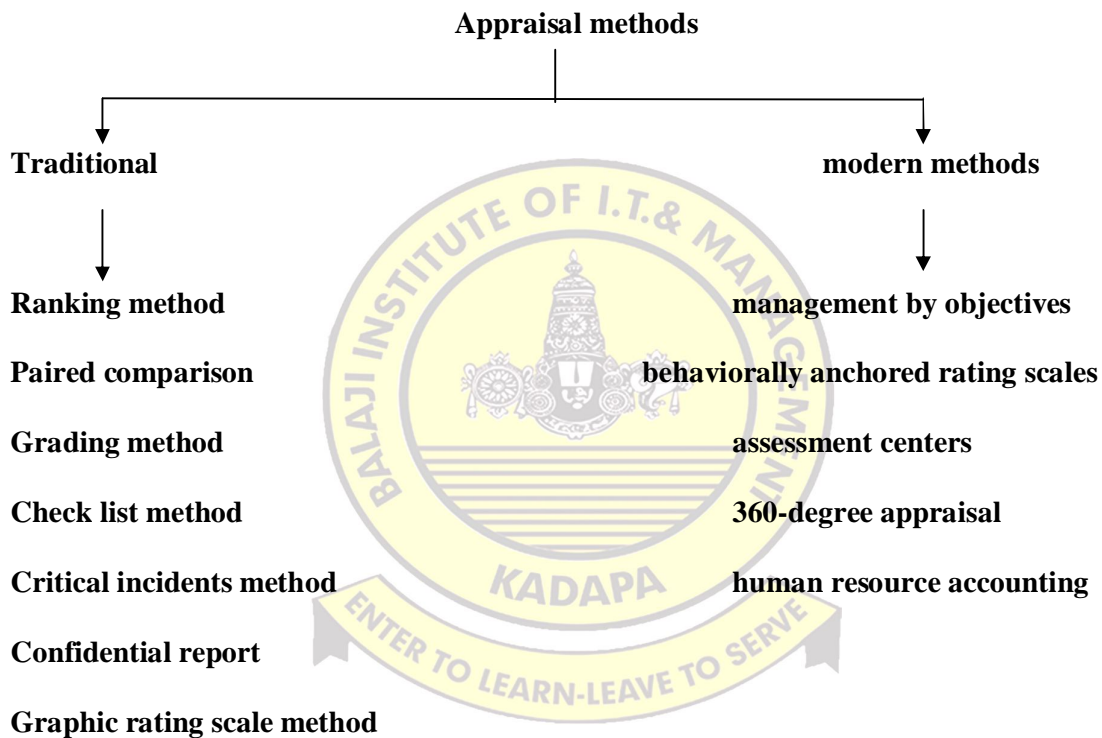
Performance appraisal can help facilitate management employee communication however performance appraisal may result in legal issues if not executed appropriately .

5.2 APPRAISAL METHODS OF PERFORMANCE

There are several methods used to appraise or evaluate the performance of employees in an organization. The criteria for performance appraisal methods are based on various aspects like productivity, quality of work, duration of service, and training.

Productivity is measured mostly in the case of manufacturing or delivered by the employee. Duration of services and training is where the companies assume the longest serving employee to be the deserving one for an appraisal.

Appraisal methods of performance are of two types as shown in figure



TRADITIONAL METHODS

i. RANKING METHOD

- Ranking method is the oldest and simplest formal systematic method of performance appraisal.
- In ranking method, an employee is compared with all others for the purpose of placing order of worth. The employees are ranked from the highest to the lowest or from the best to the worst.

II. PAIRED COMPRESSION METHOD

- In paired compression method, each employee is compared with other employees on one on one basis then after they will be provided with a number of slips each containing parties' names, one should keep tick mark against the employee whom he feels the better of the two.

III. GRADING METHOD.

- In grading method certain categories of with are established in advance and carefully defined
- There can be three categories established for employees
 - a) Outstanding
 - b) Satisfactory and
 - c) Unsatisfactory
- The employee is then allocated to the grade that best describes his or her performance

IV. CHECK LIST METHOD

- The basic purpose of utilizing check list method is to ease the evaluation burden upon the rater
- In this method, a series of statements i.e. questions with their answers in yes or no are prepared by the Human Resource department in the check list after then it is sent to the rater to tick appropriate answer relevant to the appraisal.

V. CRITICAL INCIDENTS METHOD:

- The critical incidents method requires the rater to record statements that describe extremely good or bad behavior related to job performance.
- Such statement is called critical incidents and are usually recorded by the supervisor during the evaluation period for each subordinate recorded incidents include a brief explanation of what happened.

VI. CONFIDENTIAL REPORT

- Confidential report is the traditional way of appraising employees mainly in the government departments.
- Evaluation is made by the immediate boss or supervisor for giving effect to promoting and transfer and such evaluation report kept confidentially.
- Usually a structured format is devised to collect information on employee strength attitude, Weakness intelligence character attendance discipline etc.

VII. GRAPHIC RATING SCALE METHOD

- The graphic rating scale is one of the most popular and simplest traditional techniques for appraising performance.
- This method is also known as linear rating scale method.
- In this method the printed appraisal form is used to appraisal each employee's performance in an organization.

Graphic scale rating

Employee name _____
 Department _____
 Job title _____

Work & time in hours/performance level	Poor	Fairly poor	Good	Fairly good	excellent
Attendance				✓	
Behavior towards sub-ordinates				✓	
Sincerity			✓		
dependability					✓

2. MODERN METHODS

I) MANAGEMENT BY OBJECTIVES (MBO)

The concept of management by objectives can be described as a process whereby the superior and sub ordinate managers of an organization jointly identity its common goals define each individual's major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assisting the contribution of each its members.

ii) BEHAVIORALLY ANCHORED REATING SCALES (BARS)

- Behaviorally anchored rating scales are designed to bring the benefits of both qualitative and quantitative data to the employee appraisal process.
- BARS compare an individual's performance against specific examples of behavior that are anchored to numerical ratings.

Ratings example: BARS

Indicate the appropriate level of performance on each factor

QUANTITY OF WORK

--	--	--	--	--

Volume low & erratic

satisfactory & steady volume

volume above
expectation**QUALITY OF WORK**

--	--	--	--	--

Results always accurate

results accurate &

results in accurate&

Model work

through

not through.

JUDGEMENT

--	--	--	--	--

Systematic analytically

practical judgment solves

doesn't always show

Good with complex

problems, difficulty with

good judgment problem

Problems

assessing relative value

analyze not always

Of factors.

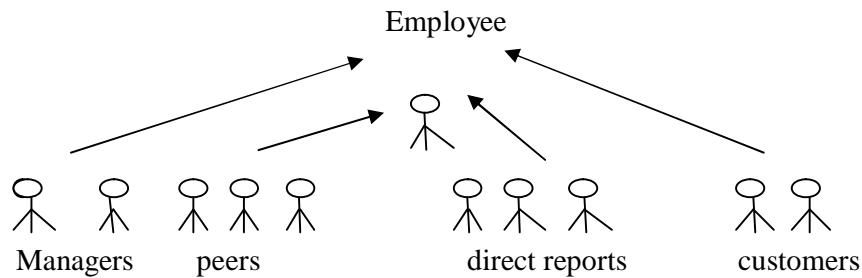
adequate.

iii) ASSESSMENT CENTERS

- An assessment center is central location where the managers may come together to participate in job related exercises evaluated by trained observers.
- The principles idea is to evaluate managers over a period of time, by observing and later evaluating their behavior.

iv) 360-DEGREE APPRAISAL

- In 360-degree appraisal system an employee is appraised by his superior subordinate's peers and customers with whom he interacts in the course of his job performance.
- All the above appraisals provide information or feedback on an employee by completing survey questionnaires designed for this purpose.



v) HUMAN RESOURCE ACCOUNTING

- Human resource accounting method attaches money values to the value of a firm's internal human reserves and its external customers good will i.e. money invested on human resources of organization.
- Under this method performance is judged in terms of costs and contributions of employee's difference between the cost and contribution will reflect the performance of employee.

1	2	
Cost	contribution provided by	= performance of employee
Invested	- employee	

(If I < ii – good performance)

(If I > ii – performance is ineffective and need improvement)

6.0 MBO AND ASSESSMENT CENTERS

6.1 MANAGEMENT BY OBJECTIVES (MBO)

- Management by objectives (MBO) also known as management by results (MBR) was first popularized by Peter Drucker in 1954 in his book 'The Practice of Management'.
- Management by objectives is the process of defining specific objectives within organization members that management can convey to organization members then deciding on 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 environment.
- The management by objectives movement claimed that it overcame the problems of trait rating. 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 fulfill their responsibilities.

DEFINITION

Management by objectives was defined as a dynamic system which seeks to integrate the company's needs to clarify and achieve its profit and growth goals with managers need to contribute and develop himself. It is a demanding and rewarding style of managing a business.

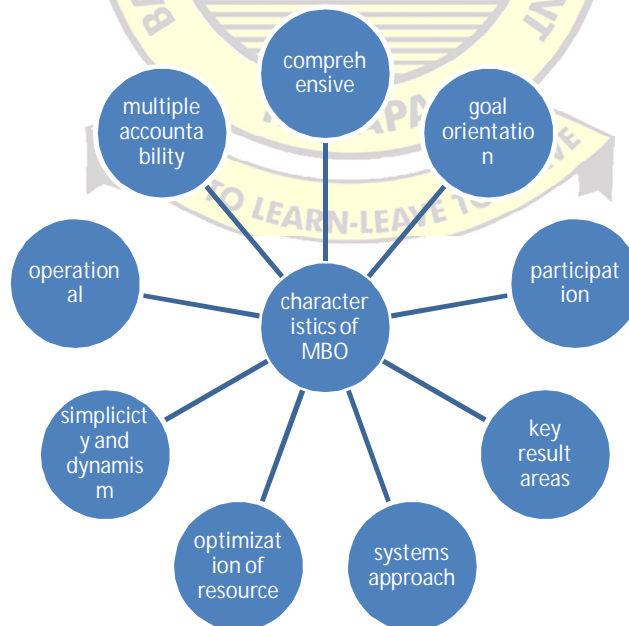
- **JOHN HUMBLE (1972)**

Management by objectives can be defined as a process whereby the superior and subordinate jointly identify common goals, define each individual, major areas of responsibilities 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.

- **GEORGE S. ODIORNE**

6.2 CHARACTERISTICS OF MANAGEMENT BY OBJECTIVES

The important characteristics of MBO are given here as follows,



1. GOAL ORIENTATION

- Management by objectives focuses on the determination of unit and individual goals in line with the organizational goals. These goals define responsibilities of the organization and help to integrity the organization with its parts and with its environment.
- MBO seeks to balance the long term objectives (profit, growth and survival) of the firm with personal objectives of key executives.
- For seeking balance between goals al corporate departmental and personal goals will be clearly defined and integrated.

2. PARTICIPATION

- The MBO process is characterized by a high degree of participation of the concerned people in goals setting and performance appraisal.
- Such participation provides an opportunity to influence decisions and clarify job relationships with superior's subordinates and peers.
- Participation also helps to improve the motivation and morale of the people and results in role clarity participative decision making is a prerequisite of MBO.

3. KEY RESULT AREAS

- The emphasis in MBO is on performance improvement in the areas which are of critical importance to the organization
- By identification of key result areas (KRA'S) MBO ensures that due attention is given to the priority areas which have significant impact on performance and growth of the organization.
- Key and sub-key areas are identified for each function as shown in following examples.
 - Finance (key area)
 - Sub-key areas,
 - a. Cash flow.
 - b. Dividend policy.
 - c. Debt-equity ratio.
 - d. Sources of funds.

4. SUSTEMS APPROACH

- Management by objectives is a systems approach of managing an organization.
- MBO attempts to integrate the individual with the organization and the organization with its environment.
- It seeks to ensure the accomplishment of both personal and enterprise goals y creating goal congruence.

