

# PERFORMANCE MANAGEMENT SYSTEM

## INTRODUCTION:

An engaged workforce impacts positively on an organisation's revenue and growth, yet we continue to put our workforce and line managers through a costly and disengaging practice which yields no benefit. High quality employee performance is required every day - it is not an annual event, so why treat it so?

Managing performance is fundamental to the success of every organization. Annual appraisals won't deliver this, a year is a long time in today's agile society.

In 1967 what did a year at work look like for most? Stable, routine, same workload day after day. Back then an annual review of an employee's performance worked because very little changed in a year. An annual rating meant something.

Time was easier to manage too, everyone worked rigid shift patterns and most at the same location every day. Organisations had more managers and managers had assistants so resource was available to prepare for annual appraisals.

Fast forward 50 years and the world of work is very different. Technology exists to manage repeat processes. Jobs are diverse. Employees work on projects, in virtual teams, remotely and objectives change continuously. No two days are the same. If we are to assess performance it ought to be on these bite-sized projects at a relevant point in time.

Today's workforce demand more from their job than just a salary, they need drive, excitement, passion, pride, careers and continuous feedback.

Now is the time to stop forcing performance management into an annual event because it no longer belongs there. It's time to move to real-time performance management.

Performance Management began around 60 years ago as a source of income justification and was used to determine an employee's wage based on performance. Organisations used Performance Management to drive behaviours from the employees to get specific outcomes.

## Why Performance Management System?

### **The CEO needs to:**

- Confirm they have the right talent in the right roles with support and development in place to meet organisational goals
- Ensure potentials are identified, engaged, career paths are in place, development plans are actioned and flight risk is eliminated
- Ensure key roles have succession plans in place to limit the damage caused if people leave
- Gain assurance that employees are engaged, that they understand the values of the organisation and their contribution
- Verify employees are happy, have the right level of investment and know they are valued
- Validate employees are demonstrating the organisation's values
- Have confidence in the organisation's branding, ensuring a healthy talent pipeline
- Be assured under performance is dealt with swiftly with minimal impact to operations

### **HR need to:**

- Ensure managers and employees are trained on the annual appraisal process and documentation completed
- Ensure managers conduct employee reviews to meet deadlines
- Calibrate ratings given by managers so they fit into the bell curve
- Process employee appeals
- Provide data to the leadership team

### **Line managers need to:**

- Prepare assessments for each employee looking back over the past 12 months
- Fit appraisals into their work schedule while delivering business as usual
- Figure out what feedback to give each employee based on performance
- Deliver hard messages to unsuspecting employees
- Document a year's worth of review per employee and apply an overall rating

### **The employee needs to:**

- Gather evidence of their contribution and successes over the last 12 months (not drawing attention to hurdles or issues they have experienced, most start to feel anxious about those incidents being raised so plan their defence in advance)
- Plan how to discuss their career development which they have probably been thinking about
- Approach grievances such as management, behaviours, environments, pay and benefits. Employees often avoid confrontation by looking for another job

Performance appraisal system continues to be one of the most important function of human resource management in the 21st Century. This is because performance of the workers or employees is very significant for organisation to be more effective and competitive in comparison with other organisations. The world tend to be small and countries are linked to each other because of the increasing development of the information communication technology. Employees and performance appraisal activities are frequently discussed in a transparent manner. In an organisation, the workers' trade unions and associations is no longer a taboo.

Definitions of Performance Management:

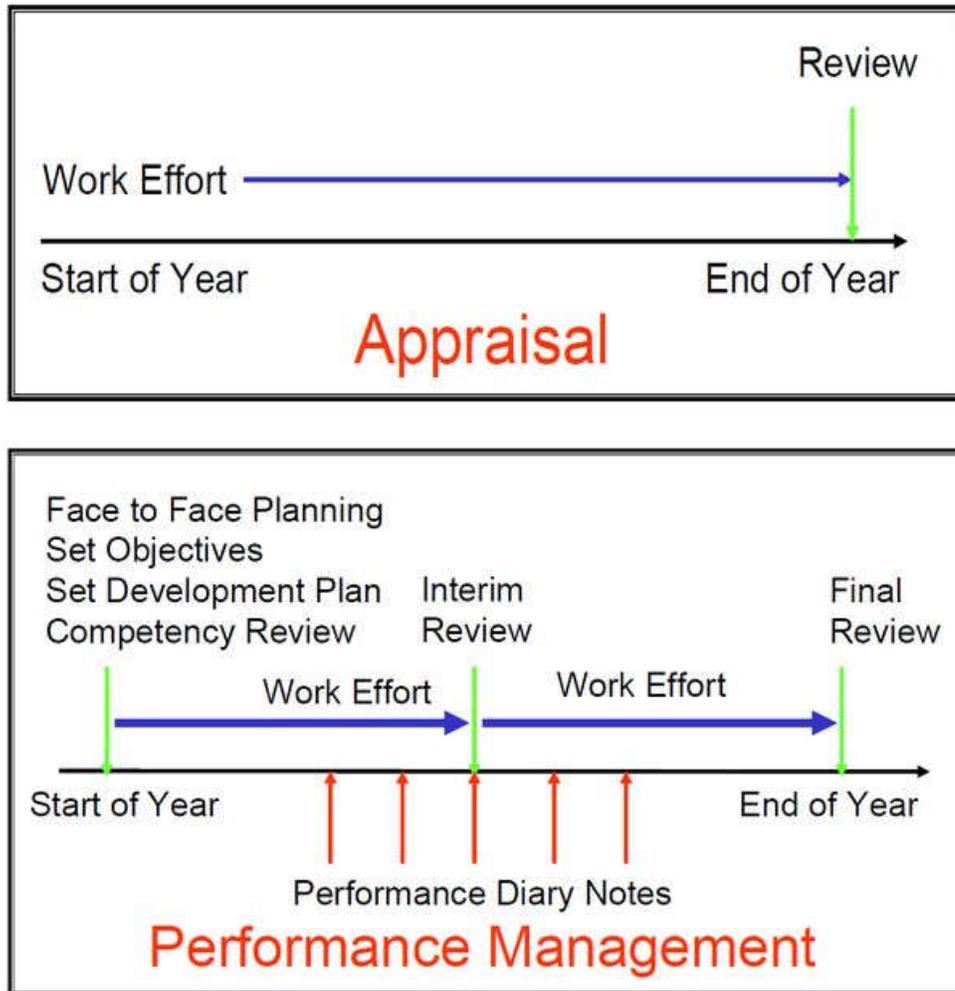
- Performance management involves thinking through various facets of performance, identifying critical dimensions of performance, planning, reviewing, developing and enhancing performance and related competencies
- Performance management is “a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance.”
- Performance Management is “a continuous process that aims at planning, monitoring and evaluating the objectives of an employee and his total contribution to the organization.” The basic purpose of performance management is to encourage and improve employee's efficiency and effectiveness.
- Performance management (PM) is a set of activities that ensure goals are met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, an employee, or the processes in place to manage particular tasks. Performance management standards are generally organized and disseminated by senior leadership at an organization, and by task owners.
- Performance management is “a strategic and integrated approach to increase the effectiveness of companies by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.” Michael Armstrong & Angela Baron
- Performance management is “the continuous process of identifying, measuring and developing the performance of individuals and teams and aligning their performance with the organisation's goals.”

## Distinction between 'Performance Management' & 'Performance Appraisal'

Though these two words are used synonymously, the following differences are noteworthy.

