



Assignment

Talent Management

Program

MBA (Non Business)

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Q1: By citing HBR article “One More Time: How You Motivate Employee” of Fredrick Herzberge , Describe “Hygiene Vs. Motivators” Theory in Detail.

Herzberg’s Motivation Theory model, or Two Factor Theory, argues that there are two factors that an organization can adjust to influence motivation in the workplace.

These factors are:

- **Motivators:** Which can encourage employees to work harder.
- **Hygiene factors:** These won’t encourage employees to work harder but they will cause them to become unmotivated if they are not present.

Note

Herzberg’s Motivation Theory model goes by a number of different names, including Two Factor Theory, Herzberg’s Motivation-Hygiene Theory, and Dual Structure Theory. We will use these terms interchangeably in this article.

Frederick Herzberg developed the model in 1959. He did this by interviewing over 200 professionals. The interviews delved into when the interviewees were at their most and least happiest with their jobs.

Other motivation theories you may want to learn about include **Equity Theory** and **Maslow’s Hierarchy of Needs**.

What is Two Factor Theory?

Herzberg’s Theory of Motivation tries to get to the root of motivation in the workplace. You can leverage this theory to help you get the best performance from your team.

The two factors identified by Herzberg are motivators and hygiene factors.

1. Motivating Factors

The presence of motivators causes employees to work harder. They are found within the actual job itself.

2. Hygiene Factors

The absence of hygiene factors will cause employees to work less hard. Hygiene factors are not present in the actual job itself but surround the job.

The impact of motivating and hygiene factors is summarized in the following diagram. Note that you will often see motivators referred to as factors for satisfaction, and hygiene factors referred to as factors for dissatisfaction.

Motivating factors include:

- »**Achievement**: A job must give an employee a sense of achievement. This will provide a proud feeling of having done something difficult but worthwhile.
- »**Recognition**: A job must provide an employee with praise and recognition of their successes. This recognition should come from both their superiors and their peers.
- »**The work itself**: The job itself must be interesting, varied, and provide enough of a challenge to keep employees motivated.
- »**Responsibility**: Employees should “own” their work. They should hold themselves responsible for this completion and not feel as though they are being micromanaged.
- »**Advancement**: Promotion opportunities should exist for the employee.
- »**Growth**: The job should give employees the opportunity to learn new skills. This can happen either on the job or through more formal training.

Hygiene factors include:

- »**Company policies**: These should be fair and clear to every employee. They must also be equivalent to those of competitors.
- »**Supervision**: Supervision must be fair and appropriate. The employee should be given as much autonomy as is reasonable.
- »**Relationships**: There should be no tolerance for bullying or cliques. A healthy, amiable, and appropriate relationship should exist between peers, superiors, and subordinates.
- »**Work conditions**: Equipment and the working environment should be safe, fit for purpose, and hygienic.
- »**Salary**: The pay structure should be fair and reasonable. It should also be competitive with other organizations in the same industry.
- »**Status**: The organization should maintain the status of all employees within the organization. Performing meaningful work can provide a sense of status.
- »**Security**: It is important that employees feel that their job is secure and they are not under the constant threat of being laid-off.

The Four Stats

In a general sense, there are four states an organization or team can find themselves in when it comes to Two Factor Theory.

1. High Hygiene and High Motivation

This is the ideal situation and the one which every manager should strive for. Here, all employees are motivated and have very few grievances.

2. High Hygiene and Low Motivation

In this situation, employees have few grievances but they are not highly motivated. An example of this situation is where pay and working conditions are competitive but the work isn't very interesting. Employees are simply there to collect their salary.

3. Low Hygiene and High Motivation

In this situation, employees are highly motivated but they have a lot of grievances. A typical example of this situation is where the work is exciting and really interesting but the pay and conditions are behind competitors in the same industry.

4. Low Hygiene and Low Motivation

This is obviously a bad situation for an organization or team to find itself in. Here, employees aren't motivated and the hygiene factors are not up to scratch.

How to Use The Model

There is a two-step process to use the Two Factor Theory model to increase the motivation of your team.