5. OPTIMIZATION OF RESOURCES

- The ultimate aim of MBO is to secure the optimum utilization of physical and human resources of the organization

- MBO sets an evaluative mechanism through which the contribution of each individual can be measured.

6. **SIMPLICITY AND DYNAMIC**

- MBO is a non-specialist technique and it can be used by all types of managers. At the same time, it is capable of being adopted by both business and social welfare organizations.
- MBO applies to every manager whatever his functions and level and to any organization large or small.

7. **OPERATIONAL**

- MBO is an operation process which helps to translate concepts into practice.
- MBO is made operation through periodic reviews of performance which are future oriented and which involve self-control.

8. **MULTIPLE ACCOUNTABILITY**

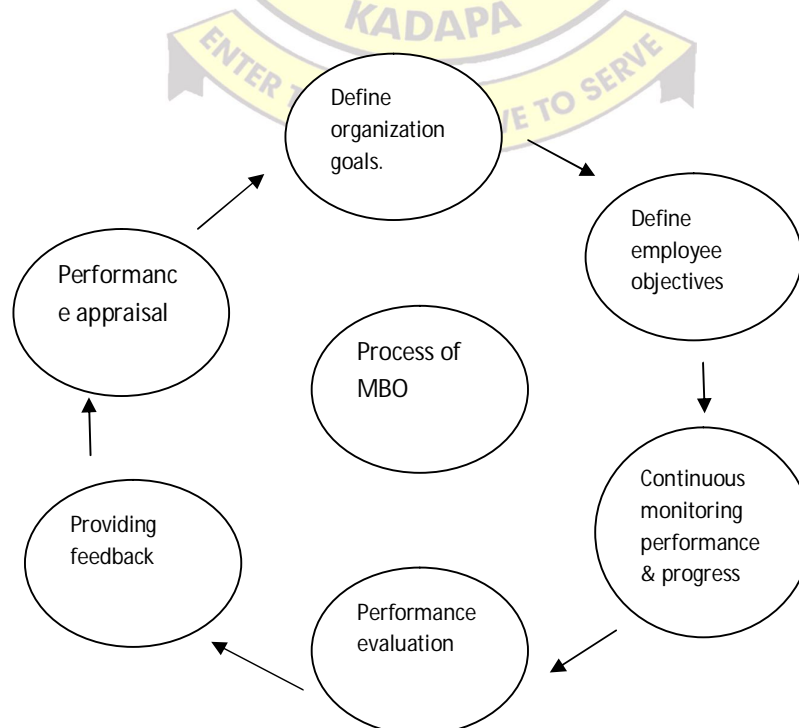
Under MBO accountability for results is not centralized at particular points. Rather every member of the organization is accountable for achieving goals set for him.

9. **COMPREHENSIVE**

- MBO is a total approach. It attaches equal importance to the economic and human dimensions of an organization.
- It combines attention to detailed micro level short range analysis within the firm with emphasis on macro level long range integration with the environment.

6.2 **PROCESS OF MBO**

The process of management by objectives includes followed steps,



1. DEFINE ORGANISATION GOALS

- Goals are the critical issues to organizational effectiveness and they serve a number of purposes.
- Organization can also have several different kinds of goals all of which must be appropriately managed.
- Goals set by the superiors are preliminary based on an analysis and judgment as to what can and what should be accomplished by organization.

2. DEFINING EMPLOYEES OBJECTIVES

- After defining organizational objectives, the manager can then proceed to work with employees in setting their objectives.
- The manager asks the objectives of employees what they want to achieve in specified time period and with what resources.
- Managers will then discuss about what goals seem feasible for the company or department.

3. CONTINUOUS MONITORING PERFORMANCE AND PROGRESS

- MBO process is not only essential for making managers more effective in business organizations but also equally important for monitoring the performance and progress of employees.
- For monitoring performance and progress following steps are required,
 - Identifying in effective programs by comparing performance with pre-established objectives.
 - Applying MBO concepts for measuring individual and plans.
 - Preparing long and short range objectives and plans.
 - Installing effective controls.
 - Designing a sound organizational structure with clear responsibilities and decision making authority at appropriate level.

4. PERFORMANCE EVALUATION

In this step of MBO process, performance review or evaluation are made by the participation of the concerned managers

5. PROVIDING FEEDBACK

- Continuous feedback on performance and goals that allow individuals to monitor and correct their own actions. Such feedback is important ingredient in MBO programs.
- This continuous feedback is supplemented by periodic formal appraisal meetings which superiors and subordinates can review progress towards goals, which lead to further feedback.

6. PERFORMANCE APPRAISAL

- Performance appraisals are a regular review of employee performance within organizations.
- Performance appraisal is done at the last stage of MBO process.

6.4 ASSESSMENT CENTRE

Assessment center is a systematic method of evaluation of behavior of an individual based on multiple criteria. Assessment center is a place where a person (staff) is assessed to decide whether he/she suitable for job or not. Assessment centre is a method used particularly in military or management.

For example: to select officer's assessment centre method was used in World War 2.

In assessment centre candidate has to go from interview psychometric test or certain examination to know his/her suitability for job.

In simple words assessment centers are used to know the suitability of candidate for particular job with the help of various assessment methods like interviews business games simulations etc.

WHAT ASSESSMENT CENTRE IS?

Assessment centre is,

1. Standardized procedure of evaluation.
2. A program designed to measure required skill sets for particular job.
3. A key HR process especially for recruitment and selection.
4. Its aim is the know suitability of candidate for a job.
5. Drawing conclusion with statistical process.

6.5 CHARACTERISTICS OF ASSESSMENT CENTRES

Following are the characteristics of assessment centers,

- Assessment centre have a pass or fail criteria.
- Assessment centre is geared towards filling job vacancies or selection.
- Assessment centre addresses an immediate organizational need.
- It can be used with external and/or internal candidates.
- An assessment centre may have fewer assessors and more participants.
- Assessment center involves line managers as assessors.
- It places less emphasis on self-assessment.
- It focusses on what the individual can do now.
- Assessment centers are geared to meet the needs of the organization.
- Assessment centre assigns the role of the judge to assessors.

6.6 ESSENTIAL ELEMENTS OF ASSESSMENT CENTRES

Assessment centers must meet the following essential elements

1. Job analysis – job analysis is done to understand job challenges and the competencies required for successful execution of the job.
2. Once the job analysis is done measurement techniques are to be selected based on job analysis.
3. Assessment center doesn't rely (depend) on a single evaluation method therefore there must be multiple measurement methods selected based on job analysis.
4. Assessors behavioral observations classified into meaningful and relevant categories.
5. Multiple assessors used for each candidate
6. Multiple observations made for each dimensions
7. Systematic methods should be there to record behavior.
 - Assessor should be trained to a performance standard.
 - Assessors prepare behaviors reports in preparation for integration
 - Integration of behaviors through pooling of information from assessors.

6.7 STAGES IN ASSESSMENT CENTRE

A typical assessment centre includes 3 important stages like,

1. Pre assessment centre
2. During assessment centre
3. Post assessment centre

1. PRE ASSESSMENT CENTRE

Pre assessment centre include the following,

- a. Defining the objectives of assessment centre.
- b. Get approval for assessment centre from the concerned officials.
- c. Conduct job analysis.
- d. Define the competencies required for target position.
- e. Identify the potential position holder and send them invitations.
- f. Identify the observers.
- g. Train the observers.
- h. Design the assessment centre exercises.
- i. Decide the rating method.
- j. Make infrastructural arrangements.
- k. Schedule the assessment centre.
- l. Inform the concerned people of the schedule.

2. DURING ASSESSMENT CENTRE

Following steps included during the process of assessment centre.

- a. Explain participants the purpose of assessment centre the procedure it would follow and its outcome.
- b. Give instructions to the participants before every exercise.
- c. Distribute the competency exercise matrix sheets among observers.
- d. Conduct all exercises.

- e. Conduct a discussion of all observers onevery participant rating at the end of the session.
- f. Make a report of the strengths and improvement areas of every participant.
- g. Give feedback to participants.
- h. Get feedback from participants and observers about the conduction of assessment centre.

3. **POST ASSESSMENT CENTRE**

Post assessment centre includes the following,

- a. Compile reports of all participants and submit the list of selected participants to the concerned authorities.
- b. Make improvement in the design according to the recommendations
- c. Evaluate the validity of results after a definite period.

6.8 **USE OF ASSESSMENT CENTRE**

The use of assessment centre is mainly for HR department. Following is the list of HR functions where assessment centre method effective,

1. **SELECTION:** assessment centre method helps in getting right people for right job ion right time.
2. **CAREER PATH:** assessment centre helps in deciding the candidate to decide his/her career pathos career development. It is because candidate has got knowledge about a competencies required for particular job.
3. **IDENTIFY THE POTENTIAL:** assessment centre helps candidate to know his/her potential and strong areas. This helps him/her in performance appraisal.
4. **IDENTIFYCATION OF TALENT:** assessment center method clearly indicates the talents available withinthe organization which helps in identifying potential people for particular position.
5. **TRAINING AND DEVELOPMENT NEEDS:** assessment centers also facilitate training and development need identification for candidate
6. **SUCCESSION PLANNING:**assessment centre method clearly indicates the skill competencies of an individual it helps in succession planning. This decision of succession planning based on assessmentcentre results helps in reducing errors or helps in accuracy of taking right decision.

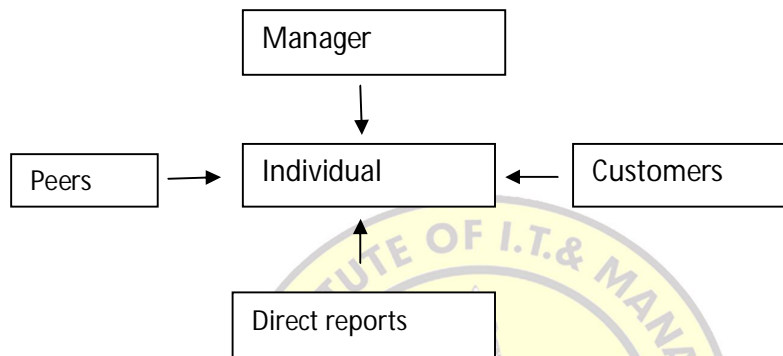
7. **360-DEGREE APPRAISAL**

7.1 **MEANING**

The 360-degree performance appraisal is an appraisal system that encompasses views of employee's superior co-workers/peers, and customers. Through 360-degree performance appraisal the employee has the chance to review the mangers which is not practiced with traditional performance appraisals.

The 360-degree appraisal gathers information from more than one source. This appraisal system collects information from peers, subordinates, superiors and customers internal and external so that the employee can get a well-rounded or 360-degree view of his performance.

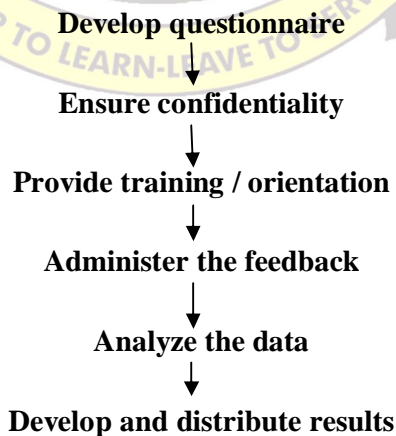
Performance data in a 360-degree feedback process can be generated for individuals from the person to whom they report their direct reports their peers (who could be team members or colleagues in other parts of the organization), and customers.



360-degree feedback model

7.2 PROCESS OF 360-DEGREE PERFORMANCE APPRAISAL

360-degree performance appraisal offers a more complete picture of the employee performance and guides the employee to develop the needed skills. The procedure of conducting 360-degree appraisal is as user,



1. DEVELOP QUESTIONNAIRE

Questionnaire typically include from 50 to 100 items to measure different dimensions of job performance such as,

- Communication
- Team work
- Leadership

- Initiative
- Judgment etc.,

2. ENSURE CONFIDENTIALITY

Here steps must be taken to maintain strict confidentiality of feedback results.

