Full Length Research Paper

A study of performance management system in IBM

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Abstract

The study aims to study and analyze Performance Management components and their usage in IBM. The study entailed detailed examination of the methods to measure and enhance performance management system against its objectives. Exploratory research followed by descriptive research has been used in the study. Non-probability convenience sampling has been used as sampling technique. The sample size is 40. Primary data was collected using two structured questionnaires. Depth interview method was used by which answers to the questionnaire were sought. The research revealed that training and development, career development and succession planning might become the core essential functions of a PMS. The organizations must concentrate on these areas to effectively appraise and improve the performance of employees in the organizations. The study has identified the most important factors which contribute to the effectiveness of creation and maintenance of such systems.

Keywords: performance management, PMS concepts, assessment, PMS techniques.

Introduction

An outlook of Performance

Performance is what is expected to be delivered by an individual or a set of individuals within a time frame. What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered.

Performance has the following dimensions:

a) Output or result dimension - These are the Key Result Areas (KRAs). It describes the consequence of inputs in a summary form or a final or semi-final product form or service form.
b) Input dimension – It deals with the tasks and activities to be accomplished by the individual.
c) Time dimension – This is the time period that is given to perform the task.
d) Focus dimension –The focus can be on anything may be quality or the cost or anything.
e) Quality dimension; and
f) Cost dimension.

By giving all these dimensions of the performance, T.V. Rao gave the performance definition as, "Performance of an individual in an organizational setting is defined as the output delivered by an individual in relation to a given role during a particular period of time under the set of circumstances operating at the point of time."

Understanding Performance Management System

A performance management system includes the following actions:

a) Develop clear job descriptions.
b) Select appropriate people with an appropriate selection process.
c) Negotiate requirements and accomplishment-based performance standards, outcomes, and measures.
d) Provide effective orientation, education, and training.
e) Provide on-going coaching and feedback.
f) Conduct quarterly performance development discussions.
g) Design effective compensation and recognition systems that reward people for their contributions.
h) Provide promotional/career development opportunities for staff.
i) Assist with exit interviews to understand WHY valued employees leave the organization.

Objectives

a) To study the existing system prevailing with regard to performance management system in IBM.
b) To focus on the challenges prevailing in the retention of such highly skilled effective employees.
c) To provide some meaningful suggestions to the organizations as well as the industry to improve, modify and change the existing systems of performance management.

Aims of Performance Management

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

The following are the aims of performance management system:

a) Empowering, motivating and rewarding employees to do their best
b) Focusing employees' tasks on the right things and doing them rightly
c) Proactively managing and resourcing performance against agreed accountabilities and objectives
d) The alignment of personal/individual objectives with team, department/divisional and corporate plans
e) The presentation of objectives with clearly defined goals/targets using measures, both soft and numeric
f) The monitoring of performance and tasking of continuous action as required
g) All individuals being clear about what they need to achieve and expected standards, and how that contributes to the overall success of the organization; receiving regular, fair, accurate feedback and coaching to stretch and motivate them to achieve their best

Scope of the Study

Any organizations' development is primarily based on its employees' efficiency and attitude towards the organizational goal. The company and the employees are to be mutually benefited with the organization profit, which is possible only with an understanding management & dedicated staff, which require a proper blending of organizational goals with individual goals. Performance management helps the management of an organization to overcome this situation.

In connection to this, the performance of the employees is being analyzed which can indirectly influence the satisfaction of the employee and directly motivates them to work for the organizational development. The study helps to analyze the trends in performance management system in IBM and give appropriate suggestions to improvise the practices taken by it.

Literature Review

Rea & Rea (2002) demonstrate that change requires leadership to be dispersed across organizational boundaries. Accountability and responsibility must be horizontal and even downwards, not just upwards to government. Service users can be involved in their own care. Surveys that involve service users in their planning stages can gather information about the service issues that matter to them. Managing performance is different from performance management. It can ultimately enable services users to initiate and direct some of the improvements they want to see and to take part in the processes of change. The information systems must be locally useful for all involved, and must offer information about performance in time to affect improvement and change.

Waal (2003) examines the role behavioral factors play in the successful implementation and use of performance management systems that are based on critical success factors, key performance indicators and the balanced scorecard.

