

Chapter 11 Performance Management System

11.1 Present System of Performance Management in Government

11.1.1 The Conventional Performance Management System

11.1.1.1 Traditionally governance structures in India are characterized by rule-based approaches. The focus of the civil services in India is on process-regulation: compliance with centrally prescribed standards and rules; in other words, how things should be done and how inputs should be aligned. With such focus on processes, systems in government are oriented towards input usage-how much resources, staff and facilities are deployed in a scheme, programme or project and whether such deployment is in accordance with rules and regulations. The main performance measure thus is the amount of money spent and the success of the schemes, programmes and projects is generally evaluated in terms of the inputs consumed.

1.1.1.2 While such an approach satisfies the considerations of economy of inputs and compliance with process regulation, it fails to indicate what are the results achieved by the activities of government in general and deployment of public funds in particular. In fact, the focus on input for accountability and control has led to a situation in which civil servants are rarely held accountable for the outcomes. Compliance with rules is not sufficient for achieving outcomes. Obviously, the objective must be to shift the focus away from traditional concerns such as expenditure and activity levels towards a framework that would manage for results by developing robust indicators to assess performance in terms of results.

11.1.1.3 Performance management as it exists in government includes conventional tools like the budgetary exercise, annual reports published by the Ministries/Departments, performance budgets and the recently introduced outcome budget. Ministries and departments of government have varying practices of periodically reviewing their organizational performance. In addition, special studies are also commissioned from time to time. These are the basic requirements of a performance management system and much more is required to be done. Some earlier initiatives are described in the following paragraphs.

11.1.2 Performance Budgeting

11.1.2.1. To achieve results, Government of India introduced a scheme of performance budgeting from the financial year 1975-76. Under this scheme,

along with the detailed demand for grants, a performance budget document is presented to the Parliament. The performance budget is intended to present a meaningful relationship between inputs and outputs, and indicate the correlation between planned programmes and their performance in financial and physical terms. Broadly, the performance budget has four parts, indicating:

- Broad objectives, programmes and projects, the organizations and agencies with the responsibility to implement them, the highlights of performance during the previous financial year, progress during the current year, and the programme for the next year.
- Linkages between the Five Year plans, the achievements to date, and the tasks ahead.
- Financial statements showing the outlays required for the programmes, projects or activities and the provisions in the current and next financial year.
- Details of the scope, plan of action, achievements, programmes, and performance during the current year and future programmes, along with outlays in respect of each activity in the various broad programmes of the department.

11.1.2.2 Although the scheme of performance budgeting was introduced several years ago yet it has not achieved its objective. While looking at the functioning of performance budgeting in the departments, Thimmaiah found that factors such as bureaucratic resistance, corruption among civil servants and legislative indifference contributed to the failure of the scheme.¹ Thimmaiah also found that performance budgets were prepared in the spirit of routine documentation. It has been observed that the performance budget documents are descriptive and often lack a thorough analysis of the performance of the department concerned.

11.1.3 Zero-based Budgeting²

11.1.3.1 In the mid-1980s, the scheme of zero-based budgeting was introduced in government departments. The objective of the scheme was to:

- involve civil servants at all levels in the budgetary process
- justify the resource requirements for existing activities as well as new activities
- focus justification on the evaluation of discrete programmes or activities of each unit of administration
- establish objectives against which accomplishments could be identified and measured, and assess alternative methods of accomplishing objectives
- analyze the probable effects of different budgetary provisions or performance levels on the achievement of objectives
- provide a credible rationale for reallocating resources, especially from old activities to new activities

¹ G Thimmaiah (1984), "Budget Innovation in India: An evaluation", Public Budgeting and Finance (4), pp.40-54

² This is a budgeting method in which total proposed expenditures need to be justified as against the conventional method in which only the new or incremental expenditure proposals need to be justified.

11.1.3.2 The scheme has not yielded the desired results. It has now been, more or less, abandoned in spite of occasional efforts by the Ministry of Finance and the Planning Commission to revive it.

11.1.4 Outcome Budgeting

11.1.4.1 More recently, Government has introduced the system of outcome budgeting. This is a positive step in incorporating a sense of results-orientation in governance structures by moving from outlays to outputs and outcomes. These are early stages of implementation and only after sufficient experience has been gained, can the success of this initiative be gauged.

11.2 Prevailing Performance Appraisal Systems for Civil Servants

As performance of an organization/agency is dependent on the performance of individual civil servants, over a period, an elaborate mechanism to evaluate the performance of individual government servants has evolved. These individual performance appraisal systems can be categorized as follows:

a. Conventional closed system of ACR (Annual Confidential Report)

This is the traditional system, where at the end of a pre-set period (usually a calendar year), achievements of the officer are recorded and graded, absolutely or relatively. The significant feature of this method is the complete secrecy of the exercise, both in process and results, unless the rules specifically mention otherwise. Adverse remarks are communicated to the officer reported upon.

b. Performance Appraisal with openness

This system is an improvement of the above, with the added feature of transparency and involvement of the officer at different levels. It involves setting goals at the start of the assessment period, reviews during the period and final assessment against achievement of goals. Finally, performance excellence is decided by a number (grades of 1-10) to be assigned by the reporting officer.

