

Performance Management Reviews: Its Impact on Business

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Abstract

Every organization has its own system of tracking and evaluating employee progress, but regardless of whichever system it uses, one thing every company has to decide is its reviews. Reviews are a crucial part of performance management process, but they shouldn't be the only opportunity employees have to give and receive feedback. This combination of real-time feedback and review together can drive the overall performance management program smoothly throughout the year. Using a performance management system (PMS) can help companies facilitate performance management conversation and provide relevant support at the right time to deliver the desired results. These reviews drive business growth, give employees a chance to share and receive valuable feedback to improve their overall job satisfaction.

Keywords: Reviews, Crucial, Real Time Feedback, Growth, Job Satisfaction.

INTRODUCTION

Employee performance review is a formal and regulated assessment mechanism in which managers and other key stakeholders evaluate an employee's work with the objective to learn more about their strengths and weaknesses by offering constructive feedback for future skill development while assisting in the goal setting process. These reviews help employees understand--

- What they're doing well?
- How they can improve?
- How to align individual goals with company goals?
- What expectations company has from them in future?

Managers use performance reviews as the most common approach to performance management as they expect them in almost every role to identify high performing employees. Here performance appraisal plays an important role in evaluating employee progress on established goals serving as benchmark for correcting performance issues, before they become insurmountable by communicating expectations, encouraging growth and development to foster employee engagement. The frequency of these reviews varies from one organization to another and is dependent on factors including goal refresh cycles, level of internal mobility, headcount and other business characteristics. Reviews provide insight into the type of work employees are doing and the overall value they bring to the company. It also gives employees a chance to know where they stand within their team and the organization as a whole. Reviews also have the capability to influence decision about compensation, promotion and even future employment. But when drawing conclusion the tendency to rely on recent not historical observation creates "*recency bias*". This tendency skews the way employees evaluate themselves and peers as it is

one of the toughest and unconscious biases for managers to shake. Given below are some ways to ensure that reviews reflect the bigger picture—

- **Consider goals and competencies**--Goal-setting motivates employees and helps them understand how they can contribute positively to business. Managers should therefore focus on tangible goals (whether sales based, project based or efficiency based) before assessing performance to have a better insight over an entire assessment period.
- **Use technology to document feedback**--Managers should keep a track of the accomplishment (whether positive or negative) using the software available as it is difficult to recall all the achievements at the end of the year, thus eliminating errors which facilitates the process of decision making.
- **Run reviews more frequently**—Reducing bias is not just about more diligent record keeping but it's a matter of stepping back and rethinking the approach to reviews. No matter the precautions taken, asking employees and managers to convene once a year performance review and try to recollect the last twelve months will invite troubles. Yearly review is often not enough as more time passes since the last one, the more likely things are to be forgotten or overshadowed so it needs to be more frequent. One can also opt for semi-annual or quarterly reviews to make it easier to reflect on accomplishment to provide action with timely advice.
- **Make peer reviews part of the process**--By incorporating peer feedback into the review system one can paint a more comprehensive picture of employee performance. Even a client's feedback is helpful as it gives a unique insight into their work with fresh perspective. When organization is genuinely interested in helping peers it also improves everyone's experience at work fostering one-to-one connection to improve engagement scores.

ANNIVERSARY REVIEWS VS. FOCAL REVIEWS: HOW TO TIME EMPLOYEE EVALUATION

HR teams face a lot of decisions when creating performance management strategy and one choice they have to make is whether to use ratings or not. While the merit of performance rating has been debated for decades, ratings themselves aren't inherently good or bad. Rather it is how you construct, communicate and implement them which determine whether or not ratings can be used to make fair and transparent decisions. For this what is required is to select the right rating scale to maintain the efficacy of performance rating and when done well rating provide the data needed to make decisions about compensation, promotion and development opportunities effectively.

Businesses commonly opt for one of two options:--anniversary performance reviews (annual) or focal performance reviews (project-based reviews which are typically used by consultancies and agencies). Choosing the one that is right for the organization depends on factors including size of organization, hiring pattern, organizational structure and many more. Let's take a look at the unique characteristics of anniversary and focal reviews—

Anniversary Reviews --Anniversary performance reviews are conducted in cycles that correspond to specific dates for each individual employee like their hire date or date of their recent promotion. While all employees are evaluated and compensated at the same interval, anniversary performance reviews occurs on different dates year-round (annual, semi-annual or quarterly interval) instead of one time

throughout the year. They are introduced to augment employee evaluation processes without significant interruption in day-to-day workflow of managers or HR teams.

Advantages--

- Performance management is prioritized year-round.
- No backlog occurs during performance review peak period.
- It only needs to evaluate one employee's performance at a time.
- Permits time availability to dedicate more time for in-depth feedback.
- Helps in evaluating individual performance against formalized standards.
- Gives employees enough time to understand their role and team dynamics.
- Compensation and promotion decisions are in alignment with the tenure of the concerned employee.