For example: feedback ratings from several subordinates may be combined to mask the identity of an individual subordinates.

3. PROVIDE TRAINING / ORIENTATION

Training on 360-degree appraisal is to be given to all employees and why it is being implemented in an organization

4. ADMINISTER THE FEEDBACK

Through printed forms or post the form in company website for easy access to employees.

5. ANALYSE THE DATA

Analysis may include performance dimension summary summary performance versus expected individual item ratings item ratings performance versus expected highest or lowest rated items and recommendations for development.

6. DEVELOP AND DISTRIBUTE RESULTS

Feedback should be shared with the employee. It should not be mandatory that the employee share the results with their managers.

7.3 PRINCIPLES OF 360-DEGREE PERFORMANCE APPRAISAL

The principles of 360-degree performance appraisal are as follow,

1. INVOLVING PEOPLE

- Manager should clarify performance criteria and set SMART (specific, measurable, achievable, rewarding and time-oriented) goal to employees and accord them an opportunity to review and interpret results.
- This will strengthen their commitment to both the overall process and specific decisions that are made.

2. COLLECTING RELEVANT DATA

Focus of performance appraisal should be on specific job related behaviors and outcomes rather than personality

3. NON SKEWNESS OF DATA

A large sample should be used or highest and lowest scores should be neglected in order to ensure that one rater cannot skew the data.

4. TRAINING RATERS

Managers must be trained so that they understand what to look for and how to record critical incidents. This will ensure that better quality of information is collected.

5. EVALUATING SUPPORTED WITH FACTS

- Managers should discuss their observations and evaluations with other managers. These discussions can trigger thoughts and combat selective memory.
- Manager should also be required to provide a rationale for their rating to other managers. This highlights bases and prevents manager from using the process of act o personal grudges.

7.4 ADVANTAGES AND DISADVANTAGES OF 360-DEGREE FEEDBACK

A. ADVATAGES

- Increased awareness and relevance of competencies through 360-degree feedback
- 360-degree appraisal increases awareness of senior management that they too have development needs
- 360-degree appraisal providers more reliable feedback to senior managers about their performance.
- Helps in identification of key development areas for the individual a department and the organization as a whole.
- 360-degree appraisal identifies strengths that can be sued to the best advantages of the business.
- Raising the self-awareness of people managers about how they personally affect others positively and negatively.
- 360-degree appraisal supports a climate of continuous improvement
- 360-degree appraisal is a relationship building processes and work interrelationships.

B. DIS-ADVANTGES

1. SKEWNEWW

Skewed and unreliable data from raters who consciously or otherwise shade their responds to protect or punish the rater

2. FALLINGSKILL LEVELS

Skill levels stay relatively flat or even decline because the 360-degree appraisal is not taken seriously. The numbers needed for a good appraisal can be informally fixed by silent agreement among raters.

3. LACK OF APPROPRIATE INDIVIDUAL DEVELOPMENT PLANS

Individual development plans become window dressing people may go through the motions to create them but expand little effort in implementation. When not held accountable for this performance levels off.

4. OTHERS

- People not giving frank or honest feedback.
- People being put under stress in receiving or giving feedback.
- Lackof action following feedback.
- Overreliance on technology.
- Too much bureaucracy.

5. DEVELOPMENT OF CANDIDATE

Assessment centre helps in environment of skill of candidates through simulations

8. BALANCE SCORE CARD

The balanced score card is a strategy of performance management tool a semi standard structured report that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions.

Balanced scorecard is also used by individuals to track personal performance but this is less common. The critical characteristics that define a balanced score card are,

- Its focus on the strategic agenda of the organization concerned.
- The selection of a small number of data items to monitor
- A mix of financial and non-financial data items.

8.1 FEATURES OF BALANCED SCORE CARD



1. FINANCIAL EVALUATION

- Financial evaluation is the most traditional feature of balanced score card
- No executive will be interested in a balanced score card if it doesn't include financial evaluation feature because it deals with profits which are central to the goal of creating shareholder value.

2. MEASURING CUSTOMER PERCEPTION

- Measuring customer perception is less straightforward feature than financial evaluation
- Customer perception of an organization is usually evaluated via survey that asks a company and whether they associated the company with value.

3. IDENTIFYING INTERNAL BUSINESS PROCESSES

- In order to service a company must understand its core competencies.
- A balanced score card identifies internal business process. This involves understanding what processes are most important to an organization in order to succeed and evaluating how well the firm performs them.
- The main aim of this feature is to measure the firm's efficiency in terms of most important operations. Examples of processes these include marketing manufacturing and distribution.

4. LEARNING AND GROWTH

- Learning and growth are included on a balanced score card. This is a measure of how well a company is able to develop new knowledge and processes and how well it is able to translate this into growth and development for the firm.
- The more dynamic a firm the better it will score according to this feature of balanced score card.

5. COMMUNICATION OF STRATEGY

Balanced score cards should help in communicating the strategy formulated to all members of an organization by translating the strategy into a coherent and linked set of understandable and measurable operational targets.

8.2 PROCESS OF BALANCE SCORECARD

The balance scorecard has two phases

Phase-1 – building the scorecard

Phase-2 – implementing the scorecard

Phase-1: BUILDING THE SCORECARD

Building the scorecard contains the following steps,

1. ASSESSMENT OF ORGANISATION

Step one is the assessment of organizations foundations its core beliefs market opportunities competition financial position short and long term goals and an understanding of what satisfaction customer.

2. DEVELOPMENT OF OVERALL BUSINESS STRATEGY

- Development of overall business strategy is second important step of balanced score card
- In large organizations several strategic themes are developed that contains specific business strategies.
- Example of common strategic themes include,
 - Build in business.
 - Improve operational efficiency.
 - Develop new productions.
 - For public sector organizations.
 - Build a strong community.
 - Grow the tax base.
 - Meet citizen requirements.

3. DECOMPOSITION OF BUSINESS STRATEGY

- In this step the business strategy is decomposed into smaller components called objectives.
- Objectives are the basic building blocks of strategy the components or activities that make up complete business strategies.

4. CREATION OF STRATEGIC MAP

- Here a strategic map of the organizations overall business strategy is created.
- Using cause effect linkages, the components of strategy are connected in appropriate scorecard categories.
- A strategy map for a transaction based company shows how an objective (effect) is dependent on other objective and together they form a strategic thread from activities to desired end outcomes.

5. MEASUREMENT OF PERFORMANCE

- Performance measures are developed to track both strategic and operational progress.
- To develop meaningful performance measures one has to understand the desired outcomes and the processes that area used to produce outcomes.
- Desired outcomes area measured from perspective of internal and external customers and,
Processes are measured from perspective of the process owner's activities needed to meet customer requirements.

6. REVIEW

- In this step, new initiatives are identified that need to be implemented to ensure that our strategies are successful.
- A balanced scorecard system provides a basis for executive good strategy well and managing change successfully.

PHASE-2: IMPLEMENT SCORECARD

- In this phase the organizations balance scorecard is further broken into departmental level scorecard so that each department can focus on the elements of the complete organizations scorecard.
- The overall scorecard of the organization reports data from department scorecard and is reviewed by higher management on monthly/quarterly meetings.

9. STOCK-TAKING OF POTENTIAL

Manage potential is an extraction from a discussion in of the performance experience during the year. These experiences throw up areas of match and mismatch between the manager's potential and requirements of his/her role.

Stock taking of the manages potential form the performance management process may need to be further fine-tuned or supplemented through other procedures.

9.1 PURPOSES/OBJECTIVES OF STOCK TAKING POTENTIAL

The purpose of stock taking of potential are explained here as follows,

- To map the total staff in the organization in terms of high medium and low levels of performance and potential.
- Take into account the helping and the hindering environment or organizational factors affecting individual's performance during a year.
- To create a mechanism to distinguish good performance from the substandard and explore reasons for variations in levels of performance to optimize the talent.

- To identify and document critical areas of each manager's performance which need important
- For generating concrete data on the potential of each manager to provide logical bases for comparing comparable managers for career and succession planning.
- To build an inventory of staff potential and the diverse talent available within the organization.
- To motivate managers by demonstrating the organizations ongoing interest in their professional as well as personal growth and development
- To monitor prevailing work habits in various segments of the organization and identify needs for modifications if any.

10. APPRAISAL FOR REWARD

10.1 MEANING OF REWARD

Reward is something which is offered or given to the employees in return for some service or attainment. Reward is a dynamic instrument. Reward not only creates opportunities for fulfillment of motivational needs but also enhances the intensity of motivation. This means employee motivation doubles every time he/she is suitably rewarded. Enhanced motivation leads to higher performance which in turn leads to higher rewards.

10.2 TYPES OF REWARDS

There are two types of rewards. They are,

1. Monetary reward
2. Non-monetary reward

1. MONETARY REWARDS

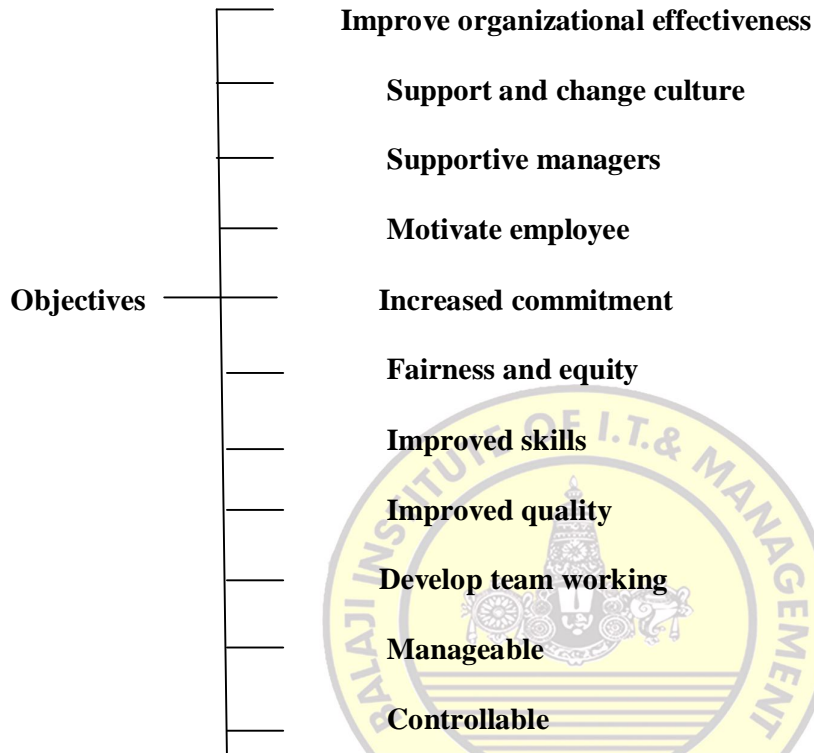
Monetary reward is paid by any negotiable instrument cash, cheque money order, direct deposit etc. it can also be any item that can be readily converted to cash such as savings bonds or gift cards/certificates.

2. NON-MONETARY REWARDS

Non-monetary rewards are in the form of meals trips trophies, cups and mugs personal items and clothing such as caps, shirts and sweat shirts and other items such as tools, electronics, radios, and sports equipment's.

10.3 OBJECTIVES OF REWARD

The objectives of rewards for employee are given here as follow,



1. IMPROVE ORGANISATIONAL EFFECTIVES

Rewards support the attainment of the organization's mission strategies and help to achieve sustainable competitive advantages.

2. SUPPORT AND CHANGE CULTURE

Rewards are helpful to change the organizational culture as expressed through its values for performance innovation risk taking, quality, flexibility and team working.

3. SUPPORTIVE MANAGERS

Rewards support individual managers in the achievement of their goals.