11.2.1 System in India

11.2.1.1 The performance of every Government servant is assessed annually through his/her Confidential Report, which is an important document providing the basic and vital inputs for assessing the performance of the Government servant and his/her suitability for his/her further advancement in his/her career on occasions like confirmation, promotion, crossing of EB, selection for deputation, selection for foreign assignment etc. Performance appraisal through confidential reports is a tool for human resource development in order to enable a

Government servant to realize his/her true potential. It is not a fault finding process, but a development one.³

11.2.1.2 The Reporting Officer, at the beginning of the year, has to set quantitative/physical targets in consultation with each of the Government servants, whose reports he/she is required to write. Performance appraisal is meant to be a joint exercise between the Government servant reported upon and the Reporting Officer. While fixing the targets, priority should be assigned item-wise, taking into consideration the nature and the area of work. The Confidential Report is initiated by the Government servant to be reported upon, who gives a brief description of his/her duties, specifies the targets set for him wherever applicable, achievements against each target, shortfalls, if any, constraints encountered and areas where the achievements have been greater.⁴

11.2.1.3 In accordance with the recommendations of the Committee constituted under the Chairmanship of Lt Gen. (Retd.) Surinder Nath in 2002, the Performance Appraisal System for All India Service Officers has been modified and the salient features include setting of goals in consultation with the appraised officer, a numerical grading system (scale of 1 to 10), introduction of a pen picture of the appraisee, sharing the entire PAR with the appraisee officer, etc.

11.2.1.4 At present, the performance appraisal system in Government of India, as described above, falls largely in the first category but for the newly introduced system for All India Services officers, which has introduced many of the elements of category (b) mentioned in Paragraph 11.2.

11.3 Performance Appraisal System in the Armed Forces

11.3.1 Performance appraisal systems in the Armed Forces are more elaborate and rigorous because they are the main criteria for the very limited promotions that are made to higher positions in these Services. For example, in the Army, only 3% of officers make it to the grade of Brigadier and above. The highlights of their system are as follows:-

a. Officers are evaluated on a scale of 1:10 on different attributes. This evaluation is done separately by the reporting officer and the next two higher levels.

b. For the purpose of promotions, the Army generally follows two types of systems – the 'closed' system and the 'open' system. In the 'closed' system, the Promotion Board is not privy to the names of the officers concerned for promotion. Also officers of the same rank are permitted to attend the

³ Department of Personnel & Training OM No.12/2/84-PP, dated the 17th December, 1986.

⁴ Department of Personnel & Training OM No.12/2/84-PP, dated the 17th December, 1986.

deliberations of the promotion board as “observers” though they cannot participate in it. In the ‘open’ system (for ranks of Major General and above); the identity of the officers being considered is also known to the Promotion Board.

c. There is a system of rating the reporting officers wherein the reporting officers are classified as ‘liberal’, ‘strict’ and ‘rating tendency not known’.

d. The prescribed trainings and examinations have to be cleared by the officers before they are considered fit for promotion.

e. The entire performance appraisal record of the officer is compiled in the form of a matrix with the numerical points assigned to each attribute and other details of appointment and achievements, the type of rating given, details of reporting officers battle honors etc.

f. Promotions in the Army are limited to the number of vacancies available making use of the three-year moving average of vacancies likely to be available.

g. In case an officer is not promoted for the first time, his case is reviewed two more times and thereafter, if he is still not considered fit for promotion and ultimately after obtaining the benefit of time scale, he retires at the relevant prescribed age - 52 years in the case of a Colonel, 54 years for a Brigadier etc.

11.3.2 There are some variations in the performance appraisal and promotions in the other two Services. For example, in the Navy, a system of peer review exists in the form of a feedback from batch-mates of the officer considered for promotion. They are informed of the number of vacancies and are asked to list the batch-mates whom they consider most suitable for being promoted to these posts. This peer review is not shared with the Promotion Board but is used by the Headquarters to validate the recommendations of the Promotion Board. Also in the Navy, there is a four-tier system of appraisal because being a comparatively smaller service the accepting authority for all officers is the Chief of Naval Staff. In the Air Force as in the Navy, the Promotion Board is an open one and in the Air Force, dossiers of the officers carry their photograph (the Board know the identity of the candidates). Unlike the Army which uses a three-year moving average to determine the number of slots available for promotion, in the Navy and the Air Force, annual vacancies are taken into account. In the Air Force, a part of the Performance Appraisal form is filled up after discussions between the appraisee and the reporting officer and both sign that portion of the appraisal report.

11.3.3 While there are substantial, functional and structural differences between the Armed Forces and the civil services, some of their good practices could be relevant for performance appraisal in the civil services to make it more objective and transparent. For example -

a. A peer review for purposes of validation.

b. Creation of a comprehensive database based on the ACRs and other inputs that could be made available to the screening committees for promotion.

c. A system of rating of reporting officers by having a database of all the assessments made by them. This could be used for the purpose of moderating the ratings given by different reporting officers.

11.4 Analysis of the Present Performance Appraisal System for Civil Servants

11.4.1 The prevalent closed system for appraisal of civil servants in India (other than the All India Services) has major limitations. These include:⁵

a. It lacks in quantification of targets and evaluation against achievement of targets.

b. Confusion still prevails among civil servants regarding what is good performance and the level of performance expected from them, by their department, superiors, and the public. The system is affected by unclear performance standards, possible bias on the part of superiors, political influence, etc.

c. The existing performance appraisal does not solve the problem of poor performance.

d. Performance appraisal becomes meaningless in certain cases where the job fit is ignored while posting an officer, and where there are frequent transfers. At the same time, perceived clash between an individual's career goals and organizational goals further compounds the situation.

e. The format may be good but sometimes the way it is filled up shows lack of due care and seriousness. This could also be because of the large span of supervision of most Government officers, which mandates them to write the ACRs of so many officers, some of whom they may not even personally recognise.

f. Since the present system shares only an adverse grading, a civil servant remains unaware about how he/she is rated in his/her work.

g. Many reporting officers pay little attention to distinguish good and average workers while grading them. Consequently, most Government officials end up getting very good/outstanding grading which is considered "good for promotion" and hence there is no motivation for real performers.