Disadvantages--

- Leads to oversight of hiring calendars and changes to reporting structure.
- It is harder to make systematic changes to process/criteria.
- Rather than gathering performance data at one time during a year, it is being gathered throughout the year.
- Difficult to create an equitable system where all employees get scores based on the same standard of performance.
- Compensation allocation can be unfair to employees whose reviews take place earlier or later in the fiscal year or during a slow quarter.
- Employees are evaluated on the basis of corporate goals at different stages of their professional levels.

Focal Performance Review-- Also known as 'calendar-driven' or 'scheduled reviews' focal performance review evaluate every employee of the company at the same time in synchronization across all departments of an organization. This process can last for one or two months to allow sufficient time for everyone to complete required steps depending on the number of reviewers and complexity of the process. Focal performance review has become a favorite method for many companies ensuring high level of engagement from at all levels.

Advantages--

- Advance preparation can streamline the process and reduce time spent on administration.
- Effective coordination among departments is possible as performance review is conducted at the same time.
- Provides access to overall performance data of workforce for efficient business planning.
- Training needs can be identified simultaneously.
- Logical alignment between goals of individuals, team and company is possible.
- Simultaneous evaluation allows high-performers to stand out to be fairly rewarded.
- When being evaluated under same circumstances standardization of workplace environment is possible.

Disadvantages--

- Requires tight scheduling across multiple departments.
- Coordinating synchronized review cycles may lead to increase in cost.
- Can be tough for managers who have to deal with a large number of direct reports.

- Due to time constraint it may result in managers providing lower quality feedback to individual employees.
- Instead of focusing on individual achievement employees are implicitly compared to their peers and teammates which may de-motivate them.
- Can be disadvantageous for employees who have joined shortly before or after the latest review cycle.

Anniversary performance reviews can work well for smaller organization that are hiring aggressively throughout the year and for whom a universal performance review period doesn't make sense. But as business grows, organization recognizes the value of investing in robust performance management review so majority organizations are shifting to focal performance review, making it a crucial feature of their performance management system (PMS). In fact focal reviews account for more than 90% of all performance reviews in the last few years as it allows HR teams to get the most out of their review cycles and performance data. Rather than squeezing-in time for sporadic reviews year-round, managers can dedicate their full focus on providing feedback during company-wide review cycle and employees also feel confident that their evaluation will be fair and aligned with goals that were established and communicated timely. Whether business opts for anniversary or focal performance reviews the only point to remember is that review cycles are just one part of a larger organizational framework for guiding people strategy.

SO WHAT SHOULD BE THE SOLUTION: A HYBRID APPROACH?

Most business prefers a hybrid approach –a combination of both performance review and continuous feedback method as both have something good to offer. It adopts best practices facilitated by reviews and continuous feedback for developing employees and motivating top performers. Augmenting reviews with real-time feedback and regular check-ins is a way to ensure that performance management is transparent, consistent and prioritized year-round. And incorporating feedback system can make this hybrid approach feasible for many types of business. Balancing performance reviews with continuous feedback is influenced by factors such as company size, industry and culture which need to be taken care of. Regardless of where the organization stands some universal tips for getting performance management right at the company level are-

- Linking feedback to individual, group and company goals.
- Asking leaders to set an example by offering real-time feedback.
- Creating opportunities for regular feedback sharing.
- Identify the types of feedback required (e.g., project-based or skills-based).
- Use tools for documenting feedback that can be serve the purpose of the organization.
- The process of giving and receiving feedback should not be complex.

ROLE OF CONTINUOUS FEEDBACK IN REVIEW PROCESS

The process of continuous feedback encourages two way system of communication among managers and employees incorporating real time feedback with informal feedback constructively on a regular basis. This feedback whether written or verbal, when exchanged between colleagues becomes one of the important ingredients of a successful strategy. So companies are increasingly augmenting their performance management process with such system.

Its benefits--

- **Ensures employee growth--** Instead of focusing solely on performance metrics ongoing feedback drives discussion around employee growth and development as well as plays a more active role in goal-setting by seeking training and development opportunities in areas that may not be directly tied to their role but can provide value to the organization.
- **Provides real-time insights--** Real time insights eliminates room for bias placing emphasis on providing actionable suggestions that can be applied immediately through real-time feedback without wasting time or resources waiting for the yearly review process.
- **Improved employee engagement--** Frequent feedback both positive and constructive shows employees that development and recognition is important at workplace, ultimately driving a more engaged workforce investing in better experience, promoting transparency and autonomy.
- **Builds stronger relationship--** Establishing a culture of consistent feedback not only engages employees but also helps retaining top talent by giving them a sense of ownership over their work. The more often feedback is exchanged; the more natural and authentic it is for employees to pass on helpful comments when they see something that could be improved.

