

# EMPLOYEE PERFORMANCE MANAGEMENT (EPM)

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## Abstract

For achieving the strategic objective of sustained & speedy growth, managing human resource has featured as a vital requirement in all organizations. 'Goal based performance' & 'Management of competencies' have emerged as two important nodes of EPM. More & more organizations are getting focused on increasing employee productivity by using automated systems which have the capability to track & reward performance. Developing employees' skills & competencies has featured as the biggest enabler of performance. Line & Functional Managers are now in focus to drive performance & develop their subordinates. HR departments are looking for the best of solutions which are affordable and easy to implement.

## Purpose of EPM

Evaluation of employee's performance for the period already elapsed and identification of his/ her development needs are two important functions of a good EPM system. Performance based remuneration is a strategic part of the EPM since it contributes to the success of employee retention initiatives.

## Constituents of a Good EPM System

Organizations use a 'Performance Appraisal' instrument, generally called an 'Appraisal Form'. It is a multi page document which helps in performance review of an employee. The best of documents cater for the following parameters of Appraisal:

### Employee Self Appraisal

Each employee, at least at the Supervisory & Executive level, looks forward to an opportunity to express his/ her achievements, problem areas, aspirations & so on. A structured 'self- Appraisal' Form makes it easy for an employee to provide the relevant information. Also it helps the management to gather the pulse of people & improve the organizational climate.

'EmpXtrack', for example, has a Form for 'Self Appraisal' (called Introspection). There are five elements in its structure as under:

- ▲ **Achievements out of the Job Role:** Here the employee writes about the achievements against those goals/ tasks which were self assigned. These could include self development goals, team improvement initiatives, community/ social service roles and similar other own time tasks which are not assigned to an employee by his/ her Manager.
- ▲ **Factors which helped my performance:** Management keeps providing varied resources to employees such as better work stations, captive power, new plant & machinery, latest tools & gauges, systems & processes and various types of training (both technical & managerial). It is for an employee to indicate which all resources helped in improving his/ her performance.
- ▲ **Factors which hindered my performance:** Here is an opportunity for an employee to state, preferably in the form of a suggestion (rather than complaint), as to what specific improvements in the infrastructure, Leadership style, work place facilities, training of employees etc.. should be initiated by the management which will enable him/ her to perform better next year.
- ▲ **My aspirations:** Every employee has some aspirations in life. These could be of career growth, promotions, transfer to a specific location, special interest in some job position, an opportunity to work as a trainer, an assignment on a project abroad, need for a special training and so on.

- ▲ People who helped me to achieve my task: Self appraisal must enable an employee to develop the spirit of gratitude. Amongst seniors/ subordinates/ peers, there are always some people in the organization, may be from departments other than your own, who were a big help in completing the goals assigned to you by the Manager. Here is an opportunity to appreciate their contribution.

Self Appraisal on the Goals assigned by the Manager forms part of the 'Goal based performance' discussed below:

## Goal based Performance

Each employee is assigned, at the beginning of the year, certain goals (or tasks or targets) to be achieved in different periods of time (weekly / monthly/ quarterly/ half yearly/ annual).

Some of these goals may have originated from the company objectives, some could be assigned as KRAs by the Manager (which are based on the improvement plans for the department) and the others could be a part of the Job deliverables (KRAs) extracted from the Job Description (JD) of the employee. Each Goal is associated with a measure (example: 25% of the pending payments to be collected every quarter by each Sales Executive). An employee may have 8 to 10 SMART goals to be accomplished during the year & each goal carries a weight assigned to it by the Manager.

The Manager should be in a position to view the JDs of all his subordinates while assigning weights to different goals. Some of these goals need to be tracked for their timely completion. A good EPM system must cater for all these tasks.

'EmpXtrack' provides the facility to automatically transfer 'Employee's Goal Sheet' to the 'Appraisal Form' with full details of the employee's achievements against each Goal entered from time to time over the Appraisal period. The system automatically evaluates employee's performance based on the Manager's rating for each goal. Thus it is not an end of the year assessment, but a continuous track of performance against each goal as reported by the employee. The manager can view employee's Job Description at any time.

## Rating of Skills & Competencies

A set of competencies & skills relevant to each job position are normally contained in the Job Description of an employee. In addition, some organizations choose Leadership competencies common to all employees in the management/ executive cadre & clearly define what each competency means at different employee levels (senior Manager/ Manager/ Junior Manager). Rating scales are associated with various competencies/ skills & the description of each step on the scale is explicit. In such an environment, it becomes easy for the Appraiser to accurately assess an employee's rating for each competency.