⁵ 100 Civil Service Day, 2008, proceedings

h. The system of deciding on representations against an adverse entry sometimes take so long that reporting officers avoid giving an adverse entry. Many a time, for want of evidence against the reported civil servant, the reporting officer is in a defensive position and thus unable to justify his/her adverse remarks.

11.4.2 The new Performance Appraisal System for the All India Services has tried to overcome some of these shortcomings by including a “participative workplan through a consultative and transparent process. However, the new system also has certain limitations:⁶

a. The new format does not recognize the difference in performance parameters applicable for civil servants working in completely different departments/agencies.

b. The new format also does not do away with the element of subjectivity when it comes to assigning numerical ratings/grades to different attributes of the Government servants.

c. It still emphasizes the performance appraisal report as the key element. The term Report is an improvement over Ratings, but does not recognize adequately the development and improvement dimensions, though the objective is closer now.

d. It does not adequately assess the potential of an officer to hold higher responsibilities.

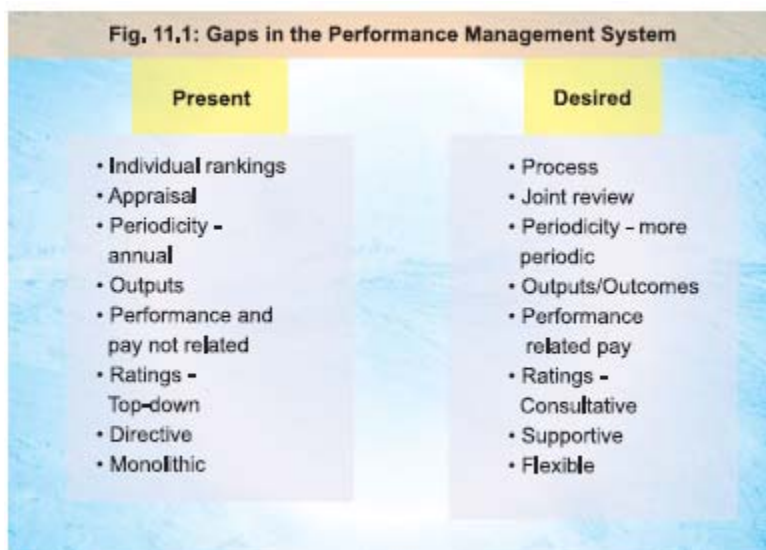
e. It emphasizes career development, but does not link it sufficiently with performance improvements. It underplays the need for performance improvements as a career growth intervention.

f. There are too many levels for ratings and the accepting authority is often far removed from the officer reported upon.

g. There is presently no training for orienting the users in the system of the new format. As a result, it could become a routine form filling exercise rather than a performance appraisal one.

11.4.3 The focus still continues to be on ratings and evaluation rather than on performance planning, analysis, review development and improvements which ultimately enables employees to achieve superior performance. The gaps which exist between the desired and the present performance appraisal system are indicated in the Figure 11.1

⁶ 101 Civil Service Day 2008, proceedings



11.5 Making the Existing Personnel Performance Appraisal System Effective

11.5.1 Making Appraisal More Consultative and Transparent

11.5.1.1 In the present format for performance appraisal of civil servants (other than for the All India Services), it has been stipulated that the reporting officer, at the beginning of the year, has to set quantitative/physical targets in consultation with each of the Government servants whose report he/she is required to write. In spite of this, it has been observed that in practice no such effective consultation takes place at the beginning of the year for fixing the targets. The recently amended AIS Performance Appraisal Rules provide for a more structured consultation process.

11.5.1.2 The Commission is of the view that such a two-way consultative process leads to the fixing of more realistic targets which would have greater acceptability. This would also help in improving the performance of the officers and equally of the organization in which they work. The Commission is therefore of the view that the new PAR format prescribed for the All India Services should also be introduced for other Central Services/organizations.

11.5.1.3 As the term Annual Confidential Report indicates, the appraisal reports for civil servants (other than the AIS) are not disclosed to the officer reported upon – except for adverse remarks. This reduces its effectiveness as a tool for performance management. The newly introduced AIS Performance Appraisal Rules have provided for a transparent approach regarding the annual performance appraisal reports and it has been stipulated that the full annual performance appraisal report, including the overall grade and assessment of integrity, shall be disclosed to the officer reported upon. The Commission is of

the view that similar provisions for promoting transparency also need to be introduced in respect of all Services/organizations.

11.5.2 Performance Appraisal Formats to be Job Specific

11.5.2.1 Based on the guidelines/instructions issued by the Department of Personnel and Training different Services/organizations have evolved formats for performance appraisal of their officers/officials. The same formats are used in respect of members of different Services irrespective of whether these officials are working in their parent departments or on deputation to outside departments/agencies. As a result, members of different Services working in the same Ministry may be appraised using different formats which is quite irrational. The Commission is of the view that the appraisal formats of civil servants need to be more specifically linked to the tasks assigned to them and to the goals of the Department/Organization in which the officer is working. To meet this objective, the Commission feels that the appraisal format prescribed for civil servants should have three sections i.e. (i) a generic section that meets the requirements of a particular Service to which the officer belongs, (ii) another section based on the goals and requirements of the department in which he is working, and (iii) a final section which captures the specific requirements and targets relating to the post that the officer is holding.

