

PERFORMANCE MANAGEMENT SYSTEM

PURPOSE

To institutionalize the Performance Management System by developing an integrated process of objective setting, assessment and evaluation that will support individual employee, departmental & organizational growth and help create a performance driven culture.

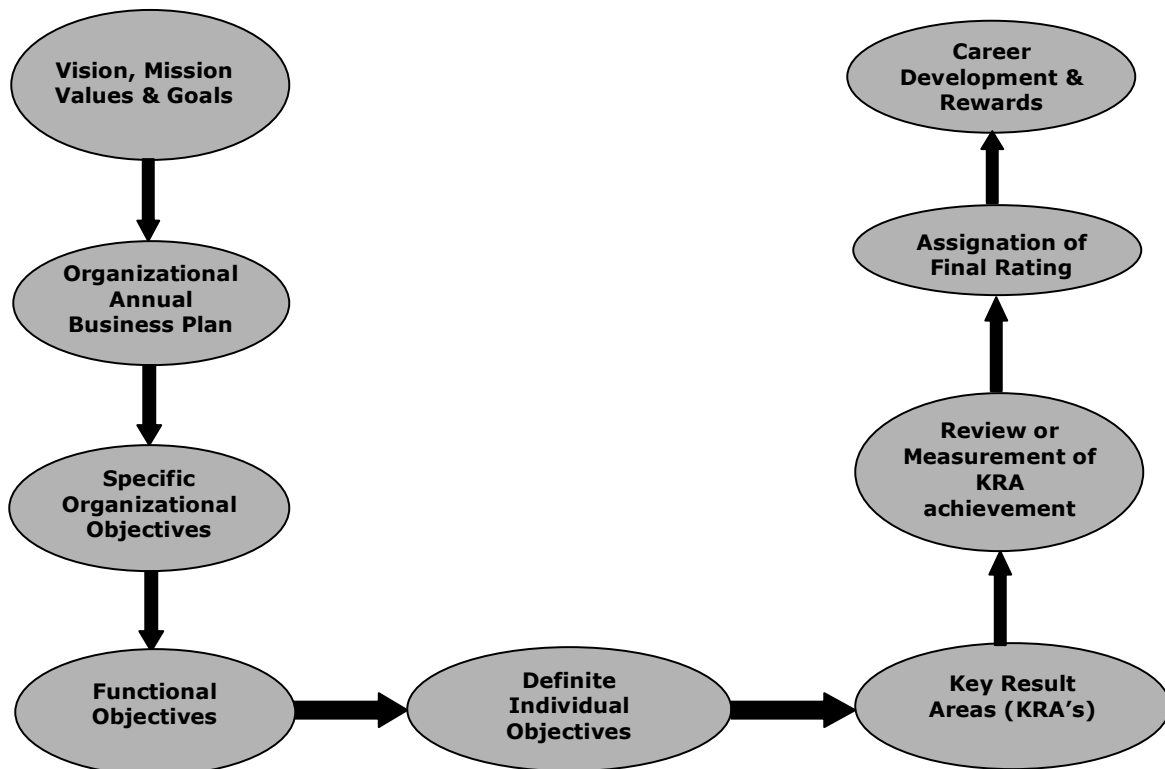
APPLICABILITY

This policy is applicable to all the employees of XYZ Company Private Limited.

OBJECTIVES

- ↻ To provide a framework for systematic planning of Performance Objectives at the beginning of the year.
- ↻ To ensure that individual objectives are aligned to the organizations goals.
- ↻ To ensure an objective and scientific evaluation of employee performance.
- ↻ To identify gaps in performance and take necessary actions to ensure the achievement of organizational and individual goals.
- ↻ To define a proper career planning process.
- ↻ To provide inputs for determining the Compensation, Rewards & Recognition.

THE PERFORMANCE MANAGEMENT SYSTEM PROCESS FLOW



COMPONENTS OF PERFORMANCE MANAGEMENT SYSTEM

1. Performance Planning & Objective Setting
2. Performance Assessment
3. Career Development
4. Rewards

PERFORMANCE PLANNING & OBJECTIVE SETTING

- ❏ Performance Planning is an important part of the Performance Management System as it makes the objectives of business and individual performance clear and simple.
- ❏ It also aligns individual goals to organizational objectives at every level in the Organizational Hierarchy.
- ❏ Performance Planning starts with the finalization of business and functional objectives, which flow from the vision and mission of the organization.
- ❏ Individual objectives and KRA's are then finalized for the financial year through consultation and mutual agreement between the appraisee and the appraiser by 1st of April of the new financial year.

PERFORMANCE ASSESSMENT

Performance Assessment is done in an objective and scientific manner as explained below at the end of the financial year before 31st March.

