

Poor Performance Management or Management Trick

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Abstract

This article follows events faced by Nisha Verma, a talented employee at Lotus Beauty Care Pvt Ltd, Haridwar. While Nisha's consistently good performance was acknowledged by even her superiors, she was shocked to receive a poor performance appraisal in 2018. While she tried to talk to her superiors to know the reason for such a poor appraisal, she got no clear answer. This case study examines the event and seeks to determine whether: (a) Nisha really received the appraisal she deserved?, (b) it was a case of poor employee performance management on the part of Lotus? or (c) it was a deliberate ploy by Lotus to oust Nisha so that they could hire someone else for a lower salary?

This article aims to:

1. Analyse the performance appraisal method used to assess the performance of Nisha Verma.
2. Examine the basis on which Nisha Verma was given a poor performance appraisal.
3. Analyse Nisha's performance appraisal and the events that followed
4. Debate whether the issue was just a case of wrongly (or otherwise) performed performance appraisal, or a deliberate attempt by Lotus to oust Nisha in order to hire someone else at a lower salary.

Keywords

Performance management, talent retention, attrition, grading, key performance indicators

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Introduction

Organisations invest a considerable amount of time in performance management systems, which in simple terms involve setting of goals aligned to business priorities and evaluation of employees against set priorities for taking various decisions with people-related implications. Companies are radically rethinking the way they measure, evaluate and recognise employee performance. Indeed, performance appraisal is one of the key features that determine an organisation's success. On the other hand, it helps organisations assess their productivity and reevaluate the means to improve. This case study explores performance appraisal issues faced by Nisha Verma, a talented employee at Lotus, a beauty and personal care product-manufacturing company in Haridwar, India. The study analyses Nisha's performance appraisal process and its consequences; it examines the event and seeks to determine whether Nisha really received the appraisal she deserved, whether Lotus poorly managed Nisha's performance appraisal or whether it was a deliberate ploy by Lotus to oust Nisha so that they could hire someone else at a lower salary?

Research Methodology

The present study used the participatory research method, which involved personal interaction with respondents engaged in various activities such as sales, HR, finance, operations, etc. Data were collected through structured personal interviews. The participatory technique is considered to be the most appropriate for in-depth learning and understanding of organisational transformation processes. Furthermore, the participatory method enables researchers and respondents to interact in person, which allows for a certain degree of openness that otherwise would not be possible. Such personal interactions give researchers the opportunity to ask questions and exchange information and ideas that may not necessarily be a part of the structured survey instrument. The process may also bring to light issues that were earlier not thought of or reveal facts that were previously not known.

Performance Management: Overview

It is commonly acknowledged that in this day and age, successful organisations seek to attract and retain the best talent to survive extreme competition and gain a competitive advantage over competitors. Thus, performance management systems (PMS) have gained much significance. For best results, firms look to align PMS with organisational systems, objectives and goals. PMS is thus seen as a powerful strategic tool to keep hard-working and committed employees motivated and satisfied, and achieve critical organisational goals (Jain & Gautam, 2014).

Historically, performance management was restricted to fixing employee wages or salaries and shaping employee behaviour to achieve specific outcomes. With time, this approach seemed inappropriate and inadequate for most firms and institutions. Advancements in technology also forced changes to traditional approaches as organisations had to become more knowledge-intensive to adopt

technology-driven manufacturing processes (Helm et al., 2007). Gradually, the focus and scope of PMS expanded to encouraging learning and developing conducive work environments. In recent years, PMS has evolved into a more formal, comprehensive and specialisation-oriented domain.

Simons (2000) emphasised that an effective PMS could not be designed and executed without taking human behaviour into consideration. Holloway et al. (1995) also highlighted the importance of understanding behavioural factors of performance management. Roberts (2003) suggested the following steps in performance management: establishing organisational and individual objectives; setting up reward systems; establishing training and development schemes; providing feedback; individual career planning; evaluating existing PMS; and intervention and culture management. Armstrong and Baron (2004) saw performance management as a tool to make sure that managers managed effectively. This implied that workers knew what was expected of them and possessed adequate skills to meet expectations, had organisational support and were given performance-related feedback, and could converse and contribute to individual and team objectives. According to Watkins (2007), performance management was vital to public as well as private enterprises. Helm et al. (2007) were of the view that PMS was essential to developing a performance-orientated culture; it aligned employee performance and firm objectives. It also strengthened the pay–performance link. Bhattacharjee and Sengupta (2011) stressed that employees were the most valuable organisational assets and that if a firm wished to grow, it was important to manage these assets.

The commonly used PMS approaches to assess employee performance include:

General Evaluation

This involves consistent communication between employee and manager. This type of assessment is performed throughout the year and is more informal and verbal in nature. This way, goals are set, feedback provided and new targets established.

