

Benefits and strategies of performance management



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Armstrong and Baron define performance management as ' a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved'. They go on to stress that it is ' a strategy which relates to every activity of the organisation set in the context of its human resource policies, culture, style and communications systems. The nature of the strategy depends on the organisational context and can vary from organisation to organisation.'

In other words performance management should be:

- Strategic - it is about broader issues and longer-term goals
- Integrated - it should link various aspects of the business, people management, and individuals and teams.

It should incorporate:

- Performance improvement - throughout the organisation, for individual, team and organisational effectiveness
- Development - unless there is continuous development of individuals and teams, performance will not improve
- Managing behaviour - ensuring that individuals are encouraged to behave in a way that allows and fosters better working relationships.

Armstrong and Baron stress that at its best performance management is a tool to ensure that managers manage effectively; that they ensure the people or teams they manage:

- know and understand what is expected of them

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- have the skills and ability to deliver on these expectations
- are supported by the organisation to develop the capacity to meet these expectations are given feedback on their performance
- have the opportunity to discuss and contribute to individual and team aims and objectives.

It is also about ensuring that managers themselves are aware of the impact of their own behaviour on the people they manage and are encouraged to identify and exhibit positive behaviours.

So performance management is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, behaviour and contributions. It is about sharing expectations. Managers can clarify what they expect individual and teams to do; likewise individuals and teams can communicate their expectations of how they should be managed and what they need to do their jobs. It follows that performance management is about interrelationships and about improving the quality of relationships – between managers and individuals, between managers and teams, between members of teams and so on, and is therefore a joint process. It is also about planning – defining expectations expressed as objectives and in business plans – and about measurement; the old dictum is ‘ If you can’t measure it, you can’t manage it’. It should apply to all employees, not just managers, and to teams as much as individuals. It is a continuous process, not a one-off event. Last but not least, it is holistic and should pervade every aspect of running an organisation.

How does performance management work?

Because performance management is (or should be) so all-pervasive, it needs structures to support it. These should provide a framework to help people operate, and to help them to help others to operate. But it should not be a rigid system; there needs to be a reasonable degree of flexibility to allow people freedom to operate.

Performance management is a process, not an event. It operates as a continuous cycle.

Corporate strategic goals provide the starting point for business and departmental goals, followed by agreement on performance and development, leading to the drawing up of plans between individuals and managers, with continuous monitoring and feedback supported by formal reviews.

Tools of performance management

It is impossible to go into details of each of the tools used by performance management, so the following paragraphs simply provide an outline.

Performance and development reviews

Many organisations without performance management systems operate 'appraisals' in which an individual's manager regularly (usually annually) records performance, potential and development needs in a top-down process - see our factsheet on performance appraisal for more information on this topic.

- Go to our Performance appraisal factsheet

It can be argued that the perceived defects of appraisal systems (that line managers regarded them as irrelevant, involving form-filling to keep the personnel department happy, and not as a normal process of management) led to the development of more rounded concepts of performance management. Nevertheless, organisations with performance management systems need to provide those involved with the opportunity to reflect on past performance as a basis for making development and improvement plans, and the performance and development review meeting (note the terminology; it is not appraisal) provides this chance. The meeting must be constructive, and various techniques can be used to conduct the sort of open, free-flowing and honest meeting needed, with the reviewee doing most of the talking.

Learning and development

Employee development is the main route followed by most organisations to improved organisational performance, which in turn requires an understanding of the processes and techniques of organisational, team and individual learning. Performance reviews can be regarded as learning events, in which individuals can be encouraged to think about how and in which ways they want to develop. This can lead to the drawing up of a personal development plan (PDP) setting out the actions they propose to take (with the help of others, not least their managers) to develop themselves. To keep development separate from performance and salary discussions, development reviews may be held at other times, for example, on the anniversary of joining an organisation.

Increasing emphasis on talent management also means that many organisations are re-defining performance management to align it to the need to identify, nurture and retain talent. Development programmes are reflecting the needs of succession plans and seeking to foster leadership skills. However, too much of an emphasis on talent management may be damaging to overall development needs and every effort needs to be made to ensure that development is inclusive, accessible and focused on developing organisational capability.

Coaching

Coaching is an important tool in learning and development. Coaching is developing a person's skills and knowledge so that their job performance improves, leading to the achievement of organisational objectives. Coaching is increasingly recognised as a significant responsibility of line managers, and can play an important part in a PDP. They will take place during the review meetings, but also and more importantly should be carried out throughout the year. For some managers coaching comes naturally, but for many they may not and training may be needed to improve their skills. See our factsheet on coaching for more information.

- Go to our Coaching factsheet

Objectives and performance standards

Objectives (some organisations prefer to use 'goals') describe something to be accomplished by individuals, departments and organisations over a period of time. They can be expressed as targets to be met (such as sales) and tasks to be completed by specified dates. They can be work-related, referring to the results to be attained, or personal, taking the form of <https://assignbuster.com/benefits-and-strategies-of-performance-management/>

developmental objectives for individuals. Objectives need to be defined and agreed. They will relate to the overall purpose of the job and define performance areas - all the aspects of the job that contribute to achieving its overall purpose. Targets then need to be set for each performance area, for example, increase ' sales by x per cent', ' reduce wastage by y per cent' ...

Alongside objectives are performance standards. They are used when it is not possible to set time-based targets, or when there is a continuing objective which does not change significantly from one review period to the next and is a standing feature of the job. These should be spelled out in quantitative terms if possible, for example, speed of response to requests or meeting defined standards of accuracy.

