

Performance Management: Ensuring Trust and Effectiveness in Organizations

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ABSTRACT

The performance of companies depends mostly on the quality of their human resource. For obvious economic and business reasons, organizations have always been concerned about the growth, competence and retention of its people. Hence employee development and talent management are essential elements of any strategic human capital management program. Thus the focus has shifted from 'numbers' to 'quality' and from 'recruitment' to 'retention'. Many organizational human resource practices play a dominant role in building employee competence and commitment. Out of the plentiful, the performance management system in the organization facilitates the talent management in the organization. This paper discusses the role of the corporate performance management strategies in developing the skills of the employees and satisfying the needs of the organization based on the Performance Management system conducted at IBM India. This paper is aimed at the software engineers working at IBM India.

Keywords: Effectiveness, Performance Management, Trust.

Introduction

Managing performance has become a buzz-phrase of management. What is meant by performance management or managing performance varies enormously. For some, it means manipulating pay and other reward systems so that people will work harder. For others, it means telling staff what they should do. Other people think it means increasing people's understanding of the whole process so that they know what they are doing and why.

The performance management process provides an opportunity for the employee and performance manager to discuss development goals and jointly create a plan for achieving those goals. Development plans should contribute to organizational goals and the professional growth of the employee.

Performance Appraisal is a formal assessment and rating of individuals by their managers at usually an annual general meeting (Armstrong, 2000). In simpler way, performance appraisal can be defined as the process of evaluating the performance of an employee and

communicating the results to him for the purpose of rewarding and developing the employee. Performance appraisal is a base to identify the training and development needs of the employees, promotions and developing the employee's careers in the organization.

Performance management is a broader term. In this not only the performance of the employee is evaluated and communicated, but also the finding out effective ways to improve them and guide them to enhance their skills and competencies

Performance Management: An ongoing communication process that involves both the performance manager and the employee in:

1. Identifying and describing essential job functions and relating them to the mission and goals of the organization
2. Developing realistic and appropriate performance standards
3. Giving and receiving feedback about performance
4. Writing and communicating constructive performance appraisals
5. Planning education and development opportunities to sustain, improve or build on employee work performance.

Based on the objective of this paper, a study was conducted at IBM India. Data have been collected from secondary sources. The secondary data have been collected from the website of the organization and by interviewing the software engineers working at IBM. This study is aimed at the software engineers working at IBM India.

Based on the study, in this paper, the Performance Management System of IBM is discussed.
IBM India

1. Performance Management system at IBM

The Performance Management System of IBM is referred as Personal Business Commitments (PBC). IBM's success depends on how well each of the employees achieve their individual goals and contributes to the company's strategic objectives. The PBC program is the means by which all IBM employees worldwide set their goals for the year, receive feedback on their performance and development needs, and get evaluated on their performance.

At the start of each year, all employees are expected to set personal business goals that align directly with IBM's overall business goals and values. The goals guide them throughout the year. Then, at the end of the year, their manager evaluates what they contributed against their goals and how they made those contributions to give the employees a PBC rating to reflect

their performance. This rating is a key factor in determining their performance bonus, pay increase, and career opportunities.

The entire PBC framework is designed to reinforce IBM's high-performance culture and effectively differentiate employees based on their contribution to the company. To sustain marketplace leadership, IBM maintains an environment where every employee is stimulated to perform at an exceptional level. The PBC program is the best way to recognize top contributors, motivate above average and solid contributors to perform at their peak, and identify low Contributors who need to improve. Employees who make the biggest contribution to the company get the biggest rewards, and those who are the lowest contributors know exactly where they stand.

1.1. Appraisal process in IBM

There are three steps in the annual PBC process. The first step is to set the goals that are to be accomplished.

In the second step, it is important to keep an ongoing and accurate record of the results throughout the year so that one can incorporate them into his year-end results summary. The manager will assess the results when giving employees, their PBC rating.

Documented results are factual statements about what the employee has achieved against his stated goals. The documentation should address such matters as quality, quantity, costs/savings, meeting schedules or targets, and the impact the results have had on his team or department.

All employees document how they achieved their personal goals as well as the impact their development goals had on their business goals. People managers also document their people management-related results, as well as the impact their development goals had on their people management goals.

The employee periodically updates his result in his records and takes advantage of the opportunity to get informal feedback from his managers, team leader, colleagues, and customers to check whether he is on the right track in meeting his goals. At the end of the year, all the results are recorded in the PBC tool and the form is sent to the manager. The record should include all relevant information, including any performance feedback the employee has received during the year.

In the third step, the manager evaluates the achievements and rates the performance of the employee at the end of every year that takes into account the full year performance, including any job changes or promotions. The performance is evaluated on two factors. First, on what the employee has achieved against his goals and his contributions to IBM's success. And

second, on how he makes his contributions and the compatibility of his behavior with IBM's values. Both factors are considered as his contributions are assessed relative to his peers (known as "relative contribution").

The ability to show results can be greatly influenced by the employee's acumen in IBM's Foundational Competencies, such as creative problem solving, teamwork and collaboration and other behaviors. However, even though it is crucial but employees are not rated specifically on their competencies or the related development goals they set early in the year. It's the end results and how they achieved them that count the most.

1.2. Classification of Employees based on performance evaluation

Above average contributor who goes above and beyond job responsibilities; outperforms most peers; finds ways to grow in scope and impact.

Solid contributor: Consistently meets job responsibilities; is reliable in doing the job; demonstrates an appropriate level of knowledge, skill, effectiveness and initiative.