4. MOTIVATAE EMPLOYEE

Motivates employees to achieve high levels of quality performance

5. INCREASED COMMITMENT

Rewards enhance the commitment of employees to the organization that will,

- a. Want to remain members of it
- b. Develop a strong belief in and acceptance of the values and goals of the organization.
- c. Be ready and willing to exert considerable effort on its behalf.

6. FAIRNESS AND EQUITY

Reward people fairly and consistently according to their contribution and values to the organization.

7. IMPROVED SKILLS

Rewards upgrade competence and encourage personal development

8. IMPROVED QUALITY

Provision of rewards help to achieve continuous improvement in levels of quality ad customer's service.

9. DEVELOP TEAM WORKING

Rewards improve cooperation and effective team working at all level.

10. MANAGEABLE

Be easily manageable so that undue administrative burdens are not imposed on managers and members of the personal department.

11. CONTROLLABLE

Be easily controllable so that the policies can be implemented consistently and costs can be contained within the budget.

10.4 DESIGNING A REWARD PROGRAM

The steps to develop a reward program are as follows,

- Identification of company or group goals that the reward program will support.
- Identification of the desired employee performance or behaviors that will reinforce the company's goals.
- Determination of key measurements of the performance or behavior based on the individual or group of previous achievements.
- Determination of appropriate rewards and
- Communication of program to employee.

10.5 PITFALLS OF FINANCIAL REWARD PROGRAMS

The pitfalls of financial reward programs include,

1. Performance pay related to appraisal grown in use?
2. What type of performance do we reward?
3. Who judges management standards?

1. PERFORMANCE PAY RELATED TO APPRAISAL GROWN IN USE?

- The first discussion on influences of growth of performance pay schemes is assumption that increasing linkage between individual effort and financial reward increases performance levels.
- This linkage between effort and financial reward increasing levels of performance has proved an increasing trend in public and private sector.

2. WHAT FORMS OF PERFORMANCE IS REWARDED?

- The use of past appraisal ratings as evidence of achieving merit related payments linked to achieving higher performance was the predominant factor developed in the public services.

- The evidence on setting performance targets have been reported inconsistent within organization and problematic for certain professional or less skilled occupations where goals have not been easily formulated.

3. **WHO JUDGES MANAGEMENT STANDARDS?**

- The final issue of judging management standards has already highlighted issues of inequity and bias based on gender.
- Performance appraisal or evaluation is used to provide employees with performance feedback to serve as basis for distributing rewards and to monitor selection and training activities.

11.0 **APPRAISAL FOR RECOGNITION**

11.1 **MEANING OF RECOGNITION**

Recognition is used to acknowledge employees for their achievements and contributions. Although it should not be the sole means used the performance appraisal provides one method for conveying appreciation and recognition.

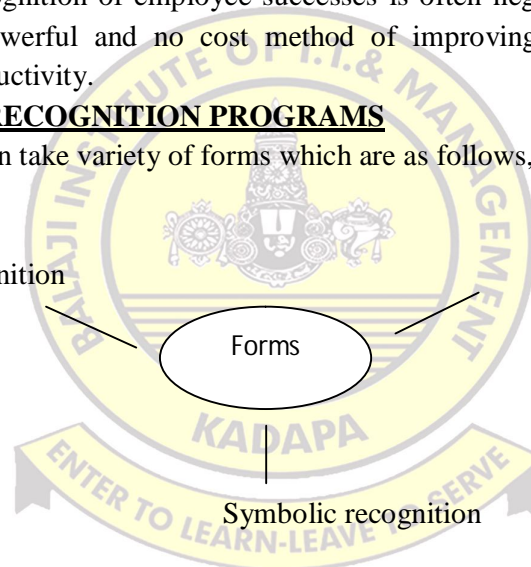
The recognition of employee successes is often neglected by busy managers but it is a powerful and no cost method of improving morale motivation and employee productivity.

11.2 **FORMS OF RECOGNITION PROGRAMS**

Recognition can take variety of forms which are as follows,

Informal recognition

structured programs



1. **STRUCTURED PROGRAMS**

It includes regular recognition events such as breakfasts employee of the month or year recognition an annual report which features the accomplishments of employees and department or company recognition boards.

2. **INFORMAL RECOGNITION**

- Informal recognition also known as spontaneous recognition
- It can take the form of privileges such as working at home starting late/leaving early or long lunch breaks.
- A job well done can also be recognized by providing additional support or empowering employee.

3. **SYMBOLIC RECOGNITION**

Symbolic recognition includes coffee mugs with inscriptions provided they reflect sincere appreciation for hard work. These letter expressions of thanks however are far more likely to be received positively.

11.3 GUIDELINES FOR EFFECTIVE EMPLOYEE RECOGNITION

1. DECIDE WHAT MANAGER WANTS TO ACHIEVE THROUGH EMPLOYEE RECOGNITION EFFORTS

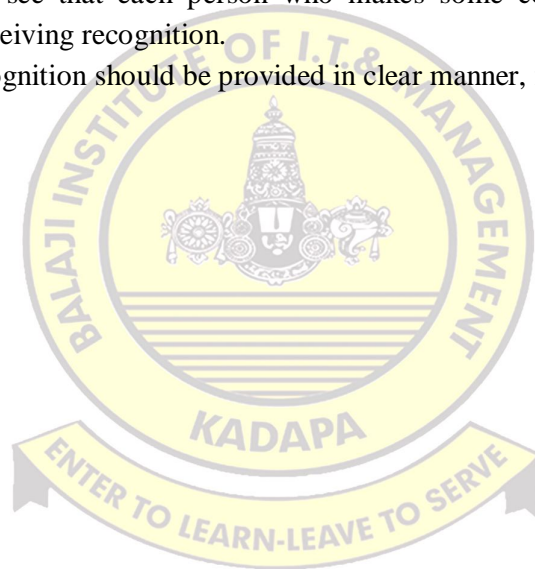
Many organizations use scatter approach to employee recognition. They put a lot of employee recognition out of these and hope that some efforts will stick and create the results they want.

2. CREATE GOALS AND ACTION PLANS FOR EMPLOYEE RECOGNITION

- The manager wants to recognize the actions behaviors approaches and accomplishments that he wants to foster.
- To achieve these goals and action plans should be developed by the managers to recognize employee performance.

3. FAIRNESS CLARITY AND CONSISTENCY ARE IMPORTANT IN EMPLOYEE RECOGNITION

- People need to see that each person who makes some contribution has an equal likelihood of receiving recognition.
- At this time recognition should be provided in clear manner, fairly and consistently.



(17E00314) PERFORMANCE MANAGEMENT**(Elective III)**

Objective: The objective of the course is to provide an outline of performance management of individuals in the organization. The prerequisite for the course is knowledge of HRM.

1. **Introduction to Performance management:** Concept -Performance management vs. performance appraisal--Performance management vs. Human resource management- Purposes-Significance.
2. **Mentoring and Monitoring:** Concept of mentoring - Benefits of mentoring - Characteristics of mentor- Mentoring Process-Group mentoring -Benefits -Types of Group Mentoring – Pitfalls Monitoring performance.
3. **Coaching and counseling:** **Coaching** for performance improvement -. Concept - Tips for effective coaching Counseling -Functions of counseling- Steps in counseling process
4. **Annual Stock taking:** Stock taking of performance -Uses –Appraisal system design: Process and approaches - Appraisal methods - MBO and Assessment centre -360-degree appraisal - Balanced score card. Stock taking of potential- Appraisal for reward - Appraisal for recognition
5. **Learning organisation:** Concept of learning organisation- Learning approaches- Learning sources - Importance of learning-. Characteristics of learning organisation- Reward and compensation Management -Concept and types of compensation- Objectives - Competitive compensation design - Fringe benefits- Objectives -Factors influencing fringe benefits - Types of fringe benefits

Text books:

- Performance Management, A.S. Kohli, T. Deb,Oxford.
- Prem Chadha, Performance Management, McMillan.

References:

- Performance Management, Bagchi, Cengage Learnings.
- Performance Appraisal and Management, Sharma, Davinder, HPH
- Performance Management, Herman,Aguinis, Pearson Education.
- Performance Management and Appraisal Systems, T.V.Rao, Response.
- Performance management, Kandula, PHI.
- 360 Degree Feedback and Assessment and Development Centres, T.V.Rao, Excel.
- Performance Management, Dinesh k.Srivatsava, Excel

UNIT-5**LEARNING ORGANISATION****1. CONCEPT OF LEARNING ORGANISATION****1.1 MEANING**

- Learning organization is one which facilitates the learning of all its employees and continuously transforms itself as a whole. Learning organization is a skill in creating acquiring and transferring knowledge and it modifying its behavior to reflect new knowledge and insights.
- The concept of learning organization has the underlying idea of transforming an organization through an open learning approach to present and future performance.
- Learning organizations are coming into being to empower people to enable change. Learning organizations encompasses small business establishment's academic institutions hospitals government agencies nonprofit organizations where people gather to accomplish something that is beyond the scope of the individual.

NOTE: Learning organization creates acquires, transfers knowledge thereby empowers people to enable change.

1.2 DEFINITION

The essence of organization learning is the ability to use the amazing mental capacity of all its members to create the kind of processors that will improve its own.

NANCY DIXON

Learning organizations are organizations where people continually expand their capacity to create the results they truly desire new and expansive patterns of thinking are nurtured where collective aspiration is set free and where people are continually learning to learn together.

ACCRODING TO SENGE

Learning organization is one that both learns and encourages learning in people. It creates space for people to question think and learns and constantly reframes the world and their part in it.

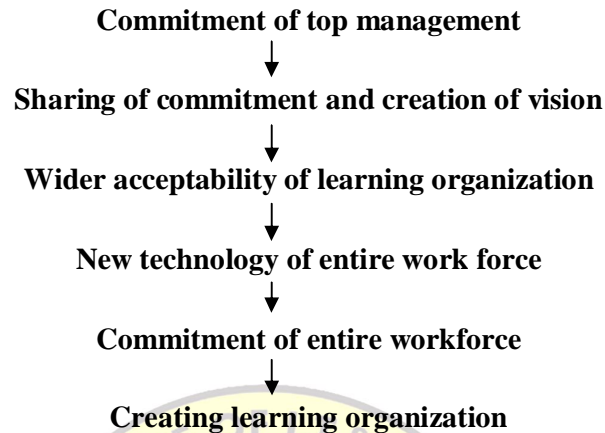
ACCRODING TO HANDY

NOTE: MEANING OF LEARNING

Learning is the process of acquiring the ability to respond adequately to a situation which may or may not have been previously encountered. It is a process by which new behaviors are acquired.

1.3 CREATING LEARNING ORGANISATION

The process of creating learning organizations include following steps,



1. COMMITMENT OF TOP MANAGEMENT

- Creation of learning organization may require major changes in the existing techniques structures beliefs processes, values and even goals.
- Any major organizational change can be successful only if it has received the commitment of top management.
- Since creating learning organization is a major organizational change it must have commitment of top management.

2. SHARING OF COMMITMENT AND CREATION OF VISION

- Top management commitment provides way for commitment of those managers who will act as change agents during the process of creating learning organization with such kind of commitment vision of learning organization is created.
- Vision represents what the organization and its members can be in future. Therefore, organization create projections about where it should go and what challenges lie ahead.

3. WIDER ACCEPTABILITY OF LEARNING ORGANISATION

- Once vision of learning organization is created it will communicate throughout the organization for wider acceptability of desirability of learning organization.
- In this communication emphasis is put on circumstances like,
 - Creation of learning organization
 - Utility of learning organization
 - Type of changes likely to be made.
 - Role of different groups of personnel in creating learning organization.
 - Time frame for creating learning organization.

4. NEW TECHNIQUES/STRUCTURES/PROCESSES

- Creation of learning organization requires total transformation of existing organization i.e. aligning existing techniques structures and processes to the requirements of learning organization.
- What kind of changes will be required depends on the nature and functionality of existing techniques structures processes?
- It is quite possible that some of the existing techniques structures and processes are suitable for new situation.