11.5.3 Performance Appraisal to be Year Round

11.5.3.1 At present, the annual performance exercise is performed in a routine manner after the end of the financial year. As already mentioned, no effective consultations regarding setting targets for the civil servant concerned takes place under the present system even though guidelines call for such consultations. No detailed work plans or mid-year review of the performance of the civil servants being appraised have been prescribed. The revised All India Services (PAR) Rules rectify this situation by providing for an agreed work plan for the year to be decided in consultation between the officer and his/her reporting officer which has to be reviewed again in September/October and revised if required by 31st October. By incorporating provisions for a detailed work plan and a mid-year review, the new rules have helped to ensure effective and continuing consultations for target setting. The Commission is of the view that similar provisions should also be introduced for other Services.

11.5.4 Formulating Guidelines for Assigning Numerical Rating.

11.5.4.1 The conventional system prescribed in the annual confidential reports for civil servants followed a grading system that placed or rated officers in categories ranging from 'average', 'good' and 'very good' to 'outstanding'. The new PAR format for All India Service Officers replaces this with an improved rating system wherein officers are assigned a numerical grade from 0 to 10 for different parameters. While this is an improvement on the old system, the numerical gradings secured by the officers still depend on the subjective

evaluation made by the reporting and reviewing officers. It is quite possible that officers of similar competence and performance may be assigned different numerical grades depending on the disposition – liberal or otherwise – of the reporting/reviewing officer. The Commission is of the view that the Department of Personnel and Training should formulate detailed guidelines to guide the reporting and reviewing officer for assigning numerical ratings for their subordinates. It would also be necessary to incorporate training modules on this aspect in the training programmes for civil servants. This should be supplemented by preparing a computerized data base wherein the details of the officers reported upon as well as the reporting and reviewing officers are captured for further analysis. This would enable the department to take a view subsequently on how numerical ratings can be moderated taking into account individual disposition.

11.5.5 360 Degree Evaluation

11.5.5.1 During the past few decades, the 360 degree feedback, also known as “multi-source feedback” has gained momentum in performance management literature. Its application today transcends national boundaries. 360 degree feedback augments the traditional practice of self-supervising performance appraisal by getting feedbacks from multipurpose sources which include:

- Self
- Superiors
- Peers
- Subordinates
- Internal Customers
- External Customers
- Others

11.5.5.2 Many countries are using or contemplating to use the 360 degree feedback in the civil services. Some of these countries are the UK, EU and Australia. The key driver to introduce this performance feedback process into the UK Civil Service was Sir Richard Wilson’s Report on Civil Service Reforms which specifically suggested the introduction of a 360 degree feedback for senior civil servants by the end of 2001. The underpinning assumption for good leadership is self-awareness and that “if done well, it is a very powerful tool of management and a very good way of helping people improve their own performance” (Wilson, cited in Moore, 2000 p.15). In the context of India where strong hierarchical structures exist and for historical and social reasons it may not be possible to introduce this system unless concerns of integrity and transparency are addressed. However, it is suggested that Government may consider sensitizing officers at all levels about the importance of this feedback mechanism and its possible use in understanding their behaviour and their ability to relate to others.

11.6 Performance Management

11.6.1 The evolution of the concept of performance management as a new Human Resource Management model reflects a change of emphasis in

organizations away from command-and-control towards a facilitation model of leadership. This change has been accompanied by recognition of the importance to the employee and the institution of relating work performance to the strategic or long-term and overarching mission of the organization as a whole. Employees' goals and objectives are derived from their departments, which in turn support the mission and goals of the organization. This search for results-orientation in several governments across the globe started with the approach to entrepreneurial government taken by Osborne and Gaebler in their influential book *Reinventing Government*.⁷ Later, Osborne and Plastrik set out their principles of entrepreneurial Government in their book *Banishing Bureaucracy*. One of these principles is *Results Oriented Government: Funding Outcomes, Not Inputs*.⁸

Box 11.1 Why a Performance Management System?

- What gets measured gets done.
- If you don't measure results, you can't tell success from failure.
- If you can't see success, you can't reward it.
- If you can't reward success you are probably rewarding failure.
- If you can't recognise failure, you can't correct it.
- If you can't demonstrate results, you can't win public support.

(Osborne & Gaebler, 92)

http://www.agridea-international.ch/fileadmin/10_International/PDF/RDN/RDN_2000/bn1_00_barandun.pdf

11.6.2 Performance Management is the essence of managing, and the primary “vehicle” for getting the desired results through employees at all levels in the organization. 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. In the absence of such a system, staff members are unclear as to the employer's expectations regarding performance objectives and standards/targets, leading to low productivity, costly mistakes, stress, de-motivation, and conflict. Sound Performance Management Systems subscribe to the crucial Principle: “What gets measured gets done”. The days of having a “one-set-of-measures-fits-all” Performance Management System are inherently flawed and long gone. Performance objectives and measures need to be specific to job categories and individual roles.

⁷ David Osborne and Ted Gaebler, *Reinventing Government* (1992)

⁸ Osborne and Plastrik, *Banishing Bureaucracy* (1997)

11.6.3 Performance management is the systematic process by which the organization involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of organizational mission and goals. Performance management is a holistic process bringing together many activities which collectively contribute to the effective management of individuals and teams in order to achieve high levels of organizational performance. Performance management is strategic in that it is about broader issues and long term goals and integrated as it links various aspects of the business, people management, individuals and teams.^{9,104} To strengthen both, individual effectiveness and organizational effectiveness, it is essential that individuals are suitably empowered, however authority and accountability should be commensurate with each other. Such checks and balances would improve the effectiveness of the performance management system.

