



Performance Management

Is performance management really necessary?

What techniques are best to use?



This e-book is a guide for employers to help them discover tips and methods of performance management, how to get the best out of employees, and how to increase employee retention.

Introduction

'Performance Management' can be considered a bit of a buzz word that is being thrown around without much meaning behind it. Organisations and businesses might be told that they need to have performance management techniques in place, but what does that mean?

Ultimately, performance management isn't something with set parameters and end points. Rather, it is a fluid process which is adapted depending on the circumstances of every individual business and organisation, in order to manage and improve performance of

individuals, and establish a shared understanding of organisational goals and what individuals and teams are working towards.

It should go without saying that all managers aim to deliver high performance across all aspects and areas under their control. However, this is not possible without an effective and on-going process of performance management; where strengths can be nurtured, and weaknesses can be improved, yet a lot of managers do not heed this. Carrying out appraisals and performance reviews on regular yearly intervals is generally only something that is done because it needs to meet internal deadlines, and while one or two issues might be identified this way, this is not really actively 'managing' performance, is definitely not adding value to your business.

A survey by the CIPD asked managers and senior employees about their thoughts on performance management, and the results are very telling of the attitudes and understanding of performance management.

- ❖ 44% of respondents thought that individuals are the primary beneficiaries of performance management, but only 19% of respondents think that line managers benefit from performance management.
- ❖ Only 17% of people agree that performance management might have an impact on well-being.
- ❖ Only 62.7% of respondents actually carry out regular review meetings to assess progress.
- ❖ Only 20% of respondents agreed that performance management has a positive impact on individual performance, but 21% disagree with this.

A lot of managers and employees recognise that various methods and processes should be involved in performance management systems, but day-to-day difficulties and problems that come with being a manager are often given greater priority. However, part of being a manager is to ensure that your team or individuals that you are responsible for are working efficiently and feel that they add value to the business.

There has been a recent upturn in businesses and organisations seeking input from outside agencies to help develop their performance management systems, and this eBook has been designed to provide comprehensive information about performance management, the benefits it can bring, and how you might be able to improve your current performance management situation.

What is Performance Management?

At its core, performance management should be used as a strategy that aims to improve the overall achievements and output of an organisation by linking every activity of the organisation through its culture, communications, human resources policies, and style. Depending on the context of the organisation, the nature of the performance management strategy.

This should go some way towards explaining why annual appraisals and reviews are not a comprehensive way of managing performance. Simply carrying out appraisals with members of a team is not enough to truly determine how each individual has contributed consistently, how each person feels about their development, or how smaller improvements/setbacks have occurred – one conversation cannot be enough to properly look at and discuss all of these issues.

Performance management is most effective when it is scheduled and delivered in a strategic way that considers broad issues and long-term goals, as well as day-to-day tasks and relationships. It also needs to incorporate and link other aspects of business such as people management and teams, as well as teams. All of these contribute to the overall performance of an organisation and need to be considered as parts of a whole.

Performance management also isn't just about checking to see if individuals have improved on their contribution to the organisation and increased their business value, but it should incorporate a number of different elements including ongoing development for teams and individuals, behaviour management to ensure employees can foster better working relationships, and of course performance improvement that takes place throughout the entire organisation and takes into account how teams and individuals contribute to organisational effectiveness.

Striving to include all of these different elements in a structured and logical process or procedure can seem a bit daunting and time-consuming, but once you have established a proper structure, then you will certainly see the benefits it can bring to your organisation. When done effectively, performance management need not be daunting, but it can be put together from both formal and informal processes.

A little bit of good planning and organisation can go a long way towards establishing effective performance management procedures.

What can you get out of Performance Management?

Performance management offers a lot more than simply ensuring key employees are staying on target, and when done correctly, it can create many long-term and short-term benefits for an organisation. Indeed, part of what makes performance management so effective is the understanding of managers and employers of the benefits that can come from it.

One stand out benefit from effective performance management is the creation of a working culture and environment in which all staff feel they are working together to drive business and improve their own skills. Good performance management can help everyone in the organisation to know:

- ✓ What the business is trying to achieve
- ✓ Their role in helping the business achieve its goals

- ✓ The skill and competencies they need to fulfil their role
- ✓ The standards of performance required
- ✓ How they can develop their performance and contribute to development of the organisation
- ✓ When there are performance problems and what to do about them

Part of creating this unified culture within an organisation means that the way in which you choose to manage performance needs to be fair to all staff, and no discrimination should be made in the way that managers deal with anyone's performance.

Performance management also offers new opportunities for managers to undertake training that allows them to carry out effective performance management techniques, including the clear objectives of performance management, as well as how the entire scheme will operate and what their role will be. This training itself feeds into the performance management ethos of continuing development. This training can also be extended to all employees to help them with the process of setting their own objectives.

This sharing of training and resources between managers and employees also paves the way for continued discourse and feedback between them through frequent informal meetings regarding objectives, skills, and improvements, as well as support and resources. This two-way communication is essential for effective performance management, and it also helps to create supportive and happy working relationships.

For performance management to be truly effective, it is important that managers and employers understand all of the benefits that can come from it, and how these benefits will generally help the organisation as a whole. However, as mentioned previously, there are a number of misconceptions surrounding performance management, and employers often don't realise how wide reaching these benefits can be.

No matter the size of an organisation, effective and efficient performance management is something that should be prioritised.