1. Eliminate job hygiene stressors.
2. Boost job satisfaction.

1. Eliminate Job Hygiene Stressors

The first step to enhancing the motivation of your team is to ensure that the hygiene factors are not causing dissatisfaction.

Each person will examine hygiene factors through their own unique frame of reference. Because of this, it's important to work with each member of your team to understand their specific perspective.

Some common steps to remove hygiene stressors are:

- »Rectify petty and bureaucratic company policies.
- »Ensure each team member feels supported without feeling micromanaged. You can do this by using servant leadership or a democratic leadership style.
- »Ensure the day to day working culture is supportive. No bullying. No cliques. Everyone treated with equal respect.
- »Ensure that salaries are competitive within the industry. Ensure there are no major salary disparities between employees doing similar jobs.
- »To increase job satisfaction and status, aim to construct jobs in such a way that each team member finds their job meaningful.

2. Boost Job Satisfaction

Once you have removed hygiene stressors, the next step is to boost the job satisfaction of each team member. We can do this by improving the actual content of the job itself. Again, a unique approach for each employee will be required.

Three techniques which can be used to achieve this are:

a. Job Enrichment

Job enrichment means enriching a team member's job by giving them more challenging or complex tasks to perform. These more complex tasks should make the job more interesting.

b. Job Enlargement

Job enlargement means giving a team member a greater variety of tasks to perform. This variety can also make a job more interesting.

Note that with job enlargement the variety of tasks is increased, but not the difficulty of those tasks. If difficulty increased then that would be job enrichment.

c. Employee Empowerment

Employee empowerment means delegating increasing responsibility to each team member. This can be done by slowly increasing the amount of responsibility you delegate to an employee.

Learn more about [how to delegate](#).

Limitations of the Theory

Some common criticisms of Herzberg's Motivation Theory include:

- »The theory only applies to white collar workers.
- »It doesn't take an individual's situation or perception into consideration. We have attempted to address this above by applying the theory at an individual level.
- »The theory focuses on improving employee satisfaction. That doesn't necessarily translate into increased productivity.
- »There is no objective way to measure employee satisfaction within the theory.
- »Two Factor Theory is subject to bias. For example, when an employee is satisfied they will give themselves credit for that satisfaction. Conversely, when they are dissatisfied they will blame external factors.

Summary

Herzberg's Motivation Theory model, or Two Factor Theory, provides two factors that affect motivation in the workplace.

These factors are hygiene factors and motivating factors. Hygiene factors will cause an employee to work less if not present. Motivating factors will encourage an employee to work harder if present.

To use the theory within your team, start by getting any hygiene issues resolved. Once you have done this, you can boost motivation by putting in place as many motivating factors as practical.

Q2: What is meant by Leadership Coaching? Describe key elements of coaching. Larson and Richburg in the Book Chapter “Leadership Coaching” have stated that effective professional coaching enhances leadership performance and, ultimately, profitability. Discuss reasons for mentioned statement.

Leadership coaching is an individualized process that builds a leader’s capability to achieve short- and long-term organizational goals. Coaching is personalized, customized, usually conducted one-on-one for a defined period of time and with a specific business purpose in mind. Initially instituted to save derailing managers, leadership coaching now typically focuses on enhancing performance for leaders at all levels. Leadership coaching helps:

- Organizations grow and expand their leadership bench.
- Leaders who want to gain an edge in self-marketing and branding.
- Individuals targeted as future leaders who need to sharpen their skills.

It is estimated that over 60% of Fortune 500 CEO’s have their own personal coaches. While formal education and training equips leaders to handle the more technical demands of their role, their personal growth and relationship skills development are better addressed by a one-on-one coaching relationship.

Candid, thoughtful feedback is critical and harder to obtain as leaders advance in their careers. Unfortunately, promising careers can derail due to blind spots in critical interpersonal and leadership competencies. This can be devastating to the individual and extremely costly to the company.

At its best, coaching is a partnership relationship. Rather than the coach being “the expert” and providing answers for the client; the client is the expert in the organization and the coach helps the client to become even more of an expert. The coach typically employs a variety of methods:

- Data from anonymous surveys or climate surveys to identify behaviors that can be linked with business outcomes.