Halachmi (2005) states that Performance management can take many forms from dealing with issues internal to the organization to catering to stakeholders or handling issues in its environment. Performance management involves the use of both quantitative and qualitative techniques and paying due attention to the human (behavioral) side of the enterprise.

Waal (2007) comments that applying the strategic performance management development cycle makes it possible for an organization to create in a short time period a new PMS, which will then improve the organization's results dramatically.

Han-jiang & Duan-hong (2012) opine that it is the structure of the system and operational mechanism which determines the performance of the system. Their study points out that the mechanism which restricts each behavioral subject determines the performance of these systems. It puts forward a new region for the research of general system theory.

Coelho & Moy (2003) support the argument that sustainability of organizations is directly linked to the continual improvement of business performance. Many organizations have found a way to improve performance

through the establishment of management systems. To maximize benefits of the system, it is necessary also to develop and implement a well-structured performance evaluation process to assist both the business and its interested parties achieve agreed objectives, in a sustainable way.

Srimai et al (2013) found evidence of substantial functional overlap among the selected PM systems. Significant niche overlap occurred in the functions: assisting strategy formulation and implementation processes; supporting strategic decision making; and facilitating strategic learning.

Schlafke et al (2013) commented that business analytics is an emerging field that can potentially extend the domain of performance management to provide an improved understanding of business dynamics and lead to a better decision making. The study clarifies the possible application areas of business analytics and their advantages within the context of performance management.

Simmons (2008) identified the concept of the responsible organization as a means of assessing organizational maturity in performance management, and links it to dimensions of organizational justice. Linkage enables stakeholder perceptions of equitable treatment to be combined with effectiveness measures in the more holistic performance management framework proposed.

Flapper et al (1996) added that performance indicators (PIs) and performance measurement are popular topics in management literature nowadays. They presented a concrete method for constructing a consistent set of PIs forming the basis of a consistent performance management system, where explicit attention is paid to the relations between PIs. Discusses the important role played by the new classification of PIs.

Research Methodology

Research design

Exploratory research followed by descriptive research has been used in the study. Descriptive studies are undertaken in many circumstances. When the researcher is interested in knowing the characteristics of certain groups such as age, sex, educational level, occupation or income, a descriptive study is necessary. Descriptive studies are well-structured. It tends to be signed and its approach cannot be changed every now and then. It is, therefore necessary that the research give sufficient thought to framing research questions and deciding the types of data to be collected for their purpose.

Sampling Technique

Non-probability convenience sampling has been used in the study. Convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it. It is most often used during the exploratory phase and is perhaps the best way of getting some basic information quickly and efficiently.

Sample size

The study has been carried out by collecting information from IBM; Gurgaon by using simple random sampling. The sample size is 40.

Data collection tools

In the study data has been collected using primary and secondary methods of data collection. Primary data has been collected using two structured questionnaires. Depth interview method has been used. Secondary data has been collected from journals, articles; research magazines and working papers available in the organization and from Internet.

Data Analysis

The components of performance management system in IBM are as follows:

- When and how are the Key Result Areas (KRAs) for an employee identified? How are the changes in KRAs handled if the business requirements change?

  Personal Business Commitment (PBC) setting for an existing employee takes place once in a year during the months of Feb-March and for new entrants within a time period of 30 days from the day of joining. KRAs are defined in the PBC tool and if the business requirement changes then PBC for that employee is redefined and re-documented. Major inputs to the PBC setting are behavior to be exhibited (which encompasses team behavior and attitude towards work) and job requirements (links to operational goals, stakeholders' expectations and organizational specifications). The PBC set are SMART and very much quantifiable in nature.

- How many meetings are scheduled in a year to discuss employee performance?

  Frequency of meetings in IBM is at least twice a year.

- Which technique is adopted for carrying out performance appraisal? Is it different for senior level managers?

  A 360 degree appraisal technique is employed by the company while appraising an employee. Although performance review activity takes place

on a quarterly basis but formally it is done once a year in the month of March-April where incentives are provided based on the delivered performance rating. The manager and the employee together agree upon the rating given to the employee by the manager based on his performance against his PBCs, his exhibited behaviors etc.

- Does the company use tools to reduce biasness in the PMS?

  IBM tries to reduce biasness in system through continuous observing the performance of employee which is generally done by the immediate superior, and peer reviews. Multiple rating of the employee also helps in reducing biasness in IBM.

