Performance management essay sample

Business, Management

1. There are many purposes of a Performance Management System and its relation to business objectives which include: (i) Strategic

(ii) Administrative

(iii) Informational

(iv) Developmental

(v) Organisational maintenance

(vi) Documentation

(i) Strategic purpose: linking individual goals with the organisations goals and communicating the most crucial business strategic initiatives. This increases employee loyalty and retention, thereby improving the overall performance of the organisation. (ii) Administrative purpose: providing information for making decisions regarding: salary adjustments; promotions; retention or termination; recognition of individual performance (Management Study Guide, 2013). This provides information to allow the company to plan effectively. (iii) Informational purpose: communicating to employees; expectations, what is important, how they are doing and how to improve. This overcomes communication barriers in the organisation. (iv) Developmental purpose: " Promoting a two way system of communication between the supervisors and the employees… providing a regular and transparent feedback for improving employee performance and continuous coaching" (Lockett, 1992); identification of individual strengths and weaknesses; causes of performance deficiencies; tailor development of individual career path.

This encourages mutual trust between the employee and the company. (v) Organisational maintenance purpose: plan effective workforce; assess future training needs; evaluate performance at organisational level; evaluate effectiveness of HR interventions. This provides employees with security and reassurance in the organisation. (vi) Documentation purpose: document administrative decisions; help meet legal requirements to ensure that the organisation is compliant. 2. There are four basic components to an effective performance management system: (i) Planning: identifying, clarifying and agreeing upon expectations; role definition; identifying how results will be measured; agreeing a monitoring process and documenting the plan. (ii) Action: carry out the role; implement performance improvement plan; implement personal development plan. (iii) Manage performance: monitor performance; provide continuous feedback; provide coaching; take corrective action or adapting where necessary. (iv) Review and Evaluate: performance review and evaluation; feedback; agree strengths and areas for improvement; sign off.

3. Intrinsically there is a link between motivation and performance management. Malcolm Martin et al (2010) detail the following in their book " Human Resource Practice": " Hale and Whitlan (1998: 2) provide an interesting model – see below – of how performance appraisal can be used to satisfy employees' basic motivational needs (based on the now famous research of Peters and Waterman 1982, into successful organisations).

Peters and Waterman factors
How performance appraisal can satisfy these needs

Need for meaning

Clear link of individual jobs with the objectives of the organisation Need for control

Joint discussion between subordinate and manager regarding future job priorities and targets Need for positive reinforcement

Provision of effective feedback from manager to subordinate

Actions shape attitudes and beliefs

Performance appraisal as the starting –point for deciding future action, which entails senior-level commitment to help the individual develop Motivation is a very individual and multi-facetted issue. What motivates one person may not motivate another, and any motivational factors vary depending on personal circumstances. Motivation maintains, directs and focusses behaviour in the workplace, and therefore has a direct impact on performance and therefore performance management. There have been multiple studies carried out into motivation and many theories have been developed as a result. Malcolm Martin et al (2010) classified the theories into three broad categories: reinforcement theories; need theories and cognitive theories.

Reinforcement theories propose that behaviour is shaped by its consequences. That is, positive reinforcement increases the likelihood of the behaviour being repeated and negative reinforcement motivates behaviour by leading to the avoidance of the undesired behaviour. One such example of a reinforcement theory is Herzberg's motivational-hygiene theory. " Herzberg's findings revealed that certain characteristics of a job are

consistently related to job satisfaction, while different factors are associated with job dissatisfaction" (Mindtools. com, 2013): Motivation factors – have positive reinforcement.

Hygiene factors – that if not handled well have a negative effect – see below:

Image from www. provenmodels. com

Needs theories suggest that people have needs that are satisfied (or not) by working. Some theorists suggest that individuals may have a preference towards particular needs, with the motivational impact varying from individual to individual. Others suggest that the needs occur at different levels and individuals move through these levels as lower-order needs are satisfied. An example of a needs based theory is Maslow's " hierarchy of needs" – see diagram below:

The theory acknowledges that people don't necessarily move in a continuous direction through the different levels of need, and may also be at different places in different aspects of their lives – at work and in their personal life. Cognitive theories recognise individuals as rational thinking beings with differing views about reward, which puts motivation on a more individual basis. The theories suggest that employees bring inputs to a job – experience, qualifications, energy, effort etc – and expect to receive outcomes in return. Adams's equity theory states that workers are motivated by a desire to be treated equitably or fairly. If workers perceive that they are being treated fairly, the motivation to work will be sustained and effective performance can be expected:

Inputs

Equity

Dependent on comparing own ratio of input/output with ratios of " referent others" Outputs

Inputs are typically: effort, loyalty, hard work, commitment, skill, ability, adaptability, flexibility, tolerance, determination, heart and soul, enthusiasm, trust in our boss and superiors, support of colleagues and subordinates, personal sacrifice, etc. People need to feel that there is a fair balance between inputs and outputs. Crucially fairness is measured by comparing one's own balance or ratio between inputs and outputs, with the ratio enjoyed or endured by relevant (" referent") others. Outputs are typically all financial rewards – pay, salary, expenses, perks, benefits, pension arrangements, bonus and commission – plus tangibles – recognition, reputation, praise and thanks, interest, responsibility, stimulus, travel, training, development, sense of achievement and advancement, promotion, etc.

