

PERFORMANCE MANAGEMENT - PRINCIPLES AND IMPORTANCE

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Abstract

Performance management is not an easy field to follow, since it is constantly evolving and hence the need for an efficient performance management system. The new performance management trends appear every year and, too often, the employees are left feeling inefficient or unmotivated, and the managers are frustrated because of the poor levels of individual and team performance. Fortunately, more and more organizations are realizing the importance and benefits of the effective performance management systems. The first step towards revitalizing and improving the existing performance processes is to understand what an effective performance management system is, which is the key to the overall functioning of the organization and the achievement of objectives.

Keywords: *management, performance, objectives, improvement, organizations, principles.*

JEL Classification: M12, M16, M20

I. Introduction

At a time when public sector expectations are rising, and resources decrease is a general concern, performance management is on the agenda. The value of performance management systems is itself increasingly being addressed, with more attention being paid to implementing the efficiency of performance management. The performance management system, which usually includes performance assessment and employee development, is the “Achilles’ heel” concerning the management process, which is flawed in many organizations, with employees and managers regularly complaining about their inefficiency, this suggests that there may be poorly designed performance management systems, and in this way the process causes difficulties in the performance management. Rather, difficulties arise because, in essence, performance management is extremely personal and is often a threatening process for both managers and employees.

Performance management is a comprehensive topic that includes several aspects, such as measuring or evaluating performance, motivation, employee involvement or participation, trust, etc. Performance measurement is part of performance management. The concept of “performance measurement” is widely discussed, although an acute definition of the subject remains elusive. Andy Neely in the “International Journal of Operations and Production Management” - 2005 defined it as “the process of quantifying action, in which measurement is the process of quantification and the action leads to performance.”

All operations need some kind of performance measurement, as a prerequisite for improvement, and they are important in assessing the skills of managers and supervisors who are responsible for knowing how, when and where to apply a variety of changes that cannot be implemented without knowledge of the appropriate information that is required.

In this regard, we believe that the definition of behavioral skills provides a solid basis for differentiating between employees who perform more or less efficiently than others. Skills should also be defined to reflect the different levels of responsibility, complexity and difficulty that characterize the jobs of employees at different levels within an institution. Employees are paid differently, depending on their experience, responsibility and contributions within an institution. For performance evaluation purposes, it is important to clearly establish how expectations change at different levels (e.g., core employee, experienced employee, and manager), as well as what reflects more or less efficient performance at work, on each level.

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Performance is seen as an achievement of the organization in relation to its set of goals, including the results obtained or achieved through the contribution of individuals or groups to achieve organizational goals. The term performance includes social, economic and behavioral results. The aspects of performance appraisal and employee development are considered an integral part of the performance management. When performance management is done in a satisfactory manner, it proves to be advantageous for both employees and the institution. The main acquired factors that result in efficient performance management are, clarification of job responsibilities, increased individual and group productivity, capacity development among employees to the full through operational feedback and coaching, as well as the goals and values of the institution, which provide the basis for making operational decisions on human capital, namely payroll and reimbursement and improving communication between employees and managers (Battista M., 2020).

Performance management is considered an essential tool of all types of organizations. Managers, directors and bosses are required to pay special attention to improving performance management. Performance management can lead to a number of important results for employers, employees and the institution as a whole. This concept must be given constant attention.

It is obvious that when individuals perform at work in an efficient way, they will generate the desired results, will form good relationships with the other members of the institution and will bring satisfaction at work. It is essential for all members of the institution to focus on their level of performance (Arup V., Pawan B., 2019). It is not only essential to improve your performance, but also to learn how to manage it. In order to manage their performance, it is vital for them to upgrade their knowledge and skills in various aspects and to generate awareness of modern, technical and innovative methods. In addition, it is essential to communicate well with the others and work in coordination.

II. Principles of Performance Management

The efficiency of performance management can be promoted within organizations, when human resources are aware of the various principles. The quality and effectiveness of performance management is a reality in organizations only when certain basic principles or basic management practices are followed. The most important of these are:

Organizational goals - Organizational goals are vital principles that influence the performance of individuals. When individuals are recruited from organizations, it is crucial for them to raise awareness concerning the organizational goals. When they are aware of the organizational objectives, they will be able to perform their duties in a well-organized and satisfactory manner. Furthermore, this is vital for improving skills that could facilitate the achievement of the desired results. Individuals usually generate information that targets organizational goals. To achieve organizational goals, there are many factors that will be considered. Having information on these factors would lead to effective performance management.

Transparency - When decisions need to be made within the organization regarding various issues such as planning, organizing, leading, coordinating, evaluating performance, job duties, salaries and reimbursements and so on, employees need to be assured that these are beneficial to them. For example, when decisions are made about changes in the working conditions, these decisions must be communicated to them. Therefore, it can be said that transparency is encouraging clarity.