11.6.4 Government has taken a step forward towards introduction of a performance management system by making a provision in the proposed Public Services Bill 2007 which provides that the Government shall, within a period of twelve months from the coming into force of this Act, establish a Performance Management System for Public Service employees, including-

- *The priorities, objectives, indicators and targets as part of the Government's strategic plans, availability of resources, constraints on performance and outcomes and skills of the public servants.*
- *Preparation of performance indicators and its periodical review, preparation and submission of Performance Appraisal Report of each employee with well-defined principles for achievement of targets set for the year.*

11.6.5 This is a welcome step. The Commission however recognizes that every organization in government will have to develop its own performance management system based on its unique requirements, but which incorporates the basic tenets of a good performance management system. The provision in the proposed Bill may be confined to making mandatory, a performance management system for every organization in the government, without getting into minute details. Various aspects of implementing a performance management system in government are discussed in the subsequent paragraphs.

11.7 Performance Appraisal vs. Performance Management

11.7.1 Often the distinction between performance management and performance appraisal is not clearly understood. Performance appraisal is one component of the Performance management cycle and is the process of assessing an employee's performance in the current position. Thus 'Appraisal' is an annual affair while performance 'management' is a year round activity. Appraisal focuses on ratings while 'management' focuses on the work, the stakeholders, service levels, productivity, motivation effort and all such performance related variables.

⁹ <http://www.cipd.co.uk/subjects/perfmangmt/appfdbck/perfapp.htm>

The Table 11.1 highlights the difference between performance appraisal and performance management.¹⁰

Table 11.1 Performance Appraisal vs. Performance Management ¹⁰⁵		
Characteristics	Performance Management	Performance Appraisal
Types of Objectives	Emphasize on integrating organizational, team & individual objectives	Individual objectives
Types of Performance Measures	Competency requirement as well as quantified measures	Qualitative & quantitative
Frequency	Continuous review with one or more formal reviews in a year	Annual appraisal
Rating System	Joint or participative process, ratings less common	Top-down systems with ratings
Reward Linkage	Does not have direct link to rewards	Often linked to pay
Ownership	Owned by line management	Owned by human resource department
Corporate Alignment	Integrated business driven system aimed at organizational & people development	Isolated system, not linked to organizational goals
Focus of Performance Reviews	Future focused	Focus on past performance
Questions Asked	What can be done to help employees perform as effectively as possible?	How well was the work done?
Emphasis	On ratings and evaluation	On performance planning, analysis, review, development and improvements
Monitoring & Designing	by the Personnel / Administration department	Designed by the Personnel/HR department but could be monitored by the respective departments themselves
Identification of Developmental Needs	At the end of the year	At the beginning of the year

11.8 Objectives and Aspects of PMS

11.8.1 The main objective of performance management is continuous improvements in performance with a view to attaining organizational goals. The performance improvements need to be seen in terms of achievement of the

¹⁰ Michael Armstrong & Angela Baron. Jaico Publishing House. 2002 & T VRao. "Performance Management of the Civil Servants"

objectives and goals of the organization. The PMS process has two clear objectives:

a. The Evaluation Objective

- Evaluating & assessing the readiness of an individual to accept higher responsibilities
- To apprise the individuals of their current competency level and need to improve by giving them feedback
- To link it with compensation, rewards and career development.

b. The Development Objective

- Counselling & coaching of the subordinates to improve their performance & upgrade their competencies
- To motivate subordinates through recognition and support
- To build rapport between superior and subordinate
- To diagnose individual & organizational competencies, so that actions can be taken on problem areas
- To define the training requirements based on individual competencies.

11.9 Organizational Benefits of PMS

The PMS process helps organizations to:

- serve as the primary vehicle for implementing organisational goals and strategies (cascaded from top to bottom throughout the organisation).
- Align and integrate the objectives and Key Performance Indicators (KPI's) of the organization vertically and horizontally through all job categories and levels, including management. In this way the entire system works together in pointing towards the critical bottom line MEASURES, with bottom line RESULTS following as a matter of course ("What gets measured gets done").
- facilitate continuous performance improvement, organisation development and culture change.
- achieve quality, efficiency and effectiveness, i.e. to meet the citizens' needs as precisely, quickly and economically as possible.

- ensure clarity regarding work expectations and performance standards, reducing job holder anxiety/stress, resource wastage and conflict.
- continually enhance employee competence through identification of output-related training and development needs and strategies.
- reduce Line Manager reluctance and fear to do Performance Appraisals with their staff .
- facilitate performance-based remuneration and rewards, so that employees can see and experience a clear link between their performance and the rewards they receive.