COMPONENTS OF PERFORMANCE ASSESSMENT FORM

- ❏ **Key Result Areas:** They are the important strategic areas in an employee's job profile that needs to be quantified and measured so that the organization can ascertain that the individual performance is directed towards the achievement of the business objectives. The KRA's should be simple, specific, measurable & time bound and the number of KRA's should not exceed five.
- ❏ **Target:** In this column the target to be attained for each KRA needs to be captured. For example, if one of the KRA's of a Junior Engineer – RF Design is generating a Drawing design; his target is to generate the design as per the work requirement each time he develops a new design.
- ❏ **Measure:** The yardstick/index that would enable the performance to be measured needs to be captured. Taking the same example above – the measure for assessing whether the Junior Engineer – RF Design has generated the design as per the work requirement is the "Work Specification Document".
- ❏ **Weightage:** Each KRA needs to be given a weightage depending on its importance in the individual employee's job profile. The total weightage of all KRA's should amount to 100%.
- ❏ **Time Line:** The column for Time Line should depict the accurate time duration available for achieving the particular KRA. That is, is it to be completed in 3 months, 6 months or by the end of the financial year.
- ❏ **Target Achieved:** The actual target achieved need to be captured in the column.

- ✦ **Final Score:** The Appraiser would calculate the score for every KRA (**Score = Target Achieved/Target * Weightage**). The score for each individual KRA is totaled to obtain the **Total Score**

Note: Section A needs to be filled at the beginning of the Appraisal Cycle & signed off by both the Employee and his Appraiser. **Section B** needs to be filled at the time of the Performance Assessment and once the Total Score is calculated both the employee and the Appraiser need to sign off the Assessment Form.

INTEPRETATION OF FINAL SCORE:

The score needs to be interpreted and the final rating needs to be arrived at based on the rating scale given below:

Final Rating	<i>Outstanding Performer</i>	<i>Excellent Performer</i>	<i>Good Performer</i>	<i>Average Performer</i>
Final Score	100% & Above	99% - 85%	84% - 70%	Below 70%

METHOD:

The method of filling the Performance Assessment Form is illustrated with an example of a Junior Engineer – RF Design who has three Key Result Areas in his Job Profile.

Section A						Section B	
Sl. No	Key Result Areas	Target (t)	Measure	Weightage (w)	Time Line	Target Achieved (ta)	Final Score (ta/t*w)
1	Generating Drawing Design	100% as per the design specifications	Work Specification Document	40%	Time specified for each project	90%	36 (90/100*40)
2	Proper documentation of design approved for production	100%	Whether documentation is available for all the designs developed	40%	Till Mar 09	95%	38 (95/100*40)
3	Production/Project Planning	100% completion on time	The timeline provided for each project completion	20%	Time specified for each project	100%	20 (100/100*20)
Total Score							94

The employee’s total score is **94%**. Hence the final rating of the employee as interpreted from the Rating Scale is **Excellent Performer**.

↻ CAREER DEVELOPMENT

- ❏ Inputs from the Performance Review exercise can be used for planning the career development of the individual.
- ❏ To ensure the growth of an individual, development strategies like training, coaching, mentoring, job rotation & job enlargement may be deployed.
- ❏ To achieve career enhancement, areas for development needs to be identified with focus on the current as well as future job responsibilities of the employee.
- ❏ Promotions will be based on the performance rating and the potential for moving into the next level.

↻ REWARDS

- ❏ Rewards can be monetary & non monetary.
- ❏ Non Monetary rewards are the awards, recognition that the employee receives for his performance.
- ❏ Monetary rewards are the salary increments the employee receives.
- ❏ The quantum of increment an employee gets every year depends on the rating that he/she has received for his/her performance in the last financial year.
- ❏ For each rating a particular % of increase in the salary is fixed after the Performance Assessments are completed.
- ❏ This % of increase is decided based on the market trends that currently exist.
- ❏ The higher the rating the higher percentage of increment the employee receives.

GUIDELINES FOR APPRAISAL

- ❏ Every individual should receive ongoing feedback during the year and a formal annual performance assessment/appraisal.
- ❏ During the assessment sessions the Appraiser should create an open and approachable environment in which a two-way discussion can be made possible with the Employee.
- ❏ The Employee on his part should be willing to give and receive proper feedback during the assessment session.
- ❏ Performance assessment discussion should cover how the year that went by was for the Employee, what he has achieved, how was it done and what the way forward is for the Employee.
- ❏ Both Appraiser and the Employee should have all the facts and data to support the Employee's KRA performance achievements ready with them during the appraisal discussions so that any ambiguity in the target achievement can be cleared immediately and the final score can be calculated to the satisfaction of the Appraiser and Employee.