- How are the Training and Development (T&D) needs captured through the process of performance appraisal?

  T&D is a part of IDP. Trainings to be imparted are finalized based on the inputs as received from the IDP of employees. Trainings are conducted every month. The employee in consultation with his superior decides on the training which will be beneficial for the employee and get themselves enrolled for the same in advance. Trainings are not dependent on the appraisal activity, but the training calendar is released for the next year after the appraisal process gets completed.

- How succession planning is done in your organization?

  Many of the current jobs at IBM did not exist 5 years ago. Because of the fast-paced nature of IBM they had to take a different view on succession planning. They discovered that mostly employee development happens on the job and that leaders teach other leaders. HR supports and facilitates the succession plan but the focus of developing leaders is left to other leaders. The assessing, coaching, mentoring, and formal coursework is conducted by leaders within IBM.

- What is the most important aspect of PMS?

IBM focuses on retaining, motivating, training and development of employees through various programs.

- Which rating scale is used by the company? Is there any standard approach for rating the employee?

  Rating over here is decided on the basis of results achieved against set objectives as done so using the PBC tool. Based on the performance, there are three levels of rating as given by: 1/ 2+ (Top performers), 2 (Good performers), and 3/ 4 (Low performers).

- Is promotion part of the PMS? How are incentives and promotions linked to the PMS outcome? What are the criteria for promotion? What percentage (%) of the eligible population is allowed for promotions every year?

  Promotion is the part of PMS and is dependent on the following factors: years of service, rating for the past three years, customer appreciation, and business benefits. Promotions are annual in nature and are given after the appraisal activity only. Generally they are not given in between the year unless some pressing situation comes up. Promotions given in the company lie in a range of (5 – 10) % in a year's time.

- How are Compensation & Rewards connected to the PMS?

  Compensation is given to the employee after the performance appraisal activity is over and the rating has been finalized. It is based on the following parameters:

1. Rating given to the employee.
2. Salary surveys (done for companies at par and below, about 25-30 companies sample size is taken and market average is determined for various levels in the company). The increment and awards (for instance ESOPs being given at subsidized rates) are provided to the employee based on the above parameters.

PMS Factsheet

Table 1: Phases of PMS in company

Phases of PMS	Performance Appraisal Year	Objective Setting	Performance Review Period	Training & Development	Salary Review
IBM	1st Jan-31st Dec	Existing employees: Feb-March New entrants: Within 30 days of joining	Annual: March-April	Training calendar is released every month	By June

Table 2: Selected parameters of PMS

Parameters	IBM
Identification of KRAs	PBC (March)
No. of meetings	At least twice a year
Tools used for reducing biasness	360 degree feedback, continuous observation
Part of PMS	T & D, career management, coaching
Assessment of T & D needs	IDP
Rating scales	3 levels
Succession Planning	Talent reviews, Learning by doing
Strategy linkage	Retention and leadership strategy.
Percentage promotions	(5-10)%

Findings

The following are the findings of the study:

- For reducing the biasness in PMS 360 degree feedback and continuous observations are used mostly (see Table 2).
- Training of the employees is an important part of PMS (see Table 1).
- Retention of the employees is of utmost importance while making policies regarding PMS in the company (see Table 2).
- There is a trend of linking performance with promotion in the company.
- If poor performance of an employee is identified, there is a trend of providing improvement coaching (see Table 2).

Recommendations

The following are the recommendations for improving the overall PMS in the company studied:

- Self appraisal is the most effective tool for PMS system, so the management must effectively develop training and development tools to make the employees sensitive towards the organizational environment and culture.
- 360 degree appraisal is an effective tool which has to be effectively enhanced in the organizations.
- Ranking of various factors helps to reduce biases in performance appraisal systems so organizations must use this standard tool for measurement.

- Retention and innovation strategies are used to improve the performance of employees, so the focus must be directed towards improving the PMS.

Conclusion

Training and development, career development and succession planning become the core essential functions of a PMS. Organizations must concentrate on these areas to effectively appraise and improve the performance of employees in the organizations. The study has identified the most important factors which contribute to the effectiveness of creation and maintenance of such systems. In future the organization must concentrate and develop a system towards 360 degree appraisal. This is the future trend and the companies must adhere to it.

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