5. COMMITMENT OF ENTIRE WORK FORCE

- Changing of existing techniques structures and processes facilitates the creation of learning organization but it doesn't work effectively unless there is a commitment of the entire workforce for the learning organization.
- This commitment is required because workforce have to work with different mindsets in new situation. They have to change their old assumptions beliefs norms and values that are not suitable to new situation.

6. CREATION LEARNING ORGANISATION

- After completion of the above steps the learning organization is created.
- A kind of culture is created in which everyone takes care of his own learning and development as well as helping others and receiving help from others in learning and development.

1.4 CORE ACTIVITIES OF LEARNING ORGANISATIONS

Learning organization focus on systematic problem solving with the proper deployment of tools to achieve this following are the core activities of learning organization.

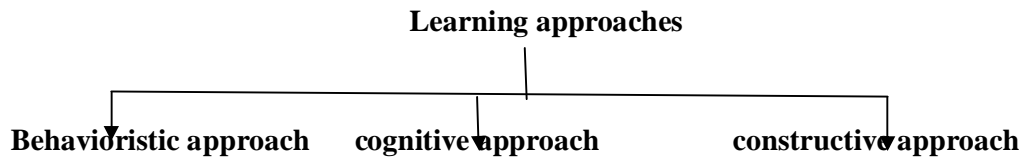
- Brainstorming tools dynamic thinking tools structural thinking tools computer based tools.
- Systematic experimentation.
- Employee friendly performance management and compensation schemes.
- Rewarding of good performance and positive behavior after evaluation and
- Employment of people who can execute the organizations quality philosophy.

2. LEARNING APPROACHES**2.1 LEARNING**

Learning is the process of acquiring the ability to respond adequately to a situation which may or may not have been previously encountered the favorable modification of response tendencies consequent upon previous experience. Thus learning can be defined as permanent change in behavior as a result of prior experiences.

2.2 LEARNING APPROACHES

Learning approaches are of 3 forms which are as follows,



1. BEHAVIORIST APPROACH

Behaviorist approach was developed by B.F. Skinner. In behaviorist approach three basic assumptions are there like,

- a. Learning is manifested by change in behavior
- b. The environment shapes behavior
- c. The principles of cognitive (how close in time two events must be for a bond to be formed) and reinforcement (that an event will be repeated) are central to explaining the learning process.

For behaviorist approach learning is the acquisition of new behavior through conditioning which is in 2 forms,

- Classical conditioning.
- Operant or Instrument conditioning.

CLASSICAL CONDITIONING

In classical conditioning the behavior becomes a reflex response to stimulus as in case of Ivan Pavlov's dog theory.

FOR EXAMPLE: Pavlov struck a bell when the dogs were fed. If the bell was sounded in close association with their meal the dogs learned to associate the sound of the bell with food. After a while at the mere sound of the bell they respond by drooling.

OPERANT OR INSTRUMENT CONDITIONING

In operant conditioning there is reinforcement of the behavior by a reward or a punishment. The word operate refers to the way in which behavior operates on the environment.

2. COGNITIVISM APPROACH

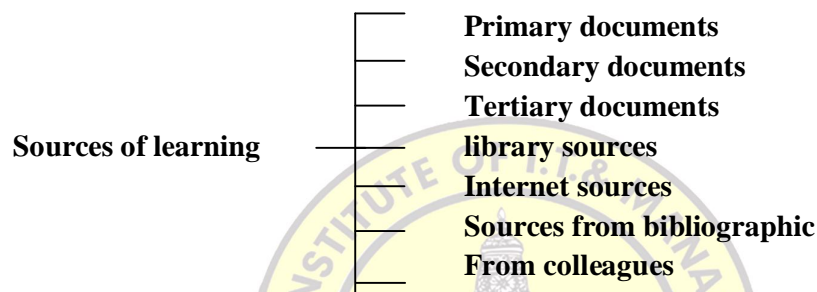
- Cognitivist approach includes two assumptions as follows,
 - That the memory system is an organized processor of information and that prior knowledge plays an important role in learning
 - Cognitivists consider how human memory works to promote learning. The major difference between cognitivists and behaviorists is the locus of control over the learning activity. The individual learner is more important to cognitivists than the environment that behaviorists emphasize.

3. **CONSTRUCTIVISM APPROACH**

- Constructivism views learning as a process in which the learner actively constructs or builds new ideas or concepts based upon current and past knowledge or experience.
- Constructivism itself has many variations such as active learning discovery learning and knowledge building. Regardless of the variety constructivism promotes a student's free exploration within a given frame work or structure.
- Aspects of constructivism can be found in self-directed learning transformations learning experiential learning situated cognition and religious practice.

3.0 **LEARNING SOURCES**

Some of learning includes the following,



1. **PRIMARY DOCUMENTS**

- A primary document is a document that was written at the time of an event or period of research.
- Primary documents include literary texts letters speeches and historical documents such as diaries and birth certificates.
- A live news feed is a primary source recording events as they unfold.

2. **SECONDARY DOCUMENTS**

- A secondary document is written after an event usually the authors will not have witnessed the event themselves. Such documents are written with reference to primary documents.
- Core texts academic texts related to the topic being studies are an example of secondary documents.

3. **TERTIARY DOCUMENTS**

- Tertiary documents usually act as pointers to primary and secondary documents
- These include indexes, directories bibliographies and other categorized collection of information.
- FOR EXAMPLE: checking the bibliography of books can help to lead you to further research material or looking at the list of similar stories on a news website.

4. LIBRARY SOURCES

- Library is one of the best sources of learning.
- It is often possible to go to a physical library without being a member and search through the shelves and access publications and other resources.
- A lot of libraries will have a retrieval system to help you to locate documents such systems are commonly accessed via a computer.
- Retrieval system enables to search a database of titles at the library title of book or publication etc.

5. INTERNET SOURCES

- There is a phenomenal amount of information available online via web pages' forums social media blogs and so on.
- As there is so much information available and because such information can be published quickly and easily by anybody and at any time.
- For many subjects the internet can be a very important place to research and learn information
- In some disciplines the internet may be the most appropriate or only way of gathering information. This can be particularly true of subjects related to technology or current affairs.

6. SOURCES FROM BIBILKORAPHIES

- Another way of locating information books or publications which might have a bearing on the topic being researched is to check through bibliography of core texts or related books.
- Authors will consult other scholars and by checking their bibliography to enhance their own learning.

7. SOURCES FROM COLLEAGUES

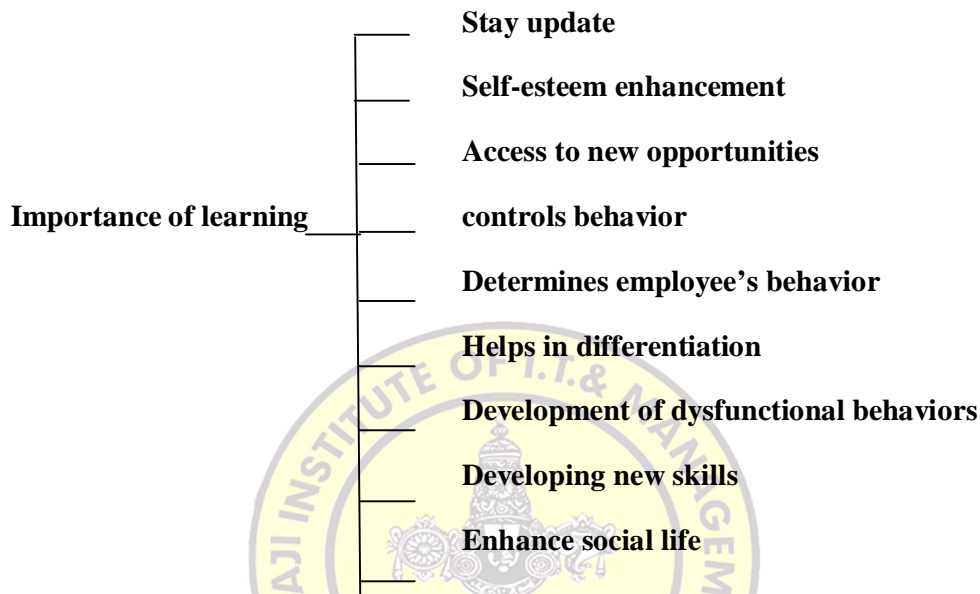
- It is always worth discussing your study with friend's family and colleagues.
- With this you will find that they have some interesting points of view and sometimes they may help with sourcing of information.

8. OWNS AND OTHERS EXPERIENCE

- A primary source of learning is experience
- A distinction can be made between learning from own experience and learning from experience of others.
- Collecting direct experiences can be very costly yet is likely to produce more unique outcomes while learning from others experience usually involves less cost but tend to produce less unique outcomes.

4. **IMPORTANCE OF LEARNING**

Learning is all pervasive and without it civilized life cannot exist. Learning is important because of following reasons,



1. **STUDY UPDATE**

- Learning across our lives is essential for staying up to date in an ever changing world.
- If we stop learning things we can stagnate and actually move backwards especially in professional lives.

2. **ENHANCED SELF ESTEEM**

- Self-esteem means confidence in one's own worth or abilities.
- Learning new things is very important for our self-esteem. Learning something new keeps brain cells active and allows individuals to succeed at something new.

3. **ACCESS TO NEW OPPORTUNITIES**

Learning something new gets individuals to access new and different opportunities and the chance to try new experiences that might be the best ones for individuals they have ever tried.

4. **CONTROLS BEHAVIOR**

Learning offers significant insights into controlling employee behaviors in an organization.

5. **DETERMINES EMPLOYEE BEHAVIOR**

Learning process helps managers to determine the extent to which an employee's behavior can be attributed to learning.

6. **HELPS IN DIFFERENTIATION**

Learning also helps managers to differentiate between learning a skill and acquiring skill naturally and in understanding whether a skill is an acquired one or something that an employee is born with.

7. **DEVELOPMENT OF DYSFUNCTIONAL BEHAVIORS**

- With the process of learning managers can work as teachers to instruct the employees to engage in behavior which enable the organizations to achieve its goals.
- Thus managers can check the growth of dysfunctional behaviors such as absenteeism indiscipline and foster the development of functional behaviors by getting feedback and rewards.

8. **DEVELOPING NEW SKILLS**

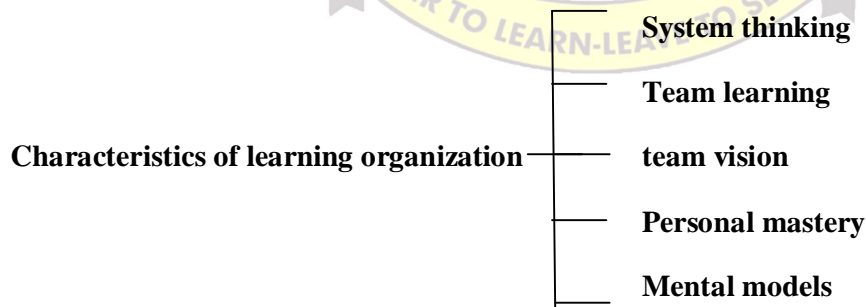
- With the help of learning process an individual develops his skills.
- Developing a new skill will influence the way of doing things day to day and individuals will make doing things quicker and easier saving time, energy and stress.

9. **ENHANCED SOCIAL LIFE**

- By learning something different an individual meet new people some of whom will have similar interests to individual and interested in some of the same things.
- With this an individual can make new friends and thereby his social or work life get enhanced.

4.1 **COMPONENTS OF LEARNING ORGANISATION**

Senge has elaborate five central characteristics for the learning organization as,



1. **SYSTEM THINKING**

- A business is a complex system which comprises many sub systems
- To acquire a holistic understanding of the system it is essential to grasp the connectivity and interaction of its parts.
- Therefore, senge points out that the ability to examine any process of a whole system and recognize how the parts affect each other is critical.