'EmpXtrack Appraisal' provides the facility to populate the Appraisal Forms with the relevant set of skills & competencies applicable to an employee's Job Position. It provides to the Manager an on-line understanding of the meaning of each competency. There are a number of choices available to select the appropriate 'Rating Scale'. You can enter new competencies/ skills into the Competency Master to cater for the special requirements of your business. A drop down facility to select & enter ratings for each competency makes it easy for the Manager to complete the assessment in a few minutes. Description of each rating on the scale, which can be viewed by the Manager, helps in correct assessment.

## Over-all Grade, Relative Rating & Pen-picture

A good appraisal system computes the over-all score of an employee based on the weights allocated to the Goals as well as Competencies/skills. At senior management positions, most of the organizations assign 60 to 70% weight to competencies & 30 to 40% weight to the Goals. The reverse is true for the Junior Managers & front line executives. Also at Senior levels emphasis is on developing 'Leadership Competencies' & for junior positions the managerial & technical skills remain in focus. Therefore, the organizations use different Appraisal Forms for different levels of employees. Another good practice observed in some of the leading organizations is the 'Relative Rating' by the Manager of all his subordinates of the same level. This helps to discriminate between the best & the second best employee, a capability which every Manager needs to develop. Employee's Pen picture highlights both the positive & negative traits of an employee & helps the Manager to plan the counselling sessions.

'EmpXtrack' has all the above features, but leaves the choice of adapting these best practices to the user.

## Employee Development Needs

A good Appraisal system must capture the development needs of an employee. These needs could be expressed by the employee & vetted by his/ her Manager. However, some organizations prefer the Manager to identify the development needs of his/ her subordinates. Consolidation of all these needs results in the preparation of a 'Training calendar' for the organization & a 'Development Plan' for each employee.

EmpXtrack fully supports this functionality and also provides to the organization an automated 'Training Management Information System' which is fully integrated with the EPM..

## Other Important aspects of a good EPM system

- ▲ **Multiple Channels of Reporting:** Some organizations have two levels of Appraisal: by the Manager & Manager's Manager (called Reviewer). There are cases where cross-functional reporting is also undertaken (example: Appraisal by Line Manager for operational role & by Functional Manager for the Technical/ Functional role). In Matrix organizations, some employees report to 3 to 4 different positions. Multiple reporting channels require Work flow Management to ensure timely completion of Appraisal.
- ▲ **Normalization of Appraisal Scores:** Rating tendencies of different Managers vary from lenient (called soft rates) to stringent (called harsh rates). Normalization, through trend analysis, helps in removing these aberrations. The process requires continuous estimation of moving average of the Rating for each Manager & for the organization as a whole. This leads to the calculation of a 'correction factor' for each Manager. Since trend analysis requires collation of all the reports initiated by a Manager during the last few years, the normalization process is difficult to be managed without automation.
- ▲ **Counseling Records:** It is a good practice in some organizations to maintain a record of all the counselings done to an employee during the year by his/ her Manager. These could be viewed at the time of completing the annual appraisal of the employee. Counseling requires one to one interaction between the manager & the subordinate and is done every quarter in some of the companies as a best practice. The employee is asked to document the same after the counseling is completed & forward it to the Manager for vetting. Faithful reproduction by the employee builds good rapport between the two & encourages mutual understanding. Maintenance of counseling records makes the appraisal process objective.
- ▲ **Critical Incidents Diary:** A Line Manager needs to maintain a record of all critical happenings/ events/ activities in which each of his subordinates exhibits some unique contribution. Also he needs to record incidents where gross violations are made by the subordinates. Such a diary, if available, helps in reporting objectively on the employees at the time of their annual appraisal.
- ▲ **EPM-on line:** This is a preferred approach even with the small organizations today since much of the time spent by Line Managers in completing the Appraisal process gets curtailed. The on-line help to view JDs, Counseling Notes, Goal Sheets, Critical Incidents diary, meanings of each Rating on the scale, description of competencies, & many other interactive features make the Appraisal process meaningful & enjoyable.
- ▲ **Integration:** An EPM integrated with the Employee data base (HRIS), Payroll application, Succession Planning, Training & Development, Transfer management & Remuneration will be desirable since it will ensure the use of a common data base, thereby ensuring the integrity of information provided for decision making.

'EmpXtrack' has built-in features to address all the six important aspects of a good EPM system discussed above. It can be customized to meet the specific requirements of any organization.

(For more information visit : <http://www.empxtrack.com>)