

A study of performance appraisal for generation Y: Issues and challenges

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Abstract

Companies, large and small, have been looking for a replacement for the annual performance appraisal. In a search of HR and OD blogs and internet posts one is likely to find hundreds of postings about them – 99% of them negative, but few with ideas on what to do instead. The only arguments in their favor seem to be that they are all we have going and the only performance feedback some employees get. There are compelling reasons why now is the time for the next generation of performance appraisals. The Generation Y or generation next is very different from the older generation or generation X. The paper highlights that creating a system that appeals to each generation in the multi-generational workforce and their motivations and to suggest the measures for evaluating performances of generation Y. This paper will help in knowing the new generation working style and their performance to make them competitive in the market.

Keywords: Performance appraisal, multi-generational workforce, generation Y

1. Introduction

1.1 Performance management (PM)

Performance management (PM) is a goal-oriented process directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization. It is a major player in accomplishing organizational strategy in that it involves measuring and improving the value of the workforce. PM includes incentive goals and the corresponding incentive values so that the relationship can be clearly understood and communicated. There is a close relationship between incentives and performance. Performance management systems are one of the major focuses in business today. Although every HR function contributes to performance management, training and performance appraisal play a more significant role. Whereas performance appraisal occurs at a specific time, performance management is a dynamic, ongoing, continuous process. Every person in the organization is a part of the PM system. Each part of the system, such as training, appraisal, and rewards, is integrated and linked for the purpose of continuous organizational effectiveness. With PM, the effort of each and every worker should be directed toward achieving strategic goals. If a worker's skills need to be improved, training is needed. With PM systems, training has a direct tie-in to achieving organizational effectiveness. In addition, pay and performance are directly related to achieving organizational goals. Robert J. Greene, CEO of Reward Systems Inc., said, "Performance management is the single largest contributor to organizational effectiveness. If you ignore performance management, you fail."⁴ Organizations must take a more strategic approach to performance appraisal. Instead of using the familiar "check the box, write a comment" ritual, organizations need to integrate the company's mission, vision, and values into their performance management systems.

1.2 Performance appraisal (PA)

Performance appraisal (PA) is a formal system of review and evaluation of individual or team task performance. A critical point in the definition is the word *formal*, because in actuality, managers should be reviewing an individual's performance on a continuing basis.⁵

PA is especially critical to the success of performance management. Although performance appraisal is but one component of performance management, it is vital, in that it directly reflects the organization's strategic plan. Although evaluation of team performance is critical when teams exist in an organization, the focus of PA in most firms remains on the individual employee. Regardless of the emphasis, an effective appraisal system evaluates accomplishments and initiates plans for development, goals, and objectives. Performance appraisal is often a negative, disliked activity and one that seems to elude mastery.⁶ Managers do not like giving them and employees do not like receiving them.⁷ In fact, in one survey, almost 80 percent of workers stated dissatisfaction with their PA process.⁸ If this is so, why not just eliminate it? Actually, some managers might do just that if they did not need to provide feedback, encourage performance improvement, make valid decisions, justify terminations, identify training and development needs, and defend personnel decisions.⁹ Performance appraisal serves many purposes, and improved results and efficiency are increasingly critical in today's globally competitive marketplace. Therefore, abandoning the only program with performance in its name and employees as its focus would seem to be an ill-advised over reaction. On top of these considerations, managers must be concerned about legal notifications. Developing an effective performance appraisal system has been and will continue to be a high priority for management.

2. Objective

1. Creating a system that appeals to each generation in the multi-generational workforce.

2. To suggest the measures for evaluating performances of generation Y
3. The new generation working style and their performance to make them competitive in the market.

3. Literature review

Amy Glass analyzed the specific challenges, and also opportunities, inherent in managing and working with a multigenerational workforce. Three primary generations exist in the business world: baby boomers, generation X, and generation Y (known as millennial). Each possesses unique characteristics that affect work ethic and relationships, how change is managed, and perception of organizational hierarchy: defining events in each generation's life all occurred between the ages of 5 to 18, the developmental years. The different backgrounds and life experiences result in five areas of potential workplace strife surrounding their differing expectations, distinct work ethics, deep-seated attitudes, opposing perspectives and diverse motivators. Anita Weyland studied to understand that Generation Y have specific traits, needs and expectations and that it is vital that organizations understand these when looking to engage and support them and support in their development. The paper explained how understanding what motivates Generation Y and accommodating this does not require huge amounts of extra effort, just a different way of thinking and will increase their performance within companies and ultimately corporate success. David McGuire *et al.* investigated intergenerational interaction and conflict in the workplace populated by three generations – Baby Boomers, Generation X-ers and Generation-Y. This paper also presented a model and proposes HR solutions towards achieving co-operative generational interaction. The Research has shown how HR solutions can respond to the needs of different generations. James W. Westerman and Jeanne H. Yamamura examined generational differences in the organizations. This research proposed that Firms must recognize the influence of the values and work preferences of the next generation on organizational outcomes in order both to retain staff and to groom future leaders. It is also proposed to examine the theory that firms' lack of success in employee retention may be impacted by the extent to which they understand and address generational differences in values, goals, and preferences. This study used survey methodology to examine generational and gender differences amongst the work environment preferences of 234 accountants in accounting firms. The results showed the importance of goal orientation and system work environment fit for younger generation workers on satisfaction and intention to remain; and relationship fit on the satisfaction of Baby Boomers. Baby Boomers also experienced higher levels of overall satisfaction than younger generation employees. Nicholas J. Beutell, and Ursula Wittig-Berman investigated generational effects on work-family conflict and synergy. Result showed that Generational differences in work-family conflict and synergy were found. Mental health and job pressure were the strongest predictors of work-family conflict for each group. Matures were significantly more satisfied than baby boomers and generation Xers. Paul M. Arsenault studied the generational differences. Results showed that generations create their own traditions and culture by a shared collective field of emotions, attitudes, preferences, and dispositions. In addition, the paper discussed significant differences in how these generations rank