Continuous employee development and training - Employee development is one of the most important factors within an organization. For example, the employees encouraged to participate in decision-making within an organization will have opportunities to improve their career prospects, they will be able to grow, and they will have the opportunity to gain leadership opportunities. It is essential to recognize the talents and abilities of the employees

(Aubrey D., 2007). Moreover, they should be encouraged to attend meetings and be allowed to express their ideas and perspectives.

The main objective of the training programs is to provide new knowledge to individuals to improve their performance. There are various methods that are used in training and development programs. The methods that are used can be one or more. They are dependent on the goals and objectives of the organization. For example, when the workforce needs to be trained regarding the use of machines in order to increase the productivity of goods, they can also be provided with practices as well as theoretical knowledge. On the other hand, when employees have to work on a research project, the training focuses on field visits because they are needed to collect quantitative and qualitative data. Therefore, it can be stated that training and development are considered important in encouraging performance management, being considered one of its essential principles.

Rules and values - are seen as essential principles, for which they must be observed from the outset. Recognition of values and norms not only allows individuals to perform their duties well, but also to become productive members of the organization. Employees must perform them when they are recruited within the organization. The implementation of the values and norms allows individuals to perform their duties in a well-organized manner, to obtain professionalism and to maintain good relations with other individuals within the organization. The values and norms are recognized primarily through communication in a decent and respectful manner with the others, providing equal rights and opportunities for all and the implementation of the traits of honesty, justice and truthfulness.

Use of technology - In today's existence, technologies have made a significant contribution to influencing performance. In implementing service tasks, employees must make extensive use of technology. For example, in management and administrative functions, individuals use computers extensively, so when they are recruited, this is one of the important aspects to consider. The use of technology has been largely beneficial to employees. Moreover, they are able to manage the accomplishment of various tasks and activities in an efficient, resourceful and conscientious way.

The feedback system - Once employees have gained effective training and generated awareness of the implementation of work tasks, they want feedback from managers or supervisors on their performance. The feedback system is considered an important factor for employees. When the feedback system gives positive results, it turns out that employees perform their duties well. On the other hand, when the result is negative, improvements will have to be made in the performance of duties. It is vital to monitor the feedback system continuously. In addition, it is essential to generate feedback to lead to better performance management. Therefore, it can be stated that through an effective feedback system, employers and employees generate awareness and increase their understanding regarding the implementation of performance in accordance with the desired goals and objectives.

III. The Importance of Performance Management

There has been a phenomenal change in the business world in recent decades. Globalization and the arrival of technology have not only created new markets, but also intense competition for business. Performance management has developed into an important organizational process and, since the 1990s, there has been an increasing emphasis on "high performance" and "high-commitment work practices" (Armstrong M, 2003).

The full development of human capital is considered vital in this knowledge-based economy. Organizations that ensure employee satisfaction, motivation and active employee participation have a distinct competitive advantage. A motivated workforce also helps the organization reduce inefficiency and significantly increase productivity. Thus, efficient performance management has become an integral aspect of human resource management.

In today's organizations, employee management is the essential component of success, and employees are at the forefront. Therefore, HR departments in organizations actively pursue the evaluation and optimization of performance through several techniques and approaches.

Lately, gaining a competitive advantage has become a major target for organizations. As a result, organizations have made several attempts to support competitive advantage in relevant industries around the world (Kavanagh, 2007). Performance management plays a very important role in today's organization. It is a very useful tool that is used by many organizations to achieve efficiency, effectiveness and organizational goals. Performance management can be done both individually and organizationally. Therefore, it is of utmost importance to have a good performance management system in organizations, in order to facilitate the achievement of organizational objectives.

Performance measurement is undoubtedly a very useful device when used to manage various organizational programs. For example, it helps to track the progress of a program towards higher overall goals, as well as to identify strengths or weaknesses. Indeed, it is precisely for these reasons that Soo and Lewis (2009) stated that "employees and managers should be actively involved in performance measurement activities to track inputs and outcomes".

The fundamental need for this type of measurement program is to get accurate feedback on a company's goals, which helps to improve the company's prospects, in order to achieve these goals in the best way.

Furthermore, performance measurement provides managers with an effective way to collect data on how different resources and efforts are used, as well as how to best use them.

In essence, performance measurement can be defined as the use of statistical evidence to determine a company's progress toward certain goals or objectives. This may include providing evidence of actual facts as well as measuring customer perceptions.

Performance measurement begins by highlighting any services that a company promises to provide, and then provides data to company managers on how efficiently these services are provided (Neely, 2002).