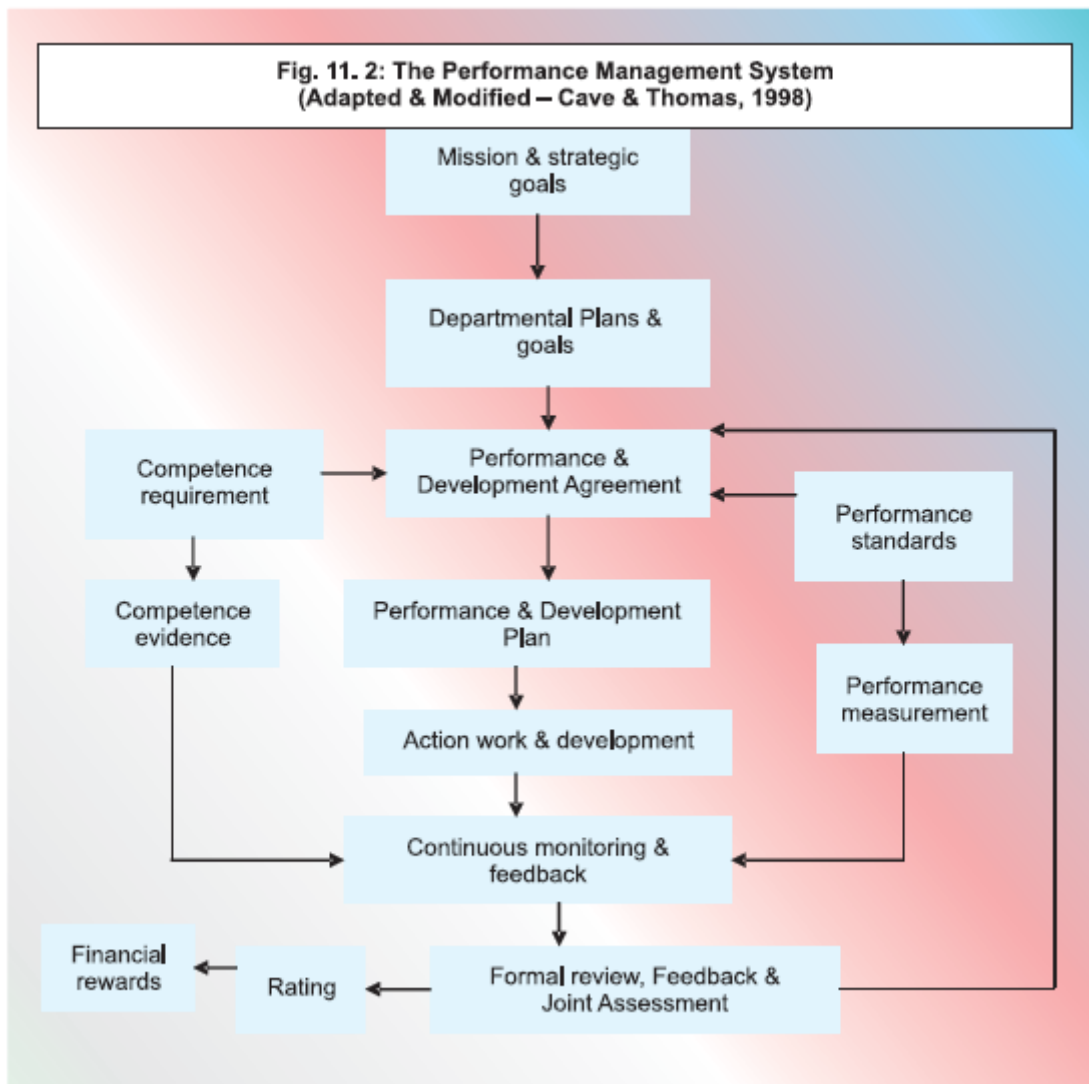
11.10 Pre-requisites for Implementing an Effective Performance Management System

- a. Strong commitment from top management.
- b. High level of participation of all concerned.
- c. Clear definitions of what constitutes performance in a given role. This emanates from the objectives of the department and the organization. This should also reflect the linkages of role with others.
- d. Identification of performance parameters and definition of Key Performance Indicators (KPIs). What comprises the performance has to be communicated to the individual, so that he/she has an idea about what the superior's expectations are.
- e. Consistency of application.
- f. Adequate organizational training to be provided to the individual to achieve superior performance.
- g. Strong commitment to regular recognition of good performance.
- h. Rewards and recognition should be built into the system and need not be linked with appraisals alone.

11.11 Processes of PMS

Performance management is a cyclical process which includes the following elements:¹¹¹⁰⁶

- Planning work & setting expectations
- Monitoring performance
- Developing the capacity to perform
- Rating performance
- Rewarding good performance



11.11.1 Planning Work & Setting Expectations

11.11.1.1 Effective organizations are proactive. Planning means setting performance expectations and goals for groups and individuals, to channel their efforts towards achieving organizational objectives. Involvement of the employees in the

¹¹ 106 Michael Armstrong & Angela Baron. Jaico Publishing House. 2002.

planning process will help them understand the goals of the organization, what needs to be done, why it needs to be done, and how well it should be done. Above all, their acceptance towards the goals is also high. The planning process will result in an informal/formal agreement between the employee and his/her superior and covers the objectives to be achieved, the resources provided to the employee to achieve them as well as the autonomy and flexibility available to him.

11.11.1.2 To plan the performance of the individual, the measurable, understandable, verifiable, equitable, and achievable elements and the standards of the performance appraisals are to be set beforehand.

11.11.2 Monitoring Performance

11.11.2.1 In an effective organization, assignments and projects are monitored continuously. Good monitoring implies consistently measuring performance and providing ongoing feedback to employees and work groups on their progress toward reaching their goals. In most countries that have undertaken reforms, considerable emphasis has been placed on performance measurement and monitoring whose two main elements are - the use of KPIs to track performance and relate outlays to output to outcomes. The outlay-output-outcome framework also serves as a significant accountability mechanism.

11.11.2.2 Monitoring performance includes contrasting and comparing the standards that were set and the targets achieved. Ongoing monitoring also provides the opportunity to check how well employees are meeting predetermined standards and to make changes to unrealistic or problematic standards. Monitoring continuously helps to identify unacceptable performance in the appraisal period itself and can be checked there and then, instead of waiting for the year to end.

11.11.3 Developing the Capacity to Perform

11.11.3.1 In order to develop the organization, there is need to assess and address the developmental needs of the employee. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes, or other methods. It motivates them for good performance, strengthens job-related skills and competencies, and helps employees keep up with changes in the workplace, such as the introduction of new technology.

11.11.3.2 Performance management provides the platform to identify the need for training and development of the employee.