admired leadership characteristics, which correlates to their preferred leadership style and favorite leaders. The paper concluded that generational differences are a legitimate diversity issue that organizations need to recognize and understand and an issue that needs to be addressed in developing current and future leaders. Richard Sayers surveyed across Australia, New Zealand and Asia and to assess their implications for academic libraries in the context of generational change. The result showed that Generation X and Y learning styles are typically motivated by a desire to enhance professional skills and thus marketability to future employers. For many Generation X and Y staff working across a range of professions, access to professional development has become an important component of their overall remuneration package. It also figures highly in any decision to join or remain with an organization. This paper concludes that a better understanding of generational change and commitment to professional development are critical to the recruitment and retention efforts of future academic libraries. Win Shih and Martha Allen discussed the expectations and needs of Generation Y students for higher education specifically targeting issues relating to libraries and library management. The paper has provided a brief overview of Generation Y personality traits and characteristics. This is followed by a discussion of organizational culture, explaining how to effectively adapt to meet the expectations of the Generation Y students. The paper recognized the need to address the challenges of the new learners from all levels of library management and provides strategies and programs to enable positive change within the library culture.

4. Research Methodology

The present paper is the outcome of the research based on secondary sources. For collecting information a number of books, magazines, journals and internet sites are used. The study is purely descriptive in nature and qualitative in character. The method use for carrying out this research is deductively in nature.

5. Result and discussions

- Generation Y are complex people with many inconsistencies. They are technologically savvy but highly creative. They are environmentally conscious yet highly mobile.
- They expect instant rewards but also demand development for the long term.
- This generation takes more challenges and meaningful assignments that are important for their self-development than lifetime employment. Subsequently, Millennial's always look for opportunities to learn and nurture themselves professionally and get on fast track leadership programs.
- They are described to have a portable career, professional satisfaction, better degrees of personal flexibility, and always want to learn and looking for continuous learning, like change, as a way of life.
- Such characteristics strengthen the perception that this generation is high maintenance and needy and they have knowledge, skills which help them in professional life
- The Generation next wants a development experience, they want to feel secure, and therefore the company should harness the training and development as a retention tool.

6. Findings

- In the present management field in any industry Human Resources Management is one of the most complex and challenging field of management, as it deals with the people dimension in business management.
- The HR policies and culture is necessary to bring into line to support this type of valuable worker like generation next or generation Y.
- The main functionalities of HR in the banking industry is to enable the performance improvement among its generation Y features like skills, attitudes and knowledge of employees, plays a critical role in determining the competitiveness within the organization or the industry
- Employers invest large amounts of money on employees so that they can build and update their skills and capacity they need to meet current competitive requirements of the market.
- Individual employees have some expectation in return from the organization, not only in the form of salary but also in career growth and development. in the organization workplace environment needs to be reorganized to get the maximum output from them.
- This is very important in the Indian perspective because generation Y are the youngest in the world and the Next generation are keen to take part in the country's future and success.
- The Generation Y or generation next is very different from the older generation or generation X. So, in the organization workplace environment needs to be reorganized to get the maximum output from them.

7. Limitations of this study

- Performance appraisal is very time taking for the research work because it has a broad area so it requires much more time for the research work.
- Performance appraisal data is not given accurate on website.
- Inadequate information
- Unwillingness on part of respondents due to their personal interest.
- The size of country (geographical areas) cannot be covered within such a short span of time

8. Conclusions

- The results from this study validate the importance of generational differences as a legitimate diversity issues. The study has showed the skill and knowledge are different into two groups- new generation and old generation.
- Future research could validate these generational differences and effects on the workplace and confirm their practical significance for the present and next generation.
- The researchers simplify and improved their understanding by the influences of generational group as well as their knowledge, career stage and skill level which effect in the performance in the organization.
- Future researchers should note the conceptual problems in defining generational groups and skill levels.

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