Performance Ranking

This approach involves assessing and ranking employees on the basis of their performance. Generally, the best performer is ranked the highest.

Grading

Under this method, employees are graded, say ‘A’ to ‘F’ (high to low), on the basis of their work in several work-related areas (Clausen, 2008).

Goal Tracking

This system assesses employees by project. In other words, an employee is assessed on the basis of how they performed on a project. The advantage of this

system is that goals are set for the whole organisation, departments and individuals. This way, each department and individual has their responsibility chalked out, which is in line with the overall organisational goal, making the evaluation more objective and effective (Drucker, 1954; Rana, 2014).

360-degree Evaluation

This involves getting evaluated by almost all stakeholders involved. Thus, an individual may be evaluated by customers, subordinates, superiors and peers. As multiple sources give feedback, this system of evaluation may prove to be quite effective (Wadhwa & Wadhwa, 2011).

Competency-based Evaluation

This approach emphasises employee skill and knowledge. Competency-based evaluation tests how well an employee can carry out one task or several tasks using their skills and knowledge. It may be said that employees are evaluated on the basis of their competency in an on-the-job setting (Campion et al., 2011).

Behaviour Evaluation

This method takes into account employee behaviour; a set of behaviours is used to assess employees. On the basis of data and employee-specific information, behavioural charts may be created to assess patterns of employee behaviour.

Case

Nisha completed her post-graduation in arts from Noida University and got a job in a middle-scale cosmetic firm at Noida as a marketing executive in 2009. Her job was mainly to promote the brand of the cosmetic company and secure better revenues year-on-year. Over time, she gained the reputation of being a 'seasoned' marketing professional. With an experience of over five years, Nisha was approached by Lotus Beauty Care Pvt Ltd, a beauty and personal care product manufacturer in Haridwar, and was offered the position of senior executive marketing. Established in 2004, Lotus Beauty Care Pvt Ltd made a name for itself in the list of top suppliers in India. The company is located in Haridwar, Uttarakhand; it is a subsidiary unit of Clarion Cosmetics and has been established by professionals with expertise in the manufacturing of cosmetics and personal care products such as lipstick, face cream, face wash and nail paint.

The cosmetics and personal care industry can be divided into many smaller segments. These include make-up, skin care, hair products, fragrances and toiletries. Combined, the segments form an industry that continues to grow and does

not show any signs of slowing down. Nevertheless, major changes did impact the industry, and Lotus could not remain untouched. Some major changes in recent years that impacted Lotus include the following:

1. Customers started prioritising skin care first and seeking more nature-based products. Minimalistic skin care brands with vegan, cruelty-free ingredients began fuelling the billion-dollar natural beauty movement as more consumers started questioning what exactly was in their make-up. Consumers came to become more concerned about health, wellness and issues such as natural resource depletion and environmental degradation; thus, the environmental performance of products and processes became a key consideration. Because of these reasons, major cosmetic companies, including Lotus have experienced sales slumps in recent years.
2. Lotus felt the shock of demonetisation in 2016 and the introduction of the new goods and services tax (GST).
3. Increasing competition with international and domestic players impacted the firm significantly. More importantly, Lotus did not develop its own stores. On the other hand, international brands such as L'Oreal, Sugar, EirNYC, SiO Beauty, Vendome Beaute France, etc. consistently consolidated their presence in the Indian market. The aforementioned negatively impacted revenues of Lotus.

However, through hard work and determination, Lotus improved its market position and revenues, and Nisha played a key role therein. In June 2017, Mr Kuldeep Arora, marketing head, Lotus Beauty Care Pvt Ltd, complimented Nisha for her achievements at an official party. He said that under the leadership of Nisha, the company was doing much better than the previous year; her capabilities to strategise and quickly implement had made this possible. The company rigorously followed key performance indicators (KPIs)—a quantifiable metric that reflects how well employees are achieving their stated goals and objectives. However, due to difficult times, the company had communicated to all employees that increments would be minimal. Nisha was consistent in her performance, and her performance rating was 3.9 out of 5 during 2015–2016, 4.1 for 2016–2017 and 4.4 for half a year in October 2018. These scores were based on individual KPIs aligned with KRAs. Transparency and integrity were vital to accounts and operations teams of the cosmetics company.

According to a marketing head in the company, Nisha was resourceful and capable; she was able to develop and oversee several aspects of a marketing campaign and manage product lines throughout their entire lifespans. She was equally good at market research and data analysis. Nisha was considered accessible, affable, a problem solver and a true asset to the company. No wonder, she always had the support of her seniors. However, things were about to change during the fall of 2018 when Nisha was jolted by a performance appraisal letter mentioning her a 'C' performer, which resulted in a meagre salary increment for the year.