2. TEAM LEARNING

- It has been observed that people in teams possess the ability to capture a greater degree of learning as compared to the learning imbibed at an individual level.
- Senge recognizes that many teams exhibit signs of negative synergy or groupthink. Senge stresses the need to overcome such difficulties by encouraging meaningful dialogue and suspension of over-assumption and judgment.

3. TEAM VISION

- The impact of the overall capability of the group to realize the vision of the organization is much greater than that of any single individual. So the vision must be created by the entire organization or group of people within the organization.
- It is the task of senior management to ensure that vision is communicated to the employees.

4. PERSONAL MASTERY

- Personal mastery describes the urge to dedicate one's entire life to learning.
- It is the ability to judge one's priorities in life and then work towards them by conscious application of principles most important to achieving these goals.
- Mastery calls for understanding of one's strengths and weaknesses.
- An individual needs to know the art of managing creative stress which is the gap between desired goals and reality.

5. MENTAL MODELS

- Mental models are deeply embedded assumptions and generalizations we all carry regarding how the world works and our own actions.
- These models need constant examination as they tend to influence people's arrival at conclusions before scrutinizing the facts.
- Senge's view is that these models are constraints for organization's innovations.

5.0 CHARACTERISTICS OF LEARNING ORGANISATION

Characteristics of learning organization are as follows,

1. LEARNING CULTURE

An organizational climate that nurtures learning. There is a strong similarity with those characteristics associated with innovation. A learning culture should be,

- Future oriented.
- With free exchange and flow of information.
- With commitment to learning and personal development.
- Valuing people.
- With climate of openness and trust.

2. PROCESSES

- Process that encourages interaction across boundaries is another important characteristic of learning organization.
- These processes are infrastructure development and management processes (like strategic planning, competitor analysis, capability planning, team and organization development) etc.

3. TOOLS AND TECHNIQUES

- Learning organization should consider methods that aid individual and group learning, such as creativity and problem solving techniques.
- 4. Skills and motivation to learn and adapt.
- 5. Learning organization provides continuous learning opportunities.
- 6. Learning organization link individual performance with organizational performance.
- 7. Learning organization continuously aware of and interact with their environment.

6. REWARD AND COMPENSATION MANAGEMENT

6.1 REWARD MANAGEMENT

Reward management means the financial reward on organization gives its employees in return for their labor. Reward system not only includes material rewards but also non material rewards,

Rewards may of two forms,

1. Financial rewards.
2. Non-financial rewards.

FINANCIAL REWARD: includes basic and performance pay and employee benefits together comprise total remuneration.

NON-FINANCIAL REWARDS: Includes recognition praise promotion achievement responsibility and personal growth.

OR

MONETORY REWARDS: paid by any negotiable instrument like cash, cheque, money order, and direct deposit.

NON-MONITARY REWARDS: are in the form of meals trips trophies, cups and mugs, personal items and clothing such as caps, shirts and other items like tools, electronics, radios and sports equipment.

DEFINITION

Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly equitably and consistently in accordance with their value to the organization.

ARMSTRONG AND MURLIS

6.2 OBJECTIVES OF REWARD MANAGEMENT

The objectives of reward management include the following,

1. IMPROVE ORGANISATIONAL EFFECTIVENESS

Rewards support the attainment of the organizations mission strategies and help to achieve sustainable competitive advantage.

2. SUPPORT AND CHANGE CULTURE

Reward system underpin and as necessary help to change the organizational culture as expressed through its values for performance innovation risks taking flexibility and team working.

3. MOTIVATE EMPLOYEES

Rewards motivate employees to achieve high levels of quality performance.

4. INCREASED COMMITMENT

Reward system enhance the commitment of employees to the organization that will,

- a. Want to remain members of it.
- b. Develop a strong belief in acceptance of goals of the organization.
- c. Be ready and willing to exert considerable effort.

5. IMPROVED QUALITY

Reward management help to achieve continuous improvement in levels of quality and customer service.

6. ACHIEVE INTEGRATION

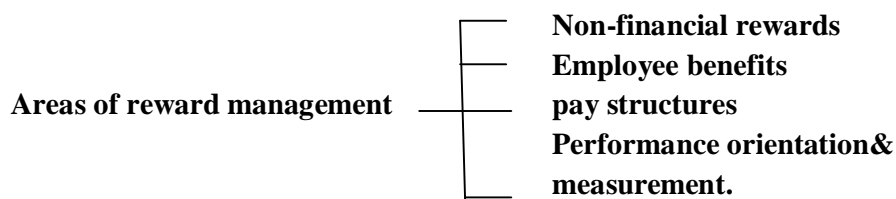
Be an integrated part of the management process of the organization. This involves playing a key role in a mutually reinforcing and coherent range of personal policies and process.

7. CONTROLLABLE

Be easily condonable so that the policies can be implemented consistently and costs can be contained within the budget.

6.3 AREAS OF REWARD MANAGEMENT

Areas of reward management categorized into four areas as follows,



1. NON-FINANCIAL REWARDS

Non-financial rewards are those that satisfy the individual needs for challenges responsibility variety influence in decision recognition and career opportunities.

2. EMPLOYEE BENEFITS

Employee benefits (including pension plans) are those that satisfy the employee's needs for personal security and provide remuneration in forms other than pay which may be tax efficient.

3. PAY STRUCTURE

Pay structure defines fair and competitive levels of remuneration through the combined results of wage and gallery surveys and job evaluation

4. PERFORMANCE ORIENTATION AND MEASUREMENT

Measurement and management of performance i.e. measures of performance in relation to outputs (contribution and the achievement of objectives and standards of performance) and inputs (application of skills and competencies and behaviors affecting performance) leading of design and operation of pay for performance schemes, continuous development and training programs.

6.4 COMPENSATION MANAGEMENT**CONCEPT OF COMPENSATION**

Compensation is the total amount of the monetary and non-monetary pay provided to an employee by an employer in return for work performed as required compensation may achieve several purposes assisting in recruitment job performance and job satisfaction.

Compensation may be used to,

- Recruit and retain qualified employees.
- Increase or maintain morale/satisfaction.
- Reward and encourage peak performance.
- Reduce turnover and encourage company loyalty.

6.5 COMPONENTS OF COMPENSATION

A typically compensation of an employee comprises of,

1. FINANCIAL COMPENSATION

A. **DIRECT METHODS**: These are as follows,

• WAGES AND SALARY

- Wages represents hourly rates of lay and salary refers to the monthly rate of pay irrespective of the number of hours put in by an employee
- Wages and salaries are subject to annual increments.
- Wages and salaries differ from employee to employee and depend upon the nature of job seniority and merits.

• INCENTIVES

- Incentives also called as payments by results. Incentives are paid in addition to wages and salaries. Incentives depend upon production sale, profits, or cost reduction efforts. These are,

- Individuals incentive schemes
- Group incentive programs

B. **INDIRECT METHODS:** These includes,

- **FRINGE BENEFITS**

Fringe benefits include such employee benefits as provident fund, medical care hospitalization accident relief health insurance canteen unigram recreation etc.

- **PREQUISITES**

These are allowed to executives and include company car, club membership paid holiday furnished house etc., perquisites are offered to retain competent executives.

2. **NON-FINANCIAL BENEFITS**

Non-financial benefits include of following,

- Challenging job responsibilities.
- Recognition of merits.
- Growth prospects.
- Comfortable working conditions.
- Job sharing.
- Flex time.
- Competent supervisions.

6.6 **COMPENSATION MANAGEMENT**

Compensation management is the strategic process of aligning pay incentives and benefits (rewards) of employees with organizational goals and objectives.

In the globalization era, where the business environment has become increasingly complex and challenging designing and effective compensation management program should have needed to attract and retain talent which is an important function of the organizational effectiveness.

DEFINITION

Computer management refers to payment system which determines employee wages or salary direct and indirect rewards.

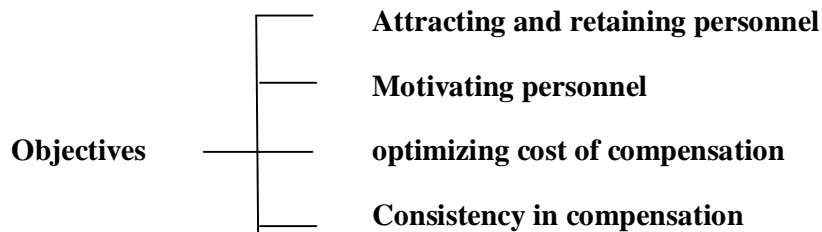
ACCORDING TO I. KESSLER

Compensation management is a process of determined cost effective pay structure designed to attract and retain provide an incentive to work hard and structured to ensure that pay levels are perceived as fair.

STEPHEN P. ROBBINS, EILEEN B. STEWARD

OBJECTIVES OF COMPENSATION MANAGEMENT

Objectives of compensation management are explained here under,



1. ATTRACTING AND RETAINING PERSONNEL

- From organizations point of view compensation managers aims at attracting and retaining right personnel in an organization
- In the present day context management turnover is a big problem particularly in high knowledge based origination to prevent this proper compensation programme is helpful.

2. MOTIVATING PERSONNEL

- Compensation management aims at motivating personnel for higher productivity. Monetary compensation has its own limitations in motivating people for superior performance.
- According to ALFIE KOHN corporate incentive plans not only fail to work as intended but also undermine the objectives they intend to achieve. He argues that this is due to inadequate psychological assumption on which reward systems are based.

3. OPTIMIZING COST OF COMPENSATION

Compensation management aims at optimizing cost of compensation by establishing some kind of linkage with performance and compensation.

4. CONSISTENCY IN COMPENSATION

- Compensation management tries to achieve both internal and external consistency.
- Internal consistency involves payment on the basis of criticality of jobs and employee's performance jobs.
- External consistency involves similar compensation for a job in all organizations.

7. CONCEPT AND TYPE OF COMPENSATION

7.1 TYPES OF COMPENSATION

The compensation received by workers is two types,

1. Direct compensation.
2. Indirect compensation.

1. DIRECT COMPENSATION

Direct compensation refers to monetary benefits offered to employee in return of the service provided by them to the organization. Various types of direct compensation include,



1. **HOUSE RENT ALLOWANCE**

- Organizations either provide accommodations to its employee who is from different state or country or they provide house rent allowances to its employees.
- This is done to provide them social security and motivate them to work.

2. **BASIC SALARY**

Salary is the amount received by the employees for the work done by him/her for a certain period say a day, a week, a month etc.

3. **CONVEYANCE**

Organizations provide for cab facilities to their employees. Few organizations also vehicles and petrol allowances to their employees to motivate them.

4. **BONUS**

Bonus is paid to the employees during festive season to motivate them and provide them the social security. The bonus amount usually amounts to one month's salary of the employee.

5. **SPECIAL ALLOWANCE**

Special allowance such as overtime mobile allowance meals commissions travel expensed reduced interest loans club memberships etc, are provided to the employees to motivate them for increased productivity.