Competences and competencies

Some organisations, but by no means all, use competences and competencies as components of performance management. Competences describe what people need to be able to do to perform a job well (the descriptions in National Vocational Qualifications are examples of competences). Competencies (more helpfully, ' behavioural competencies') are defined as the dimensions of behaviour that lie behind competent performance. Though the language used does not help in making the distinction, to perform well it is necessary both to be able to do a job at a technically competent level and to have behaviours that reinforce those technical skills; an obvious example of behaviour is the surgeon who needs a good bedside manner and to be able to communicate with colleagues, in addition to surgical skills. There are various techniques for measuring competence (some organisations prefer to use ' capability') and once an <https://assignbuster.com/benefits-and-strategies-of-performance-management/>

analysis has been made, it provides a tool for measuring performance and, of course, for providing development activities to help people meet the required standards. For more information, see our competencies factsheet.

- Go to our factsheet on Competency and competency frameworks

Measurement

To improve performance, you need to know what current performance is. Measurement provides the basis for providing and generating feedback, and thus can build the platform for further success or identify where things are going less well so that corrective action can be taken. But what gets measured? Measure the wrong things, perhaps simply because they are easy to measure, and an entire performance management system can fall into disrepute. Use too many measures and you can't see the wood for the trees. For measuring performance, the achievement of objectives, levels of competency, standards of performance, and work outputs are used but the emphasis varies according to categories of staff - for example, a senior manager would be mainly measured by meeting objectives, but a production worker mainly by achieving outputs. Increasingly organisations are using more sophisticated measuring techniques such as balanced scorecards or ROI (return on investment).

Individual and team performance needs to be capable of being linked in an understandable manner to organisational performance, and there are various approaches to this. They include the 'balanced scorecard', a set of measures that looks at the business from customer, internal, learning and financial perspectives; the European Foundation for Quality Management,

which indicates that customer satisfaction, employee satisfaction, and impact on society are achieved through leadership; and other economic measures, including traditional financial measures. Measures used will depend on the organisation; for example, public service organisations are likely to use different measures from private companies.

Pay

Performance management is often linked with performance-related pay (PRP), although by no means all organisations claiming to use performance management have PRP. Nevertheless, PRP is an important element in many performance management schemes because it is believed to motivate; it is said to deliver the message that performance and competence are important, and it is thought to be fair to reward people according to their performance, contribution or competence. Others, though, believe that other factors are more important than PRP in motivation; that it is usually based on subjective assessments of performance, that it inhibits teamwork because of its individualistic nature, and that it leads to 'short-termism'. See our factsheet for more information on performance pay.

- Go to our performance-related pay factsheet

An alternative to PRP is competence-related pay, which provides for pay progression to be linked to levels of competence that people have achieved, using a competence profile or framework. The difficulty here is measuring competence, and some organisations use a mix of PRP and competence-related pay. Further possible pay systems are team-based pay, a kind of PRP

for teams; and contribution-related pay which means paying for results plus competence, and for past performance and future success.

Performance may be used to determine all or some aspects of pay. In many instances only non-consolidated bonus payments are linked to performance which tend to reflect organisational, team and individual performance whilst salary progression is linked to service, market rates and pay scales.

Many organisations believe that when performance management is linked to pay the quality of performance discussions will inevitably deteriorate.

- Teams

Team working has become an important part of life in many organisations, and where teams are permanent or for longstanding projects, measures can be based on team performance. They will mainly be concerned with output, activity levels (eg speed of servicing), customer service and satisfaction, and financial results. Indeed, team measures are not very different from those for individuals, and of course team members need to agree their objectives and receive feedback in the same way as if they were not part of a team. Other team members can contribute towards this, in a process of peer review. See our factsheet on wrking in teams.

- Go to our factsheet on teamworking

360 degree feedback

360 degree feedback became increasingly talked about in the 1990s, if not widely used. It consists of performance data generated from a number of sources, who can include the person to whom the individual being assessed reports, people who report to them, peers (team colleagues or others in the <https://assignbuster.com/benefits-and-strategies-of-performance-management/>

organisation), and internal and external customers. It can also include self-assessment. 360 degree feedback is used mainly as part of a self-development or management development programme, and is felt to provide a more rounded view of people, with less bias than if an assessment is conducted by one individual. See our factsheet on 360 feedback for more information.

- Go to our factsheet on 360 feedback

Performance problem solving

Performance management is a positive process, and good systems will create a culture in which success is applauded. Nevertheless, poor performance will exist. It may be a result of inadequate leadership, bad management or defective systems of work, and if so, remedies (often involving learning and development) can be put in place. But individuals may under-perform and improvements can be achieved through continuing feedback and joint discussion between them and their managers, involving analysing and identifying the problem, establishing the reasons for the shortfall, and deciding and agreeing the action to be taken. If all this fails, disciplinary action may need to be taken, as in any organisation.

CIPD viewpoint

Performance management is not easy to implement. It should be 'owned' by everyone in the organisation, and especially line managers – it is emphatically not about guardianship by personnel departments. Surveys suggest that individuals and managers in organisations with performance management systems quite like it, and especially its emphasis on personal development, although performance-rating (often linked to PRP) often <https://assignbuster.com/benefits-and-strategies-of-performance-management/>

provokes hostility. Schemes can be over-detailed and require too much form-filling, and there can be a lack of definition in terms of what is meant by performance and how to achieve it. Schemes can be less successful than they might be because of lack of training, especially at the beginning.

In its most positive form, performance management will help individuals not only to understand what is expected of them but also how they contribute to achieving organisational goals.

The keys to the successful introduction and application of performance management are:

- being clear about what is meant by performance
- understanding what the organisation is and needs to be in its performance culture
- being very focused on how individual employees will benefit and play their part in the process
- understanding that it is a tool for line managers and its success will depend on their ability to use it effectively.

References

1. ARMSTRONG, M. and BARON, A. (2004) Managing performance: performance management in action. London: Chartered Institute of Personnel and Development