Nisha contacted Mr Kuldeep to ask about the poor ratings assigned to her. She told him that a performance rating above 4.0 did not mean 'no increment' and asked why the appraisal team gave her a 'C' rating. Mr Kuldeep and the HR

team gave a clear explanation that the rating was assigned and the decision taken by the company sales team head Mr Saurabh. However, both Mr Kuldeep and Mr Saurabh looked into the matter and sent Nisha a revised recommendation, 'B+'. Nisha then asked Mr Kuldeep why she was not given an 'A' rating. He admitted that there had been several discrepancies in Nisha's appraisal process. Nisha told Mr Kuldeep that she had always given her best to work and achieved set targets and could not understand where her fault lay. He told Nisha that according to her HR record, there was some negative feedback from her team; she was absent at an important corporate meeting held last month, when she was expected to be present as a leader. Negative feedback also related to relations with peers and cooperativeness in team. Some colleagues also, at times, had a negative opinion of her. When Nisha asked for specific events and reasons behind her poor rating, Mr Kuldeep said it was against the company policy to disclose those details.

The Aftermath

To Nisha, the low rating seemed unjust. Despite having high numerical values (which implies she put in a lot of hard work), she received a poor rating, which led to job dissatisfaction and broke her commitment to the company. As she was given no specific reason or facts to justify the rating given to her, she decided to leave the job. Nisha began looking for a new job and soon got one in a multinational company at a senior position with a higher salary.

Discussion

The problem faced by Nisha while at Lotus is a common one. The case highlights several issues at the workplace closely related to employee engagement, morale, attrition, management attitude, employee–superior relationship and employee performance management. There are several issues that arise upon close examination of Nisha's case. The case establishes that Nisha was a talented, hard-working and result-delivering employee. She was appreciated and recognised by her superiors for her work and professionalism. She had been receiving good appraisals in the past. Then, suddenly, she received a poor rating in 2018. Nisha tried to seek reasons for the poor performance review but did not get clear answers except a few unconvincing reasons like not showing up for a meeting or her colleagues having a negative opinion of her. Another important observation is that her appraisal was later revised to 'B+' from 'C'. If Nisha had really performed poorly, then why the revision? This might be an indication that the poor review Nisha was given earlier was not entirely sincere; it was either a wrong review (even if not deliberate) or a purposeful act. On the basis of the information in the case, it may be said that Nisha did not deserve the poor appraisal she received. This is corroborated by the fact that her appraisal was revised. So, was it a case of poor employee performance management on the part of Lotus? This may seem likely, even if it were a one-off event as the previous appraisals Nisha received in the same company were

good. However, it is to be questioned how could this one evaluation go so wrong? Were the data not in place? Another question is, how could colleagues' opinion with respect to Nisha suddenly turn negative when she had been so widely appreciated in the past? Also, why was Nisha not given specific reasons for the poor evaluation (she was told it was against the company policy to do so)? These questions seem to refute the notion that it was a one-off incident of a performance appraisal having gone inadvertently wrong. This brings us to a third possibility—was it a deliberate ploy by Lotus to oust Nisha so that they could hire someone else for a lower salary?

While it would make sense to assume that Lotus would want to retain good talent, the case forces us to consider otherwise. Ideally, the performance appraisal process at Lotus should have given clear reasons for the poor assessment Nisha received. Doing so would also have provided for a transparent system of work, which, in turn, would reinforce employee trust in the organisation, ensure loyalty and avoid attrition. But from the case, it is apparent that the company did not show any serious intention as such. Could it mean that the company itself was not eager to retain Nisha? This way, the company could get a chance to hire new employees at a lower salary. Of course, this gives birth to another question—would the new hire be at least as good as, if not better than, Nisha? Or was the company management of the view that the job profile did not require exceptional talent? Again, what caused this shift in management thought? Also, the company had communicated to its employees (including Nisha) not to expect significant increments that year; if so, Nisha would have been prepared as such. Then why the poor appraisal? Why did not the company show eagerness to retain Nisha? Nisha clearly wanted to understand where exactly her fault lay to get the 'C' grading; she was not given any reason; add to it the fact that Mr Kuldeep himself had admitted that there had been discrepancies in her appraisal process. Nisha was probably more hurt by the way things were handled than the financial aspects (small increment) of the appraisal. She had always been a good employee and gave results. Telling her that she had not performed well and not giving her specific parameters on the basis of which this decision was made certainly struck her self-esteem. Ultimately, Lotus lost a good employee; it could be argued whether it was due to poor performance management or was done willingly.

Questions for Students

1. Analyse the performance appraisal method used to assess the performance of Nisha Verma.
2. Examine the basis on which Nisha Verma was given a poor performance appraisal.
3. Analyse Nisha's performance appraisal and the events that followed.
4. Debate whether the issue was just a case of wrongly (or otherwise) performed performance appraisal or a deliberate attempt by Lotus to oust Nisha in order to hire someone else at a lower salary.

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