SO WHAT TO DISCUSS IN A PERFORMANCE REVIEW

- Talk about your achievements....
- Discuss ways to improve performance.....
- Mention skills you've developed. ...
- Ask about company development. ...
- Provide feedback on tools and equipment. ...
- Ask questions about future expectations. ...
- Explain your experience at workplace. ...
- Find out how you can help at workplace.....

ROLE OF FEEDBACK IN PERFORMANCE REVIEWS

In the absence of the ratings it's difficult to explain how employees performed in the past and what steps they should take to improve future performance. Ratings are compulsory for reviews as they---

- Help standardize review discussions and give managers more guidance.
- Assigns a clear description which increases transparency about performance both for the individual employee and the company.
- Gives a clear path to discuss where they are aligned and where they need to regroup.
- Provides quantitative data that HR team and leaders can draw on when making decisions around talent development, merit raises and promotion.

In order to remain competitive in today's ever-evolving business environment, industry must adapt themselves to the environment, collect and evaluate data continuously for decision making. Findings reveal that collaboration initiatives have positive and statistically significant standard-size effect on employee performance. Employee performance measurement demonstrates a favourable relationship between performance evaluation and employee inspiration. Employees wish to know how they're doing and that means reinstating fair and objective performance reviews in the system. When designed thoughtfully, communicated effectively and executed well, performance reviews along with performance

ratings can add tremendous value to organizational decisions for assessing people against consistent standards in a consistent way. An organization must therefore continuously evaluate the performance management system to determine its effectiveness and to identify opportunities for improving it. Perception is reality when it comes to employee and managerial acceptance of a performance review process since it is often linked with--

- **Strategic planning**--Many long-term strategic planning models use performance management measurement to assess the "quality" of the workforce to attract and retain talented workers.
- **Total compensation**—Organization also uses performance review as the basis for pay-for-performance compensation decisions.
- **Individual and team development**-- An individual development plan (IDP) also known as a career development plan can be used in conjunction with performance review process to assist employees in goal setting and individual development that serves to advance their career and promotional opportunities.
- **Succession planning**--Performance data over time provides vital input for long-term planning for future organizational leadership.
- **HR technology systems**-- Many organization use software application to manage the processes associated with goal setting, performance review and performance improvement plans.

So some of the key learning identified to manage employee performance more successfully are -

- **Coach employees on a regular basis** – Though annual performance review has high value there is no substitute for the direct feedback and direct coaching that takes place day to day.
- **Ensure that the process is perceived is fair**-- Emphasize how employees work fits into the organization's bigger picture and ensure that these conversations are shared and additional suggestions received are incorporated to help improve the perception of fairness.
- **Leverage data and analytics**—It gives managers objective feedback whether employees are performing well or not.
- **Empowers managers to give better feedback**—The touch points should be built into the schedules to make sure they have absolute clarity about their role as managers. Managers should be trained to give constructive strength-based feedback in order to encourage discussions that make their colleagues feel valued.
- **Understand the power of differentiation**-- Employees should not receive merit increases just for showing up each day; they should be compensated for actually achieving their goals.
- **Encourage peer-based feedback**-- As the organization become flatter; employees naturally start working with more people. Using technology to gather peer-based feedback from a large sample can help eliminate biases and provide a more accurate and comprehensive perspective on performance.
- **Improve performance management** –This requires putting the manager back into the process emphasizing constructive, ongoing conversation with employees in addition to the annual review. Doing so creates a better experience for all parties involved providing the administrative information required for rewarding employees while establishing and underscoring fairness throughout the process. High-performing organization need ways to evaluate employees work performance and ratings to make decisions with clarity and transparency to make hard decisions with ratings that support it.

ESSENTIALS WHILE USING PERFORMANCE RATINGS

While implementing rating questions for the first time or retooling the current approach, some prerequisites about performance rating should be taken care of--

- **Use ratings if the company is utilizing performance reviews as part of decision-making processes**—This helps in mitigating bias and is especially important for decisions around pay raises and promotions.
- **Draft your conversation towards question--** Choose some open ended questions that managers and employees can answer easily for a more fruitful conversation.
- **Measure with purpose--** For every rating or multiple choice questions ensure you have a purpose for that data.
- **Check that questions reflect priorities--** If the goal is to have a performance and impact-focused review cycle, center the majority of the review questions and discussion around the priorities concerned to match the desired outcome.
- **Provide the opportunity to add feedback--** Ratings alone rarely convey what a person did or didn't do with enough detail to be meaningful. For effective feedback, open text box should be utilized on all rating questions.

CONCLUSION

Reviews are a crucial part of the performance management system but they shouldn't be the only opportunity employees have to give and receive feedback. High-performing teams recognize the business value of reviews and feedback, the two key performance management tools. With performance management as one of the top five highest-priorities, HR initiatives, learning and development as another, performance reviews and continuous feedback may be getting more attention from HR teams as they can leverage business success. HR must take the responsibility for monitoring the system's outcome to ensure that all employees are being treated in a consistently fair manner while focusing on supporting to achieve organizational goals.

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