6. **MEDICAL REIMBURSEMENT**

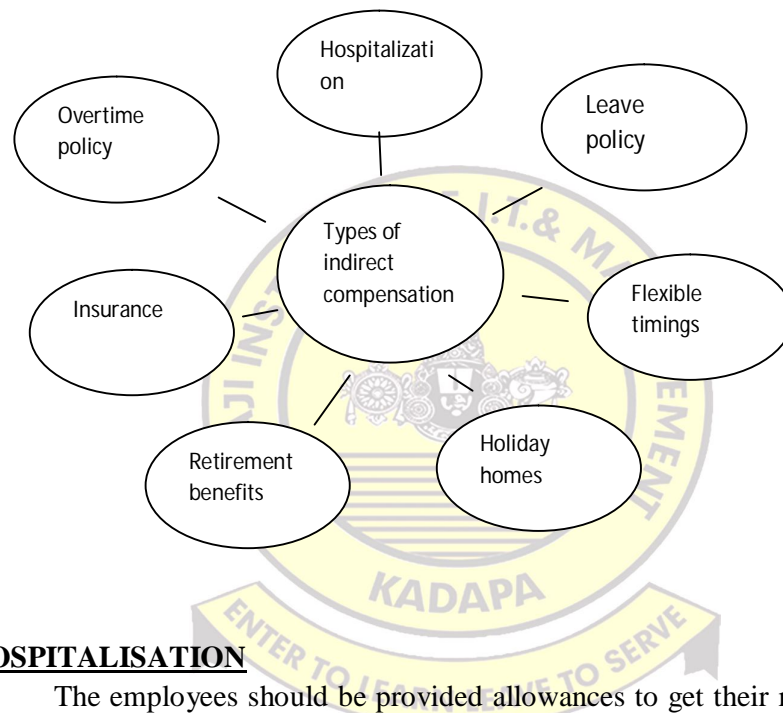
- Organizations also look after the health conditions of their employees.
- The employees are provided with med claims for them and their family members. These medi-claims include health insurance and treatment bills reimbursement.

7. **LEAVE TRAVEL ALLOWANCE**

- These allowances are provided to retain the best talent in the organization
- The employees are given allowances to visit any place they wish with their families. The allowances are scaled as per the position of employee in the organization.

2. **INDIRECT COMPENSATION**

Indirect compensation refers to non-monetary benefits offered to employees for the services provided by them to organization. These are given as follows,



1. **HOSPITALISATION**

The employees should be provided allowances to get their regular checkups say at an interval of one year. Even their dependents should be eligible for the medi-claims that provide them emotional and social security.

2. **LEAVE POLICY**

- It is the right of employee of get adequate number of leave while working with the organization
- The organizations provide for paid leaves such as casual leaves medical leaves (sick leaves) and maternity leaves etc.

3. **FLEXIBLE TIMINGS**

Organizations provide for flexible timings to the employees who cannot come to during normal shifts due to their personal problems and valid reasons.

4. **HOLIDAY HOMES**

Organizations provide for holiday homes and guest house for their employees at different locations. These holiday homes are usually located in hill station and other most wanted holiday spots.

5. RETIREMENT BENEFITS

Organizations provide for pension plans and other benefits for their employee's which benefit them after they retire from the organization at the prescribed age.

6. INSURANCE

Organizations also provide for accidents insurance and life insurance for employees. This gives employees the emotional security and they feel themselves valued in the organization.

7. OVERTIME POLICY

Employee should be provided with the adequate allowances and facilities during their overtime if they happened to do so such as transport facilities overtime pay etc.

8. OBJECTIVES OF COMPENSATION

The objectives of compensation are as follows,

- To recruit and retain qualified employees.
- To increase or maintain morale or satisfaction of an employee.
- To motivate employees for better performance.
- To attract and retain skilled and talented work force.
- To determine basic wages and salary administration.
- To achieve internal and external equity.
- To ensure equal pay for work i.e. each individual pay is fair in comparison to that of another person doing a similar job.
- To support communication and reinforce an organizations culture value and competitive strategy.
- To reduce turnover and encourage company loyalty.
- To control cost a rational compensation system helps the organization to obtain and retain workers at a reasonable cost.

9. COMPETITIVE COMPENSATION DESIGN

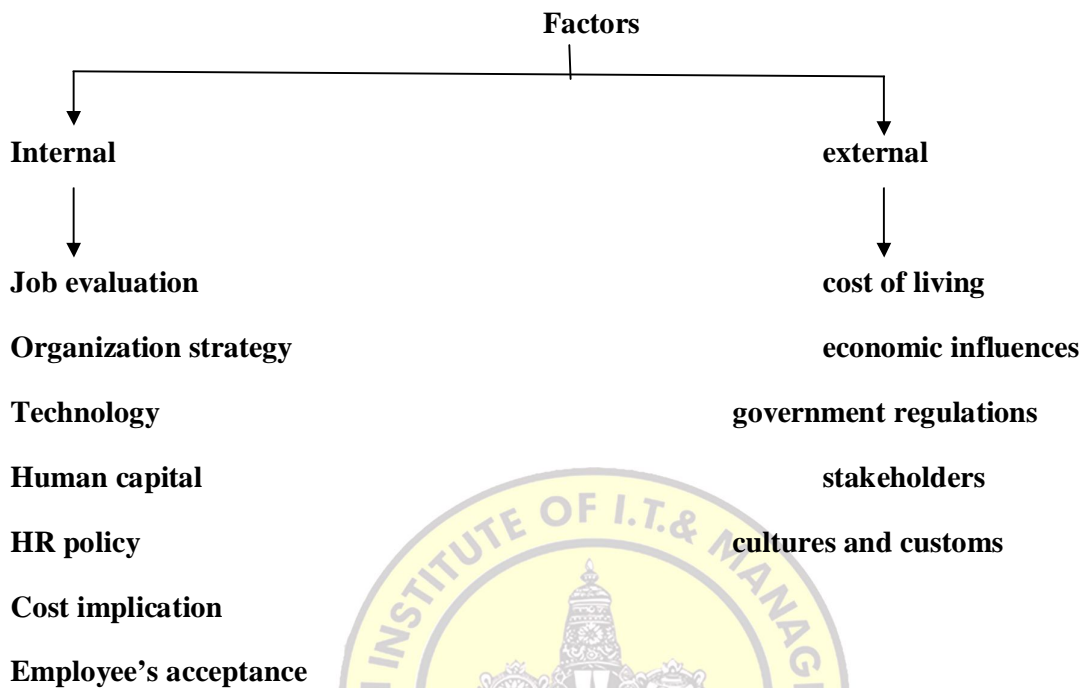
Every organization has its own HR policy to progress and plan its human resources accordingly. This entails varying ranges in compensation structures.

The compensation structures strategic decisions the follows HR policy and are to be in line with operational mission besides taking care of legal and political constraints.

9.1 PURPOSE OF COMPETITIONS COMPENSATION DESIGN

The main purpose of compensation in any organization is to ascertain the job and employees worth qualifying its relative value and defining the significance of different components in the structure of competitive development.

The above considerations will help the organization to frame the most acceptable structure in line with the market conditions and the employee's expectations to develop a sense of belongingness in the company.

FACTORS INFLUENCING COMPENSATION DESIGN**1. INTERNAL FACTORS****(i) JOB EVALUATION**

Job evaluation is a technique to determine the relative worth of job to an organization. It is a judgmental process of wherein jobs of different values are classified for determining compensation level. Job evaluation helps to,

- Provide a way to rank all jobs in an organization
- Provide a way to compare jobs on a fair basis
- Provide a way to classify new or changed jobs.

(ii) ORGANISATIONAL STRATEGY

Organizational strategy may include growth expansion through organic or inorganic routes and maintenance plans which specifies the types of jobs and positional requirements of the organization.

(iii) TECHNOLOGY

Technology intensive jobs will be rated higher than other jobs in the organization

(iv) HUMAN CAPITAL

- The type and quality of employees an organization has or will require affect compensation level.
- The level of education and experience required for a position is a deciding factor in compensation level.

(v) **HR POLICY**

- An organizations HR policy provides general guidelines on how human resources are managed and utilized for seeking competitive advantage.
- Organization which values its employees will place a premium on its human resources to maintain competitiveness.

(vi) **COST IMPLICATION**

- The overall cost of compensation should be within budgetary provision of the organization.
- The current level of compensation to existing employees is an important consideration in deciding compensation levels.

(vii) **EMPLOYEES ACCEPTANCE**

- Compensation levels determined by job evaluation program should be generally acceptable to employees.
- The scarcity of qualified candidates (demand supply gaps) also raises level of compensation.

2. **EXTERNAL FACTORS**

(i) **COST OF LIVING**

Inflationary pressures on the economy tend to affect cost of living of people. For example, if the inflation rate increases then increased compensation shall be required in order to maintain quality of life standards of employees.

(ii) **ECONOMIC INFLUENCES**

Various micro and macro-economic factors affect the overall economic conditions of a region or country which affects general standards of living and compensation levels.

(iii) **STAKEHOLDERS**

Stakeholders like trade unions, shareholders, employees etc., have impact on compensation levels. For example, strong trade unions negotiate a higher compensation level for the employees with management.

(iv) **GOVERNMENT REGULATIONS**

Various laws in respect of compensation such as minimum wages act, 1948, payment of wages act, 1936 etc., effect compensation level.

(v) **CULTURES AND CUSTOMES**

There are broadly two types of economic societies i.e. materialistic and non-materialistic. In materialist cultures compensation levels are generally high in order to enable people to have higher purchasing power compared to non-materialistic culture.

10. FRINGE BENEFITS

MEANING

- Fringe benefits also referred as employee's benefits or benefits in kind or perquisites or perks. These include various types of non-wage compensation provided to employees in addition to their normal wage or salary.
- Fringe benefits may be defined as wide range of benefits and services that employees receive as an integral part of their total compensation package. They are based on critical job factors and performance. These include benefits such as paid vacation pension health and insurance plans etc.
- The purpose of fringe benefits is to increase the economic security of staff members and in doing so improve worker retention across the organization. As such it is one component of reward management.

DEFINITION

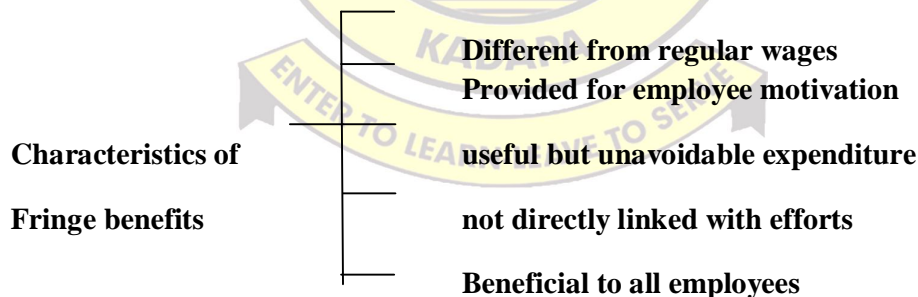
Fringe benefits are any wage cost not directly connected with the employee's productive effort performance service or sacrifice.

ACCORDING TO BALCHER

Fringe benefits are those benefits which are provided by an employer to or for the benefit of an employee and which are in the form of wages salaries and time related payments.

ACCORDING TO COCK MAR

10.1 CHARACTERISTICS OF FRIGNE BENEFITS



1. DIFFERENT FROM REGULAR WAGES

- Fringe benefits are different from regular wages as such benefits are those payments which an employee enjoys in addition to wages receives.
- It is a supplementary payment and provides support to an employee.

2. PROVIDED FOR EMPLOYEE MOTIVATION

- Fringe benefits are not given to employees for performing certain jobs but are offered to encourage them to take more interest in work assigned.
- Such benefits motivate employees and raise their morale.
- They make the job in the organization ore interesting attractive and lively due to added purchasing power.

