



Performance Management Appraisal: Approaches in the Private and Public Sectors

Yining Ma^(✉)

Surrey International Institution, Dongbei University of Finance and Economics, Dalian,
Liaoning 116000, China
2019211403@sii.dufe.edu.cn

Abstract. Since the 1980s, the pace of economic globalization has been increasing faster, leaving a competitive market. In this situation, an enterprise must constantly improve its overall efficiency and performance if it wants to take up the market. To create more value, companies struggle to find the best way to manage performance, but few have succeeded. Complete and active performance management (PM) must make the organization and employees understand that even though PM involves performance evaluation, its final purpose is not to debate or emphasize the problem of low-effective performance, and that is, a promotion rather than a blame system. As an important part of human resource management (HRM), PM should aim at improving overall organizational performance and maximizing organizational benefits. Based on the research literature and enterprise examples, this paper concludes the performance evaluation strategies that are suggested to be taken by the private (360-degree appraisal) and public (formalizing performance evaluation systems).

Keywords: Performance management · Human resource management · Performance management appraisal · Government evaluation

1 Introduction

In today's world, the environment in which enterprises are located is very different from before: fierce global competition has become more common. In countries around the world, state-owned enterprises are being privatized on a large scale and the pace of technological change is increasing exponentially. Market need for new products and services, more and more customers to the traditional view to ask for higher quality products and services. For example, the plane passengers not only need to flight arrive on time, luggage properly handle quickly, also hope to have more rack, window or aisle seats - even in the economic cabin to provide generous rewards [1]. In this increasingly partisan environment, managers are facing a fierce war and this phenomenon will continue for quite some time. With the growth of consumer demand, increasing global partisanship, and diminishing economic leverage in places like the United States and Europe, it is clear that the current market instability has not gone away, and that change has become and will remain the only constant. What worries companies is not that management is

unaware of the problem, but that they are unable to take substantive steps to solve it. There are a large number of books on human resource management and performance evaluation, but few mention the corresponding tools. Therefore, this article may provide enlightenment for PM through the way of performance evaluation in the two cases of Netflix and India's government.

As it will be shown in this paper, the link between PM appraisals to the wider concept of PM and how this integrates more widely with core HRM practices will be discussed first. Then two detailed cases with constructive PM appraisal approaches will be discussed respectively. The different emphases of the two departments' project management practices resulting in their different preferences/choices for the project management evaluation system will be analyzed. Finally, the paper will summarize the benefits of using these methods.

2 PM, PM Appraisal and HRM

As an indispensable part of enterprise operation, PM plays the role of a core link for an enterprise to achieve its competitive or comparative advantages. Different from other HRM branches, PM is not only a necessary and important component of strategic management but also depends on the development strategy of the company to set its ultimate goal. As Armstrong and Baron stated in 2004, the definition of PM is under the general direction of ensuring the consistency between employees' personal goals and organizational goals, line managers or management should keep positive and effective conversations with employees to deepen their understanding of specific goals [2]. According to the performance evaluation of employees, the line manager can formulate measures conducive to work progress and motivate employees in a multi-dimensional manner. At this time, employees' goals are in accord with the enterprises', so they can not only achieve organizational goals but also achieve the development of themselves, truly realizing an internal win-win situation.

PM appraisal has a close relationship with PM and it can be said that it is fully involved in PM. Human resource management usually provides theoretical method support for managers from various fields of an organization, making managers at all levels come to be the subject of PM rather than employees. Performance management evaluation is a human resource tool for performance management, in which three steps are the most important: work standard-setting, performance evaluation and feedback communication [3]. The three-step performance appraisal theory can assist the sector's effectiveness, which can also provide core HRM with a decision basis. Therefore, regular performance management evaluation should be added to the process of performance management, to quantify performance and count how much contribution individuals or teams make to achieve goals. If the employee's total output is not up to acceptable standards, then incentives and even disciplinary systems may be necessary. No matter what means or methods are used, the ultimate goal should always be to achieve the company's goals, which is the meaning of PM.