- Active listening; the coach does not solve the client’s problems but guides the client to solve his or her own problems.
- Help the client set priorities, anticipate and overcome potential obstacles.
- Lead the client out of his or her comfort zone to explore new options.
- Provide perspective based upon the coach’s own experiences.
- Assist the client with goal setting, action planning.
- Recommend specific books or other sources of learning.
- Meet on a regular basis, often with on-the-job “homework” assignments between meetings.
- Manage the confidentiality of the coaching partnership. In most cases, the official “client” is the organization who is paying the coaching invoice, yet the true “client” is the individual being coached.

Leadership **coaching** may be enlisted to help fill some of these gaps.

Here are the five critical components and why they matter so much.

- The Coach-Client Relationship. ...
- Problem Identification and Goal Setting. ...
- Problem-Solving. ...
- Transformational Processes. ...
- Outcome Definition and Measurement.

1. The Coach-Client Relationship

Without a strong coach-client relationship based on mutual respect and mutual pursuit of goals, there is little point in coaching at all. Not all coach-client teams will be able to build strong rapport, and that’s no reflection on either party. Some personalities simply work better together than others. When choosing a coach, it is absolutely essential to determine upfront how well the coach and client communicate and how easy it is for them to work together.

2. Problem Identification and Goal Setting

Most coaching clients (and their organizational leaders) have some idea of which skills the client needs to work on most. Even so, the best coaches use multiple, proven assessment tools to verify this and to identify the client’s strengths and weaknesses. This process helps both coach and client develop the most effective ways to bridge skills gaps and to further improve strengths. Articulating which issues the client will work on with their coach, setting goals, and determining how to measure goal achievement keep the coaching relationship on track to produce the best results.

3. Problem-Solving

The right problem-solving technique for one coaching client may be completely different from that of another coaching client. That's why the assessment of strengths and skill gaps is so important. Working with the client to map out how to get from where they are now to where they want to be is a highly individual process, and the leadership coach is uniquely positioned to help create that "roadmap." It's far from a one-size-fits-all process but must be tailored to the individual in the context of their work setting.

4. Transformational Processes

This is where the rubber meets the road. Just as the skilled pitching coach knows the specific elements a particular pitcher needs to work on, the skilled leadership coach can help the client define specific actions that need to be developed and practiced until they become second nature. For one client this may be communication. For another, it may be delegation. The transformational processes used in leadership coaching are uniquely customized to the client and their particular needs. Without proven transformational processes, client improvement may be short-lived.

5. Outcome Definition and Measurement

How can, for example, a leader with sub-par delegation skills know when they have learned how to effectively delegate with the help of a leadership coach? Before working on those skills, the coach should work with the client to define what success looks like. Maybe "success" means fewer last-minute phone calls about who is responsible for what. Or maybe it means the leader has more free time due to letting go and effectively empowering team members rather than trying to do everything themselves. The only way to know if a coaching client has succeeded is to define what success means.

Of course, just because a coaching plan contains those five attributes doesn't mean it will get optimum results. Many factors affect positive coaching outcomes. For example, organizational support for leadership coaching is essential for the best outcomes.

Organizations and individuals within them who are interested in coaching should understand which elements are necessary to a strong and successful coaching relationship. The more invested the individual and their organization are, the more likely they are to get the results they want. To learn more about this topic, I invite you to [check out information about my leadership coaching services.](#)

Q1: Ellis and Saunier in the book chapter ‘‘Performance Appraisal: Myth and Reality’’ have stated that a strong performance management process is designed to achieve one (or more) of three basic objectives Drive Results, Build Capability, and Carve up Consequences. Describe characteristics of performance management processes that are intended to achieve mentioned objectives. Discuss the strategies suggested by author for running the gauntlet to a more effective performance management process and creating real value for an organization over the Long term.

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

Objectives of Performance Appraisal

Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. To provide a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.
7. To review and retain the promotional and other training programmes.

Advantages of Performance Appraisal

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes

bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.