11.11.4 Rating Performance

11.11.4.1 In order to identify the best employees, organizations do a comparative analysis of the performance of the employees.

11.11.4.2 The rating here means evaluating the performance against the performance standards. It is based on work performed during an entire appraisal period. The rating of record has a bearing on various other personnel actions, such as granting within-grade pay increases, weightage for career progression and other incentives. Performance appraisal must factor the following considerations:

- a. Performance has been defined prior to the appraisal period.
- b. Standards & elements of performance are set and clarified to the employee, prior to the appraisal period.
- c. The opportunity to improve, must be given to the individual, before categorizing his/her performance.
- d. The circumstances including resource and other constraints also need to be taken into account while appraising performance.
- e. The employer has the right to demand performance and ensure accountabilities.

11.11.5 Rewarding Good Performance

11.11.5.1 Organizations seeking good performance from their employees, use rewards as a means to it. Rewarding means recognizing employees, individually and as members of groups, for their performance and acknowledging their contributions to the agency's mission. A basic principle of effective management is that all behaviour is controlled by its consequences. Good performance is recognized without waiting for nominations for formal awards to be solicited. Recognition is an ongoing, natural part of day-to-day experience. A great deal of the actions that reward good performance – like saying "Thank you" and congratulations on good work do not have any monetary implications. More formal rewards can take the shape of cash incentives, time off and formal recognition.

11.12 Introducing a Performance Management System

In implementing PMS in government, it must be emphasized that the PMS has to be designed within the overall strategic framework appropriate to the particular Ministry/Department/Organization. It is also necessary to link individual contributions to strategic objectives of the organization. It will therefore be necessary for each ministry/department/organization to customize its PMS relevant to them while incorporating the general features described below:

- a. *The strategic intent:* The strategic intent of an organization should cascade into strategic and operational objectives at the departmental level.
- b. *Individual assessment:* This is a process of self-evaluation and structured discussion aimed at personal, professional and individual development. This process is not intended to be merely judgemental but one that is also

developmental. It is intended that the process will provide a regular open and systematic discussion of how an individual may enhance his role. The process should be seen as providing a means by which individual contributions are recognized, feedback on individual performances is given, assistance provided to staff in developing their potential and overcoming problems in agreed ways. It is intended that priority will be given to clearly relate strategic goals as there could be resource limitations. Part of the role of the Reviewer – usually the individual staff member's immediate supervisor is to assist the individual staff member (the person reviewed) in assessing his/her own performance and development regularly and fairly. The role also extends to assisting the person being reviewed in setting objectives and the extent to which the objectives are achieved. Where objectives are not achieved, this can be discussed between the reviewer and the person reviewed in a constructive manner, with a view to identifying the reasons why the objectives were not met and how the situation could be remedied.

c. Development of the individual - effect at departmental and organizational levels:

One of the main purposes of the PMS is to provide a systematic means not only of reviewing past performance, but also considering future developments. At the departmental level the system can help identify, agree on and plan staff development activity that in turn can lead to improved departmental planning and performance. It can also facilitate a better understanding of how all staff members contribute to a department's activities. Such an engagement can also facilitate improved communication between staff members.

All staff members, regardless of grade or category, have the ability to develop their potential in their area of work. The organization/department is central to enabling the staff to find ways of developing that potential in line with the organisation's strategic plan. The PMS provides a mechanism for clarifying what is expected in the particular job. It can also help bring about an improved understanding of departmental/organizational objectives and priorities, and how individuals' work and responsibilities relate to these. There will always be strengths and weaknesses at all levels. The process allows these to be identified and the means of overcoming these can be devised.

d. Enhancing quality: The development of staff and the delivery of superior quality outcomes is the joint responsibility of individual staff, supervisors and the organisation as a whole. The process enables all to agree relevant goals which are clearly linked to strategic plans and objectives of the organization as a whole. In so far as individual officers are concerned the process will help them to identify their contribution and how it can be improved.

e. Process reviews: These should normally be conducted at least twice a year for all staff. Procedures for all should be similar in their core content but may vary as necessary to account for different responsibilities and management

structures. A one-to-one discussion and feedback between the reviewer and the person reviewed should be the normal form of review.

f. *Self monitoring*: Whereas the formal review meeting will take place once in a review period, it is important that the person reviewed monitor his/her own progress in achieving objectives on a regular basis throughout the review period. In addition, if the person reviewed feels there are issues or constraints which are preventing her/him from achieving their objectives, they can raise these with the Reviewer or, if necessary the Department Head. Early intervention will assist in the achievement of objectives and a subsequent satisfactory review.

To ensure the on-going value and quality of the PMS, it needs to be reviewed on a regular basis, in consultation with staff interests, to ensure that it remains relevant to both the Government departments, and to civil servants.

11.13 The Process of Implementation

The process of implementing a performance management system comprises three critical stages:

a. Preparation

b. The review discussion

c. Follow up¹²₁₀₇

11.13.1 Stage-1: Preparation

11.13.1.1 A great deal of ground work is required for performance management. It is imperative for the Reviewer to give adequate notice to the person reviewed, prior to the review discussion. This being a sensitive issue should be handled carefully. It should be taken care that there is no unnecessary delay on this matter.

11.13.1.2 It is required to make the officer being reviewed understand that the review is a platform where associates can give and take feedback. If the person being reviewed is adequately prepared it would ensure a focused and incisive review.

11.13.1.3 The Reviewer should also be prepared for undertaking a performance management exercise. He/she needs to go back to the goals set out for the person being reviewed, in the previous year and see what was promised. Results over the year should be assigned, by talking to the associate's circle of influence, comprising his/her boss, peers and juniors.