3 Suggestions on PM Evaluation Strategies

3.1 The Private Sector: 360-Degree Appraisal (Netflix)

A private corporation might be one of the most popular business structures on the world scale [6]. With a flexible structure, their final purpose is to maximize profits and satisfy investors. As a result of this, private enterprises often need a well-planned, mature and stable performance evaluation system. Therefore, it can be concluded that the performance management appraisal methods adopted by private enterprises should be easy to implement and not limited by scale. Fletcher believes that due to the multiplicity of different company structures, operation processes and corporate cultures, multiple channels and information sources should be referred to as an evaluation, rather than arbitrary top-down evaluation by executive managers [7]. To overcome the disadvantages of this highly assertive evaluation method, 360-degree evaluation usually takes feedback from multiple sources, such as employees themselves, team members, and administrative managers into consideration to reduce bias or misunderstanding.

For Netflix, they are more likely to adopt a combination of extra methods, such as a pay and reward system, and breathe company values into everything they do. They want to reward and promote generously those who demonstrate their values, and fire-free riders who always slip through. It seems simple, but it's a big deal. In fact, Netflix takes the bold step of scrapping annual performance reviews altogether in favour of 360-degree appraisal. "Stack ranking" is used by Netflix for performance management through alternative annual evaluations of employee rankings and evaluations among employees. The reviews were initially anonymous to avoid embarrassment; Netflix then decide to use real-name 360-degree reviews, opting for full transparency because they are confident that employees could handle anything if they know the truth. All evaluations will be done on Netflix's internal platform, the Continuous Feedback tool. Besides, every aspect of a member's performance is monitored --- from the very beginning of the induction process, employees are collected as part of data objects [8].

Adopting 360-degree assessment not only allows the assessors to get objective feedback on their overall performance, especially senior managers who are often neglected in the assessment system. Though this method is suitable for the flexible structure of the private sector, it still has some disadvantages. Because all the employees are needed in the process of 360-degree evaluation, this will unavoidably take up time and resources [9]. Simultaneously, it is difficult to establish a uniform standard of assessment. First, the evaluator could not guarantee that every participant would be calm and objective; Secondly, the organization cannot ensure that the line manager conducting the evaluation has extensive experience and systematic training in receiving feedback. But private companies tend to focus on benefits rather than people, so a 360-degree approach is the most effective.

3.2 The Public Sector: Formalizing Performance Evaluation Systems (INDIA's Government)

The public sector usually provides public services, which is conducive to the promotion of public interests of various organizations collectively. They use absolute public power

to seek social public interests, responsible for the society and the public, not for profit. The public sectors usually share some common characteristics that their daily routine is connected with transactional services. The problem is the performance management of the Public Ministry is that output is difficult to be quantified [10]. Because the products or services it produces are some “non-commodity” outputs, and the opportunity cost currency price cannot be generated, the quantity cannot be accurately measured. In addition, services provided by the public sector are “non-competitive”, meaning that comparable cost and benefit data are not available. Almost all countries have established some form of state-owned enterprises performance evaluation system, only countries with completely decentralized ownership have no formal evaluation system. In most cases, management performance appraisal is carried out annually by ownership or coordinating entities, and performance appraisal systems in the public sector typically include performance contracts and incentive mechanisms. These methods are used to formalize the performance evaluation process and thus increase its effectiveness. In the Indian government, a “contract performance system” has been adopted, also called the memorandum of understanding system, to evaluate the performance of a public organization. The system seeks to give public sector managers greater autonomy and make them more accountable for their performance, which utilizes the Conceptual Objectives of Management [11]. Public sectors are monitored through prior supervision, with targets and performance evaluations set at the beginning of each year and fine-tuned periodically to ensure that it keeps pace with developments in the public sector itself. Executives can receive financial incentives and rewards, such as promotions, based on the performance of state-owned enterprises against targets outlined in the memo. Indian authorities report that executives are selected on the basis of their track record, educational qualifications, ability to work in teams and their communication skills, which are key for Indian executives.

This approach helps clarify issues, strengthens the accountability of private sector managers and gives them greater autonomy to oversee day-to-day operations. To assist explain objectives, the utilization of performance contracts promotes the implementation of some basic policies of state-owned enterprises [12]. However, the board of directors must play a full role in this process so as to fulfil its basic functions of formulating strategies and supervising management. Nonetheless, most public organizations in the performance evaluation system apply the senior management incentive mechanism, such as salary encouragement or administrative promotion, so although can promote more attentively to their department managers, but this kind of practice to some extent deviated from the standard of state standards, increase differences in corporate governance arrangements, rather than fundamental policy differences. According to Vroom’s Expectancy theory, $\text{motivation} = \text{expectancy} \times \text{instrumentality} \times \text{valence}$, which means the greater a person’s grasp of the goal, the stronger the motivation will be, and thus the greater his positivity [13]. The performance evaluation system of the public sector often ignores the organizational rewards of ordinary employees, resulting in fewer opportunities for them to be entrusted with important responsibilities or to develop upward. If employees lack these incentive goals, their work enthusiasm will be reduced to a large extent and they will be inactive, thus the service quality of the enterprise will decline and the burden will be increased.