3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
 - a. Through performance appraisal, the employers can understand and accept skills of subordinates.
 - b. The subordinates can also understand and create a trust and confidence in superiors.
 - c. It also helps in maintaining cordial and congenial labour management relationship.
 - d. It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

6 Strategies for Effective Performance Management

By Sara Pollock, Head of Marketing for ClearCompany Jan 11, 2018 [Talent](#)

A large part of working in Human Resources (HR) is regulating performance management. Creating a space where you and your employees can produce excellent work and perform to the

best of your abilities is no easy task, but with the right strategies, you can make it work.



Of course, effective performance management is more than just creating a work environment that works: Effective performance management is about leadership, interpersonal relationships, constructive feedback, and teamwork. Even when it comes to the difficult HR tasks of managing a process your employees don't care for or find value in, managing a paper process, aggregating data, and keeping other managers motivated to provide employees with useful feedback, there are strategies available that make these tasks more doable.

Whatever obstacles you may be facing, we have some tips to make things run more smoothly and efficiently in the workplace. Consider the following six strategies for effective performance management.

A Wide Scope of Resources

Before we jump into the six strategies for effective performance management, it is important to note all that falls under the umbrella of performance management:

- Setting expectations for work performance and planning ways to meet these expectations
- Monitoring employee performance with check-ins and meetings
- Offering rewards and praise for good performance and addressing poor performance
- Regularly rating performance through summaries and reviews
- Continually developing a capacity for optimal performance

Also known as “performance appraisal,” these criteria ensure that an organization is working at its best and providing optimal services and output. In time, effective performance management should lead to organization growth and success.

Try These 6 Performance Management Strategies

1. Define and Communicate Company Goals and Performance Objectives

Your employees cannot meet your performance expectations or company goals if they are not clearly outlined, making this our first step toward effective performance management.

Sometimes employers are not as clear as they could be when outlining their goals or company objectives, and often, employees do not come forward to ask follow-up questions when they are confused or unclear about something. Preempt this pitfall by being as clear and communicative as you can possibly be.

You can define and outline goals by using a [goal-tracking software](#), creating a chart within the office, by sending out an e-mail, distributing a flyer throughout the office, holding meetings, or doing each of these things in turn. When you are outlining goals and objectives, repeat the message so that it sinks in, offer visuals (such as an office chart and e-mail) so that employees have a reference, and most importantly, hold meetings to check in on progress.

2. Utilize Performance Management Software

If you are not already using a [performance management software](#), it may be time to consider trying it out. If you do already use one and it's not saving you any time, your team complains about it, or it has low employee engagement, it may be obsolete and in need of an upgrade. Performance management software can really streamline your performance management strategies, making it imperative that you either begin using one or at least begin looking to upgrade.

A good performance management software system is one that both offers traditional reviews and 360s, is employee-friendly, has an easy-to-use dashboard interface, allows for quick and actionable reporting and, of course, fosters employee development. The software will help both you and your employees stay on top of things so that your company is running smoothly and efficiently at all times. Some useful examples of more modern performance management software can be found [here](#).

3. Offer Frequent Performance Feedback

While clearly communicating company and individual goals is an essential step for any business, communication alone is not going to get you all that far. Your managers will also need to check in with teams and employees periodically not only to gauge progress but also to provide feedback.

Good performance feedback reinforces strong skill sets and positive behaviors while showing opportunity areas with a clear path for improvement. This type of feedback cannot wait until HR kicks off an annual review cycle. Instead, it should be given in real time and integrated into company culture (it should also start during the interview process, but that is another post for another time).

Timely performance feedback is the best way to affirm your employees and their work while also shaping their work effectively. If you have a performance software now, it should be able to help you collect frequent feedback. If not, free tools like Google forms, survey monkey, or even just a basic e-mail request will get you pretty far.

4. Use Peer Reviews

Another great way to foster effective performance management is to utilize [peer reviews](#), also known as 360-degree reviews. Again, this is a feature that can be found on most performance management software programs. Peer reviews are useful because they allow coworkers to praise other coworkers and highlight positive aspects of their performance, as well as point out where improvements can be made.

This exercise helps employees to work together, build better communication, and assess where they can improve themselves while watching their colleagues. There does need to be some manager or HR oversight into this process, and all peer reviews should be read to ensure that no claims, concerns, praises, or other comments go unnoticed or unaddressed.