11.13.2 Stage 2: The Review Discussion

¹²₁₀₇Michael Armstrong & Angela Baron. Jaico Publishing House.2002

The review discussion can be further divided into three stages:

- Review
- Explore
- Agree

11.13.2.1 Review involves discussion on performance in the previous year. This is the evaluation of the targets achieved or not achieved, the reasons for the outcomes, the factors that were under control or were out of the control of the employee for the desired results etc.

11.13.2.2 Exploring is an integral part of the goal setting process. Here the ideas should not be imposed on the person being reviewed, instead he/she should be made comfortable for his/her flow of idea and the goal setting.

11.13.2.3 Agreement is vital if goals have to be set. The desired goals are mutually set by the reviewer and the person being reviewed. The reviewer should take care of the fact that the goals that are set should be the result of the ideas of the person being reviewed. This will trigger ownership of goals from the person being reviewed.

11.13.2.4 Once the goals are decided upon, they should be put down on paper and a copy given to the person to be reviewed as a point of reference for the year.

11.13.3 Stage 3: Follow up

11.13.3.1 It is necessary to ensure that performance management is a continuous activity and not a once in a year activity. It includes informal review discussions on a periodical basis, encouragement when due and guidance when necessary. It does not envisage castigating an officer or being overtly critical. The idea is to let the officer focus on his/her agreed goals and be given the freedom to work but with the stipulation that he/she alone will be accountable for the results/outcome.

11.14 Performance Agreements

11.14.1 Performance agreement is the most common accountability mechanism in most countries that have reformed their public administration systems. This has been done in many forms - from explicit contracts to less formal negotiated agreements to more generally applicable principles. At the core of such agreements are the objectives to be achieved, the resources provided to achieve them, the accountability and control measures, and the autonomy and flexibilities that the civil servants will be given.

11.14.2 In New Zealand, for example, the Public Finance Act of 1989 provided for a performance agreement to be signed between the chief executive and the concerned minister every year. The performance agreement describes the key result areas that require the personal attention of the chief executive. The

expected results are expressed in verifiable terms, and include output-related tasks. The chief executive's performance is assessed every year with reference to the performance agreement. The system provides for bonuses to be earned for good performance and removal for poor performance. The assessment is done by a third party - the State Services Commission. Due consideration is given to the views of the departmental Minister. A written performance appraisal is prepared. The chief executive concerned is given an opportunity to comment, and his/her comments form part of the appraisal.

11.14.3 The Centres de Responsabilite in France is another example. Since 1990, many State services at both central and devolved levels have been established as Responsibility Centres in France. A contract with their Ministry gives the Directors greater management flexibility in operational matters in exchange for a commitment to achieve agreed objectives. It also stipulates a method for evaluating results. Contracts, negotiated case by case, are for three years.

11.14.4 Reforms in these countries are instructive in the way accountabilities were clarified as a necessary first step. The important part of this clarifying process was that it was done by law. As a result of legal clarification of accountabilities, the civil servant in charge of a department became directly accountable to the departmental Minister through the annual performance agreement that was defined in advance and used as a benchmark for measuring end-of-the-period performance. In India, a provision in the proposed Public Services Law could be incorporated specifying that the heads of the line departments or of the executive agencies whenever they are set up, should sign annual performance agreements with the departmental Minister.

11.14.5 The performance agreements should be signed between the departmental Minister and the Secretary of the Ministry as also between the departmental Minister and heads of Department, well before the financial year. The annual performance agreement should provide physical and verifiable details of the work to be done by the Secretary/Head of the Department during the financial year. The performance of the Secretary/Head of the Department should be assessed by a third party – say, the Central Public Services Authority with reference to the annual performance agreement. The details of the annual performance agreements and the results of the assessment by the third party should be provided to the legislature as a part of the Performance Budget/Outcome Budget.

11.15 Recommendations

a. A good employee performance appraisal system is a pre-requisite for an effective performance management system. The existing performance appraisal system should be strengthened on the following lines:

- Making appraisal more consultative and transparent – performance appraisal systems for all Services should be modified on the lines of the recently introduced PAR for the All India Services.
 - Performance appraisal formats to be made job specific - the appraisal format prescribed for civil servants should have three sections i.e. (i) a generic section that meets the requirements of a particular service to which the officer belongs, (ii) another section based on the goals and requirements of the department in which he/she is working, and (iii) a final section which captures the specific requirements and targets relating to the post that the officer is holding.
 - *Performance appraisal should be year round:* provisions for detailed work-plan and a mid-year review should be introduced for all Services.
 - *Guidelines need to be formulated for assigning numerical rating:* DOPT should formulate detailed guidelines to guide the reporting and reviewing officers for assigning numerical ratings for their subordinates. Training modules for implementing performance management systems should be designed and introduced for training programmes for civil servants.
- b. Government should expand the scope of the present performance appraisal system of its employees to a comprehensive performance management system (PMS).
- c. In implementing PMS in government, it must be emphasized that the PMS should be designed within the overall strategic framework appropriate to the particular ministry/department/organization. It is also necessary to link individual contributions to strategic objectives of the organization. It will therefore be necessary for each ministry/department/organization to customize its PMS relevant to them, while incorporating the general features described in Chapter 11.
- d. Annual performance agreements should be signed between the departmental minister and the Secretary of the ministry/heads of departments, providing physical and verifiable details of the work to be done during a financial year. The actual performance should be assessed by a third party – say, the Central Public Services Authority – with reference to the annual performance agreement. The details of the annual performance agreements and the result of the assessment by the third party should be provided to the legislature as a part of the Performance Budget/Outcome Budget.