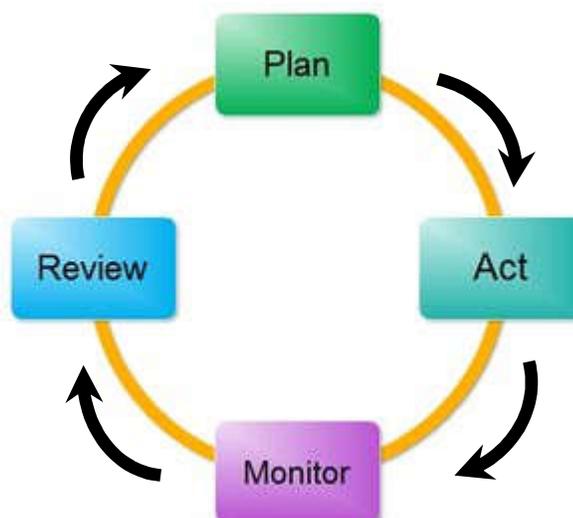
| <b>BASIS FOR COMPARISON</b> | <b>PERFORMANCE APPRAISAL</b>  | <b>PERFORMANCE MANAGEMENT</b>   |
|-----------------------------|---|---|
| Meaning                     | Performance Appraisal, means the analysis of an employee's performance and their calibre for future growth and development. | Performance Management is the management of human resources in an organization. |
| What is it?                 | It is a system.   | It is a process.  |
| Nature                      | Rigid   | Flexible  |
| Type of tool                | Operational Tool  | Strategic Tool  |
| Owned by                    | Human Resource Department   | Line Managers   |
| Conducted                   | Annually  | Continuously  |
| Approach                    | Individualistic   | Holistic  |
| Focused on                  | Quantitative Aspects  | Qualitative Aspects   |
| Corrections                 | Retrospective   | Prospective   |

Fig. 1 Showing the difference between Performance 'Appraisal' and Management'



Performance Management systems typically are:

1. A definition of what you want an employee to do for the next performance period (normally the next quarter, half year or full year). The definition includes specific objectives for the period, backed up by a job description which includes the normal expectations for that position
2. A review of remuneration/bonuses if these objectives are met
3. A review of the personal development objectives
4. Formally Performed quarterly, half yearly or annually but with input all year round
5. Typically fully automated where the information is accessible to all participants at any time
6. Content rich if the automated Performance Management system has features such as a Performance Diary

**Performance Management Process:**

**Plan:** agreeing objectives and competence requirements; identifying the behaviours required by the organisation; producing plans expressed in performance agreements for meeting objectives and improving performance; preparing personal development plans to enhance knowledge, skills and competence and reinforce the desired behaviours

**Act:** carrying out the work required to achieve objectives by reference to the plans and in response to new demands

**Monitor:** checking on progress in achieving objectives and responding to new demands; treating performance management as a continuous process - 'managing performance all the year round' - rather than an annual appraisal event

**Review:** holding a review meeting for a 'stocktaking' assessment of progress and achievements, and identifying where action is required to develop performance as a basis for completing the cycle by moving into the planning stage.

## **Strategies of Performance Management:**

There are **7 performance enhancing strategies** that may be tried in on the employee. Ultimately they are responsible for their actions but they also need you to:

- 1. Assess** performance, identify competency gaps, and then define performance objectives in precise and demonstrable terms.
- 2. Communicate** expectations, roles, and responsibilities through performance discussions that simultaneously build relationships, improve performance, commitment and accountability.
- 3. Coach** employees in a way that corrects performance deficiencies, reinforces appropriate behaviours, teaches new skills, and inspires them to higher levels of performance.
- 4. Diagnose** performance problems early and remove any barriers that may impede employee performance.
- 5. Collaborate** with employees and others to identify performance goals, support systems, and improvement strategies that will improve both today's performance results and the skills needed for tomorrow's challenges.
- 6. Document** all performance-related discussions, quickly, confidently and legally.
- 7. Retain** your most talented performers, recognize all employees for their efforts, and reward great performance.

## **Hurdles in Performance Appraisal.**

**Faulty Assumptions:** “Managers naturally wish to make fair and accurate appraisal of subordinates.” “Managers take a particular appraisal system as perfect and feel that once they have launched programme that would continue forever.” “Personal opinion is better than formal appraisal and they find little use of systematic appraisal and review procedures.” “Employees want to know frankly where they do stand and what their superiors think about them.”

**Psychological Blocks:** There are several psychological blocks viz. managers’ feeling of insecurity, appraisal as an extra burden, their being excessively modest or unconvinced, their feeling to treat their subordinates’ failure as their deficiency, disliking of resentment by subordinates etc.

**Technical pitfalls:** The main technical difficulties viz. criterion problem and distortions make the appraisal subjective. Criteria are hard to define in measurable or even objective terms. Distortions occur in the form of biases and errors in making the evaluation.

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