5. Preemptive Management and Recognition

One way to guarantee results in the workplace is to implement rewards and practice preemptive management. This simply means that your employees always know what is expected of them so there is never any guesswork or need for consequences in the workplace.

This starts everyone on the same footing, making a fair playing field where expectations are set and goals are known. Rewards, or incentives, are also an effective way to show employees that you care, that you see their efforts and are pleased with their performance, and that you want them to keep up the good work.

In the same way, having a strong “HR Toolbox” in play that helps managers catch slipping employees early on and provide appropriate feedback helps to catch a problem before it even starts. In this way, “Preemptive Management” is all about communicating with your employees and letting them know what is expected, what is not, and how to meet the goals that have been set.

6. Set Regular Meetings to Discuss Outcomes and Results

Also known as progress reports or progress meetings, setting aside time to meet with your team and seeing how things are going with your set goals and objectives are important for meeting those goals and objectives.

These meetings can be held weekly, monthly, or as often as you see fit. Ensure that your team knows that attendance is mandatory. This makes the progress feedback more accurate and allows you to make plans for moving forward.

When holding these meetings, be sure to have a clear idea of what you want to cover. Some objectives should include:

- Following Up on Peer Reviews
- Discussing Praises and Areas that Need Work with the Team
- Recognizing Those Team Members Actively Meeting their Goals and Objectives with Rewards or Incentives
- Discussing Plans for The Next Phase of Projects
- Discussing Company Data: Revenue, Customer Involvement, Marketing and Campaign Success, Etc.

You should never meet just for meeting's sake. You want to have something relevant to address and something worthwhile to talk about. If you feel things are going smoothly, employees are receiving performance feedback and acting accordingly, and the company overall is on a positive road, meetings may be held less frequently and treated as checkpoints throughout the year.

If there are issues, concerns, questions, or ideas you want to discuss, have meetings sooner rather than later. Keeping your team involved, up to date, and in the loop are important for ensuring the machine that is your organization runs smoothly.

These six strategies for effective performance management may seem simple, but they can work wonders when implemented into your company's day-to-day life. Companies should be about the people involved. Making the most of their abilities, recognizing where they shine, encouraging them where they need work, and seeing them as full employees, not just cogs, are really how you can create the right work environment for success.

Q:4 Peter Cappelli and Anna Tavis (2016) in their HBR article 'The Performance Management Revolution' argue that focus of Performance Management is shifting from accountability to learning. Critically evaluate main points of the article.

Microsoft, Google, Gap, Pfizer, Deloitte... these are just some of the companies currently leading a movement to de-emphasize and, in many cases, eliminate performance ratings altogether. They aren't alone either. It is estimated that more than one-third of companies are reconsidering the way they do performance management, placing more emphasis on driving future performance rather than rating past performance. Even General Electric, widely known for its controversial forced ranking system back in the day, is on the move. A decade ago, this would have sounded altogether crazy. No ratings? But how will we drive performance? How will we hold people accountable?

Mounting evidence is building a case that is hard to ignore. At the heart of it, many are finding that performance management systems are often more focused on the system than on actual performance. In some cases, companies are finding that their systems are actually working against organizational strategy. Further, cutting edge research in neuroscience demonstrates that ratings can create a threat response in one's brain, priming individuals to "prove instead of improve." This naturally stifles innovation, collaboration, and growth. Finally, research shows ratings often do not correlate with actual business outcomes, leaving many to question why they are used.

In their Harvard Business Review article, Cappelli and Tavis discuss three business imperatives that are inspiring organizations to drop performance ratings.

Developing people – In a tight labor market, developing and retaining talent is more important than ever. Appraisals can sometimes overshadow this process though. Conversations can quickly become more about the nuances of a rating rather than about what it takes to grow. Because of this, many companies are rolling out systems that promote meaningful, frequent, and informal feedback.

Staying agile – The new approach to performance management is also less cumbersome than ways of the past. For example, Deloitte estimated that before revamping their approach, they were spending approximately 1.8 million hours each year on performance management. Many of these hours revolved around the rating process. In an age of innovation and constant change, an end-of-year, over-engineered approach is not flexible enough for many organizations. In response, there is an emphasis on simplification to remove waste.