However, this information, which is provided by measuring performance, is only a small aspect of the data, which managers or decision makers within organizations require to make well-informed decisions. Performance measurement, therefore, is only one part of the management process of the organizational performance. It must be combined and evaluated with other vital information to develop the manager's understanding of why certain outcomes occur and how these programs bring value to an organization or its processes.

Employee evaluation is important, because if employees are aware that they are not being evaluated, then they may choose to do less work, take their pay, or not participate constructively in the company's goals. All of these attitudes and actions have a negative effect on a company and will also likely mean that the organization will lose the skills and knowledge of these employees, as well as any customers who may experience a service. Moreover, if employees are aware that they need to achieve certain goals, this can add motivation to provide a higher standard of work, as well as to provide better quality services to customers.

An excellent performance management system contains various tracking mechanisms that allow managers to continuously monitor the performance of their team. These mechanisms can be both human and technological in nature. On the human side of things, good performance management means that managers regularly deal with employees, make a conscious effort to identify problems as they arise and seek to achieve the proposed objectives.

Regarding the technology side, the performance management software can help companies identify things like errors, malfunctions and crashes. However, efficient performance management does not necessarily require very sophisticated or expensive software. Performance management is an ongoing process and not something that is limited to annual evaluations. There

is a need for a system that allows managers to track, evaluate, reward and, where necessary, correct employee performance as part of their day-to-day activities.

A good performance management system always works to improve the performance of an organization, playing an important role in its management. The performance management system contributes to organizational benefits, employee benefits and manager benefits and has a positive influence on job satisfaction and employee loyalty. A well-managed performance management system has clearly defined objectives and a regular performance evaluation of all individual employees and therefore helps to develop the training and development plans needed by employees.

A well-managed performance management system plays an important role in managing performance within an organization by:

- employees understanding the importance of their contribution to achieving organizational goals
- ensuring the correct alignment of objectives and supporting communication throughout the organization
- helping a cordial relationship between an employee and a manager, based on trust
- providing scope and opportunities for incentives, rewards, performance and career development
- helping to discover the training and development needs of the employees (Pitaru D. 2000)

In today's world, performance management is an essential part of any business strategy. Nowadays, as a manager, it is much easier to gather and analyze data from all contact points within the organization. As such, setting and tracking key performance indicators is not a difficult task.

A good performance management system will proactively involve employees in the process of setting the organization's goals. It will also ensure that all objectives are in correlation with the overall objective of the organization. It is imperative that the leader of the organization recognizes the importance of performance management. By avoiding this, he will do nothing but prepare for disaster.

Performance appraisals are essential for both the growth of a company and its employee. It helps the company find out if the employee is productive or a liability. It helps the employee find out where his/her career is headed. It is an essential part of human resource management.

Improving employee competitiveness and performance are considered key to the success of organizations, and performance measurement tools and performance management programs are vital to the organization.

Conclusions

Performance management is a way to systematically manage people for innovation, focus on goals, productivity and satisfaction. It is a congruent win-win strategy. Its main objective is to ensure the success of all managers, namely of all work teams that believe in its process, its approach and implementation being achieved with sincerity and commitment. The success of managers is reflected in the final result of the organizations in terms of achieving the planned objectives.

Performance management is an endless spiral that links several processes, such as performance planning, year-round performance management, performance evaluation and management potential. It also includes recognizing and rewarding success at the end of the year. Performance management links these processes in such a way that a person managing performance is always oriented towards achieving organizational goals. Performance management creates a positive goal-oriented motivation and aims to reduce conflicts within

the organization. We can realize that organizations could not be successful if they do not have a good performance management system. Each manager must develop their own performance management system. While some performance management rules are explicit, others are not so clear even for managers. It is said that the standards or expectations that define good performance can be generally understood, but are rarely specific.

Performance management is a holistic process, largely participatory and congruent with the objectives of managing and supervising managers in the workplace. It is understood as a systematic and organized approach to managing and rewarding performance by generating and sustaining the positive motivation of the manager or even employees. Its relevant dimensions include performance standards - representing organizational goals, recognition and reward.

According to Armstrong, “performance management is a means of achieving better outcomes from organizations, teams, and individuals by understanding and managing performance within the agreed framework of planned objectives and competency requirements” (Armstrong M., 2003). It is a process of establishing a common understanding of what is to be achieved and an approach to managing and developing people.

Performance management is a strategic and integrated approach to ensuring the sustained success of organizations by improving people’s performance through development of the capabilities of teams and individuals. Performance management is a strategic tool because it is concerned with achieving long-term organizational goals and the efficient functioning of organizations in its external environment. Performance management performs four types of integrations, namely, vertical, functional, human resources and objectives.

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