Among the lowest contributors this year, needs to improve: When compared to others, the employee does not fully execute all job responsibilities, or executes responsibilities, but with a lower degree of results, and / or does not demonstrate as high a level of knowledge, skill, effectiveness, or initiative

Unsatisfactory: Does not demonstrate or utilize knowledge and skill required; Does not execute against job responsibilities, and/or Shows no improvement after consecutive PBC 3

Immediate, significant and sustained improvement are demonstrated, otherwise separation from IBM may result, subject to local legal requirements

Note: Consecutive PBC 3 ratings are unacceptable in IBM's high performance culture. Improvement is required and separation from IBM may result, if performance is not improved. The process and timeframe in which improvements are demonstrated will vary subject to local legal requirements.

When assigning the PBC rating, the manager takes additional factors into consideration, including the band level, feedback from others, and his or her own observations.

A year-end PBC assessment and rating is not required for anyone who has not completed more than 90 work days during the assessment year.

1.3. Ratings and assessments based on performance evaluation

1. The PBC rating scale

2. Relative contribution
3. Ratings distribution
4. PBC Ratings for people managers
5. The rating and review process
6. Appeals

1.3.a. The PBC rating scale

An employee's PBC rating is characterized in terms of his relative contribution to IBM's success for the year and reflects the degree to which he supported IBM's goals and lived the company's values.

It is important to remember that no matter how impressive the results may seem, if they did not link to the company's success or if they achieved them in a manner that is not consistent with IBM's values, and then the rating will be affected accordingly.

1.3.b. Relative contribution

The manager considers many factors in evaluating the performance, but in the end "relative contribution" to IBM's success will determine PBC rating.

The manager evaluates how much the employee contributed to IBM's overall success for the year relative to his peers in the same band and similar job roles. Individuals, who made the biggest relative contribution, get the highest rating and top rewards.

Essentially, the "relative contribution" factor allows managers to determine who has truly performed at the highest levels for the year. Given the caliber of IBM's workforce, there are many employees in every band who meet their goals, show results, and perform at a high level. But when compared to one another, it becomes evident that some of these individuals clearly outperformed their colleagues and contributed more to IBM's success -- and they deserve the highest recognition.

The bottom line is that in order to get a top PBC rating, just meeting the goals and showing results is not enough. One must do so in a way that makes a bigger contribution to IBM than his peers.

In the end, this is the fairest way to ultimately recognize and reward top performers in a company that is filled with smart, talented high-achievers.

1.3.c. Ratings Distributions

When it comes to performance, there is a natural distribution of achievement levels. During the assessment process, IBM provides guidance to senior management on the distribution of ratings.

Without distribution guidance, there can be a tendency to put too many people in the top category. That diminishes the whole idea of being at the top and dilutes IBM's ability to properly recognize and reward its best people. Generally speaking, in a large population like IBM, as many as 10-20% of employees might be a PBC 1, 65-85% might be PBC 2 or 2+, and as few as 5-15% of the people could receive a PBC 3. These ranges are only meant as general guidance to managers, not prescribed outcomes. This guidance helps ensure that a top rating really means something.

At the other end of the spectrum, there is also a tendency to avoid addressing the lowest contributors. This is counterproductive to creating a high-performance workforce that continues to raise its level of performance to meet ever-changing marketplace demands. Even in an organization filled with many talented people, there are those individuals whose contributions are weak relative to others. Management is expected to identify those who are among the lowest contributors who need improvement.

1.3.d. PBC ratings for people managers

IBM believes that people management is so vital to the company's success that if employees are not excelling in their people management role, they cannot reasonably be performing at a top level overall. Managers can get a top overall PBC rating of 1 only if they are above average in performing their people management responsibilities.

1.3.e. The rating and review process

The PBC rating is based on the results the employee achieves (what) and the compatibility of his behaviors with IBM's values (how) relative to his peers. During the year-end appraisal cycle, the manager participates in a meeting, facilitated by the second-line manager, called a team-based decision making session.

During this session, the manager, working with his or her peer managers, considers both what he has achieved and how he made his contributions of all employees in that organization. This will be done to reach consensus on which employees are the top and bottom contributors for this year. These assessments are done by using performance criteria and bottom contributors for this year. These assessments are done by using performance criteria to compare the contributions of employees in the same band and who have similar job responsibilities.

In preparation for team-based decision making, the manager asks to document the results in the PBC tool. The manager may modify the documentation or ask to do so, where appropriate, for accuracy or clarity.

After considering all relevant information, the manager gives a rating and provides a rationale for the rating. Employees are asked to acknowledge reviewing the assessment and rating, and two levels of management sign the final rating form.

It is important to remember that each year employee earn a new rating based on an overall assessment of the performance for that year. With each passing year, however, the expectations for the performance raise, which means performance has to be at a higher level to achieve the same rating as the year before.

1.3.f. Appeals

If the employees disagree with his overall assessment and rating or if he believes that he had been unfairly treated as a result of an incorrect administration of the PBC process, he may appeal.

He should first speak with his second-line manager, who must review and sign the PBC. If the employee is unable to resolve the issue with his second-line manager, he may use one of IBM's internal appeal channels. The nature of his appeal determines who addresses his concern and the timeframe for resolving it.

Conclusion

1. Employee development encourages employee engagement which is essential to a high performance workplace.
2. Strategic performance management improves the skills and talents of the team members and increases the performance of the team.
3. Team members enjoy the feeling of personal growth and satisfaction that comes from the opportunity to develop their skills and better contribute to their team
4. Employee development can have a dramatic effect on the level of employee retention in the firm. Simply put, engaged employees with the opportunity for personal and professional growth are more likely to stay with the organization
5. Performance management is an essential part of any effective succession plan designed to ensure the health and vitality of the organization for years to come.

However, execution and integration still challenge many of the organizations today. In terms of their abilities to understand the skills composition of the workforce, and to deploy resources, foster collaboration and provide developmental opportunities, their records remain spotty.

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