3. USEFUL BUT AVAIDABLE EXPENDITURE

- Fringe benefits constitute a labor cost for employer.
- It is a useful expenditure but also an avoidable one as compared to wage which must be paid regularly

4. NOT DIRECTLY LINKED WITH EFFORTS

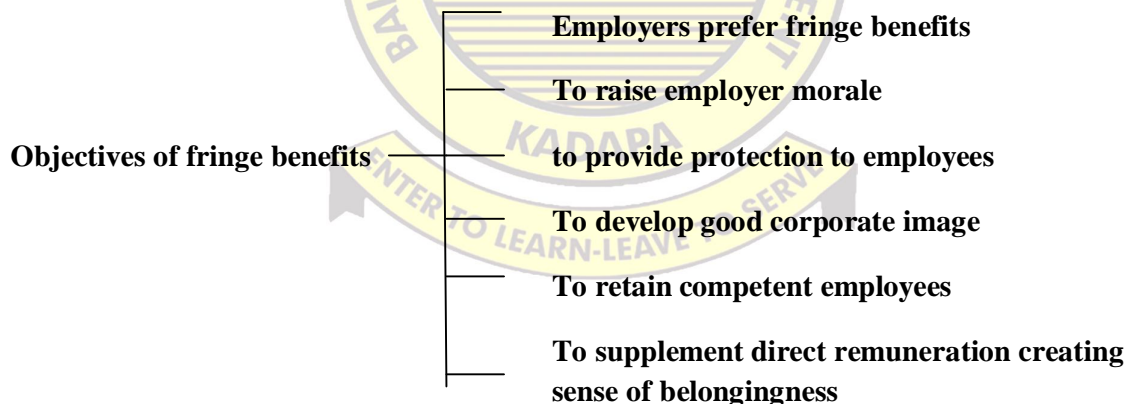
- Fringe benefit is not a direct reward for the efforts made or production given by an employee.
- It is given on the basis of considerations such as length of service sickness and hazards of life which he encounters.
- Such benefits are offered as and when required and not regularly like wages.

5. BENEFICIAL TO ALL EMPLOYEES

- Fringe benefit is a labor cost but its benefit should be made available to the entire labor force and not to a small group of employees
- Fringe benefit should be made available to all employees. For example: subsidized canteen facility is a fringe benefit but subsidized vegetarian thali need not be treated as a fringe benefit as it is available only to vegetarian employees.

11. OBJECTIVES OF FRINGE BENEFITS

The objectives of fringe benefits are explained here as follows,

**1. EMPLOYERS PREFER FRINGE BENEFITS**

Employers prefer this indirect remuneration to direct pay increase.

2. TO RAISE EMPLOYEE MORALE

Liberal package of fringe benefits raises the morale of employees

3. TO PROVIDE PROTECTION TO EMPLOYEES

Fringe benefit is for the needs of employees and protects them against certain hazards of life, particularly those which an individual cannot himself provide for.

4. TO DEVELOP GOOD CORPORATE IMAGE

Fringe benefits improve the organizational image in the eyes of the public with a view to improve its market position and bringing about product acceptance it.

5. TO RETAIN COMPETENT EMPLOYEES

- Fringe benefits create satisfied labor force. In addition, the management attract and retain competent personnel in the organization by offering liberal package of fringe benefits.
- Therefore, fringe benefits area called golden hand cuffs.

6. TO SUPPLEMENT DIRECT REMUNERATION

Fringe benefits supplement regular pay of employed. It rises the total earning of an employee and provides better life and welfare to him.

7. TO CREATE SENSE OF BELONGINGNESS

Fringe benefits helpful to create sense of belongingness among employees and to retain them.

- 8. To meet requirements of various legislations related to fringe benefits.

11.1 PRINCIPLES OF FRINGE BENEFITS

The following principles must govern the administration of fringe benefits

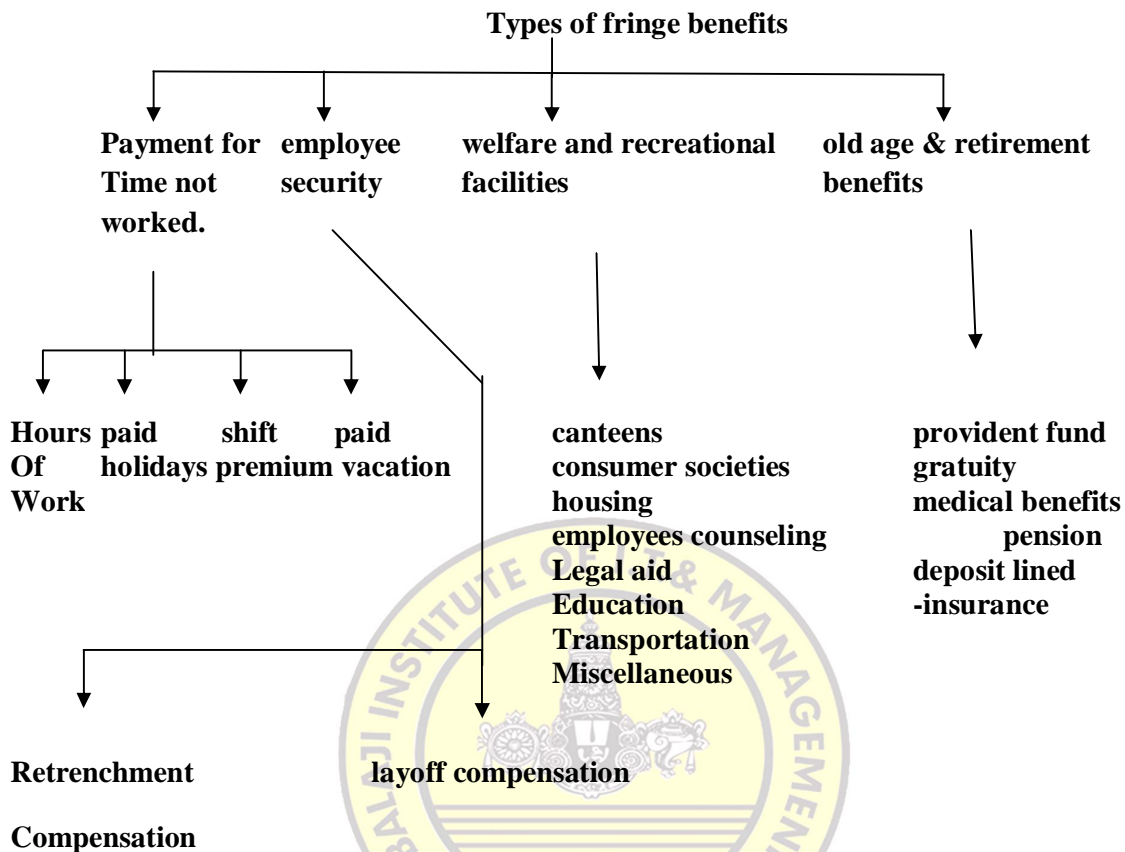
- Benefits and services must be provided to the employees on the basis of a genuine interest in the protection and promotion of their wellbeing.
- The benefit must satisfy a real need. Employees resist or are indifferent to any benefit which is not liked by them.
- The benefit must be cost effective
- The benefit should be as broad based as possible
- Administration of the benefits should be preceded by sound planning.
- The wishes of employees as expressed by their union representations and the bargaining power of the union must be considered.
- Employees should be educated to make use of the benefits.

12. FACTORS INFLUENCING FRINGE BENEFITS

Factors influencing fringe benefits are as follows,

- Absolute and per capital cost of fringe benefits.
- Organization financial ability to provide the benefits.
- Employees deficiencies or needs.
- The bargaining strength of trade unions.
- Employees significance to the organization.
- Tax benefits to the organization and individual employees.
- Need for building public image for the organization.
- Organizations awareness and policy towards social responsibility
- Employee's reactions to the benefits.

13. TYPES OF FRINGE BENEFITS



1. PAYMENT FOR TIME NOT WORKED

(i) HOURS OF WORK

- Section 51 of the factories act, 1948 specifies that no adult worker shall be required to work in a factory for more than 48 hours in any week.
- Section 54 of the act restricts the working hours to 9 in any day. In some organizations the number of working hours is less than the legal requirements.

(ii) PAID HOLIDAYS

- According to factories act, 1948 an adult worker shall have a weekly paid holiday preferable Sunday.
- Some organizations allow the workers to have two days as paid holidays in a week.

(iii) SHIFT PREMIUM

Companies operating second and third shifts pay a premium to the workers who are required to work during the odd hours shift.

(iv) PAID VACATION

Workers in manufacturing mining and plantations who worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day for every 20 days worked in case of adult workers and at the rate of one day for every 15 days worked in case of child workers.

2. EMPLOYEE SECURITY

Physical and job security to the employee should also be provided with a view to promoting security to the employee and his family members. Employee security includes.

(i) RETRENCHMENT COMPENSATION

- The industrial disputes act, 1947 provides for the payment of compensation in case of lay off and retrenchment.
- The non-seasonal industrial establishment employing so or more workers have to give one months' notice or one month's wages to all the workers who are retrenched after one year's continues service.
- The compensation is paid at the rate of 15 days' wage for every completed year of service.
- Workers are eligible for compensation even in case of closing down of undertakings.

(ii) LAY OFF COMPENSATION

- In case of lay off employees are entitled to layoff compensation at the rate of 50% of the total of the basic wage and dearness allowance for the period of their lay off except for weekly holidays
- Lay-off compensation can normally be paid up to 45 days in a year.

3. WELFARE AND RECREATIONAL FACILITIES

(i) CANTEENS

- No employee's benefits have received as much attention in recent years as that of canteens.
- Some organizations have statutory obligation to provide such facilities as per section 46 of factories act, 1948, imposes a statutory obligation to employees to provide canteens in factories such facilities voluntarily.
- Food stuffs are supplied at subsidized prizes in these canteens. Some companies provide lunch rooms when canteen facilities are not available.

(ii) CONSUMER SOCIETIES

Most of the large organizations located far away from the towns and which provide housing facilities near the organization set-up the consumer store in the employee's colonies and supply all the necessary goods at fair prices.

(iii) HOUSING

- Of all the requirements of the workers decent and cheap housing accommodation is of great significance.
- The problem of housing is one of the main causes for fatigue and worry among employee and this comes in the way of discharging their duties effectively.
- Most of the organizations are located far from towns where housing facilities are not available hence most of the organizations built quarters nearer to factory and provided cheap and decent facilities to their employees.
- While few organizations provide housing loans to employees.

(iv) **EMPLOYEE COUNSELLING**

- Organizations provide counseling service to the employee regarding their personal problems through professional counselors.
- Employee counseling reduces absenteeism turnover tardiness etc.

(v) **LEGAL AID**

Organizations also provide assistance or aid regarding legal matters to employees as and when necessary through company lawyers or other lawyers.

(vi) **EDUCATION**

- Organizations provide educational facilities not only to the employees but also to their family members.
- Educational facilities include reimbursement of fee setting up of school's colleges hostels providing grants in aid to the other schools.
- Further the organizations provide reading rooms and libraries for the benefits of employees.

(vii) **TRANSPORTATION**

Companies provide conveyance facilities to their employees from the place of their residence to the work place as most of the industries are located outside town and all employees may get this facility.

(viii) **MISCELLANEOUS**

Organizations provide other benefits like organizing games sports with awards setting up of clubs Christmas gifts, Diwali, Pongal and Pooja gifts, birthday gifts, leave travel concession and awards productivity performance awards etc.

4. OLD AGE AND RETIREMENT BENEFITS(i) **PROVIDENT FUND**

- Provident fund is main for economic welfare of the employees.
- The employee's provident fund family pension and deposit linked insurance act, 1952 provides for the institution of provident fund for employees in factories.
- Provident fund provides for monetary assistance to the employees their dependent during post retirement life.

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(ii) **GRATUITY**

Gratuity is given for the people who completed 5 years' period of job and is provided to the employee either on retirement or at the time of physical disability and to the dependents of the deceased employees.

(iii) **MEDICAL BENEFITS**

- Some of the large organizations provide medical benefits to their retired employees and their family members.

- This benefit creates a feeling of permanent attachment with the organization to the employee even while they are in service.

(iv) **PENSION**

- The government of India introduced a scheme of employee's pension for the purpose of providing family pension and life insurance benefits to the employees.
- Both the employer and employee contribute to this fund. Contribution to this fund is from the employee contributed in to the provident fund to the tune of 1.5% of employee wage.

(v) **DEPOSIT LINKED SCHEME**

- Employees deposit linked insurance scheme was introduced in 1976 under provident fund act, 1952.
- Under this scheme with member of the employee provided fund dies while in service his dependent will be paid on additional amount equal to the average balancing during the last year in his account (the amount should not be less than Rs. 1000/- at any point of time). Under the deposit linked insurance is Rs.10.000/-.