4 Conclusion

The similarity of the two PM evaluation methods mentioned above is that they all embody the ideas and methods of contemporary management. As it was stated by Dessler, the biggest difference between old and new PM appraisal is whether IT is used [14]. An enterprise is a complex system, and its operating performance is affected by many factors. Therefore, the evaluation of its operating performance is a rich systematic project, which must be comprehensively considered by considering various factors in order to truly reflect its performance objectively and correctly [15]. All PM appraisal methods serve to achieve the ultimate goal of the enterprise. It is a mean to help employees clarify and understand the intention of the organization, mobilize their participation through incentive mechanisms such as salary and reward, and increase their enthusiasm for work. From the perspective of disadvantages, as a key link to ensure performance evaluation, it is difficult to achieve a complete performance management process. This is because of differences in the personal needs or career development plans of employees, so it is difficult for the line manager to make a unique reward plan for each employee. If the difference between the reward plan and the expectation of employees is too large, the employees may slow down or reduce their efforts. Through the case study of two different enterprises, this paper hopes to provide new ideas and examples of tools for contemporary PM. Managers should also keep pace with the Times and constantly improve the existing performance management system.

Authors' Contributions

This paper is independently completed by Yining Ma.

Acknowledgements. Thanks to Prof. Lichtenberg and Ms. Wang Cuihong for their academic guidance on the paper and my family for their support.

References

1. A. Souifi, Z. C. Boulanger, M. Zolghadri, M. Barkallah & M. Haddar, From Big Data to Smart Data: Application to performance management [J] IFAC PapersOnLine, vol.54, no.1, 2021, pp.857–862.
2. M. Armstrong & A. Baron, *Managing Performance: Performance Management in Action* [M] London: CIPD, 2004.
3. M. Bergstedt, *The Performance Appraisal Process: Part 1 of Effective Employee Performance Management*. Oct 20, 2010. <https://www.aisel.org/chenected/2010/10/performance-appraisal-process-part-1-effective-employee-performance-management>
4. W. Shewhart, *Economic Control of Quality of Manufactured Product* [M] New York: Van Nostrand, 1931.
5. P. Drucker, *The Practice of Management* [M] New York: Harperbusiness, 1954.
6. S. Lindquist, Privatization Through Related Corporations: Liability Considerations [J] *Review of Public Personnel Administration*, vol.23, no.4, 2003, pp. 323–327.
7. C. Fletcher, Performance appraisal and management: The developing research agenda [J] *Journal of Occupational and Organizational Psychology*, vol.74, no.4, 2001, pp.473–487.

8. Performyard, How Does Netflix Do Performance Management? Feb 3, 2022. <https://www.performyard.com/articles/how-netflix-does-performance-management>
9. B. Heijden & A. Nijhof, The value of subjectivity: problems and prospects for 360-degree appraisal systems [J] *The International Journal of Human Resource Management*, vol.15, no.3, 2007, pp.493–511.
10. S. Park, Motivation of Public Managers as Raters in Performance Appraisal: Developing a Model of Rater Motivation [J] *Public Personnel Management*, vol.43, no.4, 2014, pp.387–414.
11. D. Halpern & S. Osofsky, A Dissenting View of MBO [J] *Public Personnel Management*, vol.19, no.3, 1990, pp.321–330.
12. OECD, *State-Owned Enterprises in Asia: National Practices for Performance Evaluation and Management*, 2016. <https://www.oecd.org/daf/ca/>
13. H. Vroom, *Work and Motivation* [M] Wiley, New York, 1964.
14. G. Dessler, *Human Resource Management* [M] Pearson: Courier Kendallville, 2016.
15. R. Sepehrirad, A. Azar & A. Sadeghi, Developing a Hybrid Mathematical Model for 360-Degree Performance Appraisal: A Case Study [J] *Procedia - Social and Behavioral Sciences*, vol.62, no.1, 2012, pp.844–848.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