4. The purpose of reward in a performance management system can be defined in different ways. The e-how. com website states " The benefits of employee-recognition programs are many — they fulfill the intrinsic need to be appreciated, and they illustrate an employer's commitment to its employees". The CIPD research published in February 2007 " Rewarding work; The vital role of line managers" states " The standard objectives in the design of reward systems are the requirements to recruit, retain and motivate. In a practical sense, this means that the reward system in use

must be capable of providing answers to the employee's questions of " why join?", " why stay?" and " why bother?" In addition, the purpose of reward can be: (i) To motivate staff

(ii) To increase performance/profit

(iii) To achieve objectives

(iv) To fulfil legal requirements

(v) To increase reputation (employee of choice)

(vi) To increase staff retention

5. The US organisation WorldatWork has identified five separate components of a total reward strategy:

Image from www. worldatwork. org

Compensation: – this is pay provided by an employer to an employee for services rendered (i. e. time, effort and skill). Includes both fixed and variable pay tied to levels of performance. Benefits: – programmes an employer uses to supplement the cash compensation that employees receive. These health, income protection, savings and retirement programmes provide security for employees and their families. Work-Life: – A specific set of organisational practices, policies and programmes, plus a philosophy, that actively supports efforts to help employees achieve success at both work and home. Performance & Recognition: –

Performance – the alignment of organisational, team and individual efforts towards the achievement of business goals and organisational success. It

includes establishing expectations, skill demonstration, assessment, feedback and continuous improvement. Recognition – acknowledges or gives special attention to employee actions, efforts, behaviour or performance. Whether formal or informal, recognition programmes acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. Awards can be cash or noncash (e. g. verbal recognition, trophies, certificates, plaques, dinners, tickets etc). Development and Career Opportunities: –

Development – a set of learning experiences designed to enhance employees' applied skills and competencies. Development engages employees to perform better and engages leaders to advance their organisations people strategies. Career Opportunities – involve the plan for employees to advance their career goals. May include advancement into a more responsible position in an organisation. The company supports career opportunities internally so that talented employees are deployed in positions that enable them to deliver their greatest value to the organisation.

6. Managers need to monitor and control work situations when they arise, to ensure that the work that they are responsible for is concluded successfully. Checking and reviewing staff performance is just as important as managing the project or process itself. Other factors that need to be considered to manage performance (whether bad or good) are the setting of goals and expectations, how staff are communicated this information and how they are informed that they will be monitored regarding this information. It is best

practice to ensure that the expectations are reviewed at interview and developed through company induction.

Having one-to-one's with staff to give them feedback and receive their feedback needs to be considered. This needs to occur whether the feedback is good or not so good. Too many times managers only talk to staff to give them negative feedback (if they are doing something wrong). An environment should be cultivated to ensure employees are involved and listened to. An additional factor in managing good and poor performance is that of fairness. Managers need to be aware that they need to treat all staff fairly and equally and ensure that their actions could not be perceived as preferential or detrimental. Managers that have regular, productive, two-way conversations with their staff tend to have less issues regarding performance.

7. Data can be collected from a number of internal and external sources in relation to performance reward management. (i) Internally this could be information relating to the achievement of grades, salary bands, staff turnover, staff questionnaires, data from performance management process etc. (ii) Externally information could be gained from networking, incomes data (Income Data Support IDS), salary surveys etc.

8. The frequency of performance review is a source for debate, as the real key is the effectiveness and purpose of the review. If the review is seen as a " tick box exercise" then there is little benefit or effectiveness inherent in the process. Equally if the reviews are spaced too far apart or are too in depth

(time consuming) there will be less buy in from the relevant managers. Some organisations have yearly performance reviews set to a particular month, whereby all managers need to complete reviews for all of their staff. Some companies perform yearly reviews on the anniversary of the employees start with the company, so that this process is spread out across the year.

Other companies complete 3 monthly reviews, so that performance can be more closely monitored and goals set and reviewed more frequently. It depends on the nature of the business and the perceived benefit to the business of these reviews as to how frequent this process is completed. The main purpose of a performance review is to ascertain where the employee is at present, where they want to be and to manage their expectations accordingly. There are many different types of Performance Development Reviews, these include: 1: 1 – usually manager and staff member

360 degree – using a selection of people in the organisation to give feedback
Peer review – using same level staff to review
Competency based – usually 1: 1 focussed on competencies
Key objectives of Performance Development Reviews are to motivate employees to continue to perform well, improve particular areas of performance and ready the employee for promotion. The Performance Development Review process should be open and positive, honest and objective, confidential, focussed on the future, fair, and two-way. There are four key stages to a Performance Development Review meeting: (i) Preparation – date, time and place should be agreed. Time should be set aside enough to prepare for the meeting and for the meeting itself, all

relevant paperwork should be sent out in time, all documents should be read through, the employee should understand the process – it should not be a shock, confidentiality should be maintained, the right environment should be created in which to hold the meeting.

(ii) Opening – at the start of the meeting the process and objectives of the meeting should be confirmed. The scene should be set regarding any background information and the agenda should be agreed. The reviewer should use positive language, smile and gently lead the attendee into the conversation to allow them to start talking.

(iii) Conducting – as a rule of thumb the staff member should talk 80% of the time and the manager should talk 20% of the time in a review. For the manager this means that they should be listening, questioning and giving feedback in the main. Open questions should be used, justify statements made with any factual evidence, actively listen and exchange views and explore issues. Wherever possible the reviewer should ensure that there are no interruptions or distractions, be familiar with the employee's role and performance and ensure confidentiality. A good manager will not shy away from tackling difficult issues; they will allow the interviewee to take charge of the discussion. A good manager will also not be afraid of periods of silence when appropriate or make assumptions. They will always focus on behaviour rather than personality and will not impose objectives on the interviewee without discussion or agreement. (iv) Closing – all outcomes/objectives should have a clear action and these are agreed. The interviewee should be asked to summarise. A discussion should be had

regarding what happens next. The meeting should be closed in a positive manner and the agreed actions should be adhered to. After the review, all parties should ensure that the agreed outcomes are actioned and completed.

Bibliography

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