Promoting teamwork – The traditional approach to performance management is inherently focused on individual accountability. With the rise in teams, a move away from this approach helps promote team-level performance. One of the key outcomes seen in organizations moving

away from ratings is increased collaboration – because it’s not about comparison amongst peers, but instead about growing as a team.

It is important to recognize what a large undertaking such changes require. Companies doing this most effectively are creating extensive pilot programs, for example. It can be helpful to start by testing out the new system in a low-risk group such as HR, collecting feedback, and then slowly expanding as the system evolves. Engagement and buy-in, particularly from senior leadership, should also not be underestimated.

Of course, revamping one’s performance management system may not be for everyone. The question should not simply be, “Should we drop our rating system?” Rather, it should be, “To what extent are ratings in service of our organization’s strategy and mission?” The answer will be different for everyone. Organizations are also still grappling with how a “no rating” system aligns with their ability to reward performance, differentiate high and low performers, and avoid legal troubles, to name a few. Further, without skilled and motivated managers, this process is unlikely to work. In response, many organizations are offering training to help managers use targeted language to assess, document, and drive performance, providing them with an outlet (e.g., HR) to discuss performance-based decisions. Still, the reality is that many HR processes revolve around ratings, and as cumbersome (and sometimes biased) as they can be, ratings provide managers with a process to follow to rate performance. Without ratings, many traditional, familiar processes are upended, and change can naturally come with resistance. Given these realities, some organizations are finding an innovative middle ground in which they retain, yet de-emphasize, ratings in exchange for a process that offers a more simplified, conversational-based approach to performance management.

As Cappelli and Tavis point out, “Performance appraisals wouldn’t be the least popular practice in business, as they’re widely believed to be, if something weren’t fundamentally wrong with them.” While many companies have submitted to the fact that performance management must be painful, organizations that have made changes are seeing hopeful results. For example, after overhauling their system, Cargill found that 90% of their employees said they “loved” the new system, and at Google, 87% of employees reported that they were satisfied with their new system. Imagine a world where your employees actually liked your performance management system... Even if a full overhaul may not be appropriate, such results might just inspire you to re-evaluate your approach to performance management.

Accountability has been described as both an enabler of organizational learning and a barrier to it. This article uses case-studies, interviews, and observations of “workplace learning” in public sector organizations to advance our understanding of the relationship between accountability and organizational

learning. It investigates whether public managers learn from their interactions with nongoverning boards, and, if so, what they learn about and under what conditions they learn. The analysis finds that organizational learning may thrive under the condition of multiple accountability and generally requires a combination of control *and* critical feedback.

In the midst of global financial slump SMEs of developing & developed economies appear to be a center of gravity for researchers and management practitioners and advent of globalization exaggerate its role indeed. In this situation only hundred percent exploitation of financial, human and technological potential of SMEs make certain the competitiveness and growth possibilities. Relatively little research has been conducted on performance management system in Pakistani SMEs. This study is more focused headed for investigating the PMS implementation and post implementation effects in small firms. Performance Management (PM) is a process for establishing a shared understanding about what needs to be achieved. It is an approach to managing people that increases the level of personal performance and business success. Any organization with suitable performance management system increase employer conviction that it has the right people in the right place at the right time. Performance management must consist of two basic components one is talent exploitation and preservation and second is performance feedback mechanism. In an organizational perspective one thing is quiet evident that maturity of employer-employee relationship depends upon employee job satisfaction and performance and conceptually job satisfaction and performance is directly proportional to each other. The dominant findings indicate that, SMEs in Pakistan are generally less likely to adopt 'formal' PMS practices, including setting goals, monitoring performance and performance evaluation practices. Similarly, they have not formulated 'formal' HR policy and human resource departments usually pursue traditional means of basic HR functions such as employee recruitment, training and compensation. However, from statistical results of textile sector small and medium enterprises exposed that employees do not have a clear understanding of what performance management system aim to achieve similarly big number of employees consider that performance appraisal is not aligned with organizational goals it has no functionality in employee career planning or progression.