Chapter 13
Performance Management Systems in Mexico

Anabella Davila
Tecnologico de Monterrey, Mexico

Marta M. Elvira
IESE Business School, Spain

ABSTRACT
The purpose of this chapter is to understand the strategic role performance management systems play in organizations, and to identify the evolution process and the organizational factors involved in the implementation of those systems in Mexico. The authors identify the best-known appraisal tools in Mexico, the issues related to organizational performance, and those linked to the superior-subordinate relationship. They discuss those topics in terms of macro-organizational and micro-organizational levels and draw lessons for developing best practices for performance management systems in Mexico.

INTRODUCTION
Managing a comprehensive performance management system with multiple appraisal tools is challenging, and requires significant resources as well as a redefinition of the role of Human Resources (HR). The goal of this chapter is to understand the strategic role performance management systems play in organizations, and to identify the evolution process and the organizational factors involved in the implementation of those systems in Mexico.

The authors have developed this chapter on the lessons derived from our research findings in several in-depth case studies (Davila & Elvira, 2009), focus-groups interviews (Davila & Elvira, 2007), business press analysis (Davila & Elvira, 2008), and individual interviews with senior HR executives in Mexico.

Performance management (PM) systems have been identified as the core of HR, because through them organizations establish work goals, determine performance measurements, evaluate and
appraise work, provide performance feedback, identify training and development needs, and define rewards and recognitions for high performance (Varma, Budhwar, & DeNisi, 2008). PM systems also generate the infrastructure path for attracting and retaining key human capital (Davila & Elvira, 2009).

PM systems include a set of concepts, tools and processes organizations use for different purposes. The traditional aims of PM systems include rewards and recognition, career planning, training and development, and organizational restructuring. However, new views about PM systems place them in a more comprehensive role that includes: acting as organizational integration mechanisms for work flow, providing organizational architectures that assure a harmonious and collaborative work environment, and serving as generators of data about the organizations’ overall performance (Davila & Elvira, 2009).

HR executives face the pressing challenge of how to design strategies linking individual and organizational performance in practice. Developing innovative strategies for managing this link could give PM systems an increasingly strategic role. However, two factors can inhibit this goal: first, top management and other organizational stakeholders (i.e., supervisors, employees or users/clients) may not agree on the meaning of performance; second, supervisors and employees do not always recognize that participating in performance appraisal processes requires the development of specific competencies. HR departments face these subjective drawbacks, and find it difficult to develop strategies for PM systems. Hence, the main challenge when installing PM systems is to develop managerial strategies that help HR to overcome these constraints.

HR managers recognize perceptions of performance differ according to the position of the individual in the hierarchy and his/her respective responsibilities. Therefore, they are challenged to both design and use instruments that measure different types of performance, and to manage such a diverse range of PM tools. This problem is particularly acute for front-line managers who are responsible for providing and receiving feedback about employees’ performance (Davila & Elvira, 2007). Front-line managers and their subordinates are typically the main actors involved in evaluation and appraisal processes, while HR executives are typically responsible for the management and output of PM systems. This situation can develop differently depending on the role of HR in the particular organization. If HR is valued as a strategic partner, PM systems are likely to be integrated with the organization’s business plan. Conversely, if HR is not involved at the strategic level, PM systems may be isolated not only from the evaluation of organizational performance but also from other HR practices. The case of the company CompuSoluciones portrays the strategic position of PM Systems (See Case 1).

Case 1.

CompuSoluciones, a medium-sized IT Mexican consulting firm chosen by the Great Place to Work Institute of Mexico as an outstanding company in 2007, developed a performance management system tightly linked to the company’s strategic aims: to offer excellent client service, develop employees personally and professionally, live up to commitments, and be profitable. All these aims were to be achieved through solid principles and values. The company has a clear defining of the different meanings that performance can have depending on the employees’ position in the hierarchy and overall responsibility within the organization. For example, top management focuses on overall company performance, including the company’s principles and values as a central platform (besides economic aims); supervisors stress employees’ individual results; and employees emphasize attitudes towards collaborative work and a harmonious work environment. Thus, CompuSoluciones has implemented multiple appraisal tools targeting each specific aspect of performance.