How do you carry out performance management?

Before embarking on a way to improve or streamline your performance management procedures, it is important to remember that performance management is a process not a single event.

Performance management should operate on a continuous cycle.

All businesses and organisations are different, so the way that one carries out performance management may not be suitable for another. One size does not fit all. Before developing a performance management strategy, an organisation will need to look at the wider business strategies in play, along with the business goals, priorities, and the current working

environment, in order to decide the best starting point for any performance management activities.

Once this has taken place, there are a number of tools that businesses can incorporate into their performance management strategy.

- Performance appraisals

The performance appraisal is probably the most easily recognised tool of performance management, and it involves meetings held between an employee and their manager on a regularly scheduled basis.

The meeting should always take the form of a free-flowing conversation, not a question and answer session, where two people can discuss previous objectives, assess the progress towards those objectives, review development progress, and look at future objectives.

A lot of organisations view performance appraisals in the traditional way, and conduct them on an annual basis, but this approach to performance appraisals has come under much criticism and is not conducive to truly effective performance management.

Carrying out a performance appraisal once a year is not at all realistic for the vast majority of businesses; it does not correspond to the speed in which businesses can change. You might find that one year is very successful and you have certain priorities in place, but the next year those priorities might be completely different, and it would no longer be fair to measure an employee's performance against something that has changed so much.

Similarly, performance appraisals run the risk of focussing too much on past performance and how an employee had performed from the time of the last appraisal to the current one. It is important to review progress, but sufficient time should also be spent discussing future improvements and development. The feedback during appraisals also generally comes from only one source, which can be limiting for a comprehensive appraisal.

- 360 Degree Feedback

Seeking out what is called 360-degree feedback as an alternative to the traditional approach of a performance appraisal is a way to ensure that each individual has a much more robust level of feedback from different levels of the organisation.

For really small businesses this might not always feel necessary, but it is common for managers to not fully appreciate the change in performance or understand the contribution an individual gives to a business. Because of this, it stands to reason that a more thorough review or appraisal can only be obtained if feedback is sought from a number of different sources throughout the business.

This feedback is usually carried out in the form of questionnaires focussed on the performance of the individual undergoing appraisal. This data is collected from a range of different sources in order to gain the most comprehensive picture of performance, and will typically include fellow team members and peers, those who report to the individual, senior colleagues, relevant customers or clients, and of course the line manager.



In this way, 360-degree feedback not only helps a manager to put together a more comprehensive appraisal, but it can also contribute greatly to the development of the individual more than a regular appraisal would. For example, this 360-degree feedback could challenge key perceptions of those who receive it, and they might perceive that an aspect of their behaviour isn't as 'good' as they believe or certain aspects of their day to day working practices are more or less important than they originally thought.

Of course, for 360-degree feedback to work effectively, it is important that certain guidelines are followed; otherwise you can risk making the process overly complicated or turning it into a futile exercise.

Before you can make 360-degree feedback work for your business, you must first ensure that all employees understand the meaning of good performance in relation to your business, and do not rely on what they believe might determine good or bad performance. This is important to achieve a realistic picture of an individual's performance within an organisation. Employees clear and consistent understanding of what 'good' performance means should also go hand in hand with a clear and open feedback policy. An organisation should encourage employees to give and receive feedback in a constructive way.

Without these things already in place, then 360-degree feedback can sometimes be viewed negatively, and as a way for managers to 'check up' on employees they don't trust. However, the benefits of 360-degree feedback can be great if managed correctly and can significantly improve the performance and development of all employees, including managers and senior staff.

➤ Learning and Development Opportunities

Of course, performance management would be futile if it didn't go hand in hand with learning and development.

Avenues of individual employee development are important to maintain in all businesses and can offer an incentive as well as helping to contribute to organisational performance. During performance reviews or appraisals, it is important for employees to be aware that they are encouraged to pursue their own development, and the ways in which they want to do so. Working together with managers, employees can examine their development options and create a personal development plan that sets out how they propose to meet their development needs in ways that benefit the organisation and the individual.

When business and organisations set out to manage performance, learning and development should be something that is held in high priority. Focusing on where employees can go and the heights, they can climb is far more beneficial to everyone than dwelling too much on past performance, or only offering performance related pay. It is common sense that supporting employees' development needs benefits organisational capability as a whole.

➤ Quantitative Objectives

One standard way of measuring performance is to set measurable targets (such as Sales numbers or value) to be achieved within a certain period of time. This is a simple way of measuring performance against the requirements of the business, and can be applied to individuals, teams, departments, or the organisation as a whole.

However, it is not conducive to good performance management if these targets are assigned without consideration of how they might affect other teams or departments, or without agreeing them with the individuals concerned who will be able to offer realistic timescales and production estimates. These objectives should always relate to the overall purpose of the job, and not expect anything that is unreasonably beyond anyone's responsibilities or competencies.

It can be argued that measurable targets like this can be detrimental to effective performance management, as it appears to focus solely on employees' potential output that benefits the organisation. However, data from measurable goals should be used to measure how an individual contributes to the overall targets and objectives of the organisation through their behaviour and capability.

It is not always possible to set defined targets when it comes to certain tasks or projects, and when this happens it might be useful to set out performance or accuracy standards alongside time or volume-based targets.

Targets like these not only provide a cut and dry way of measuring certain aspects of performance, but they also provide data and information about the individuals working towards those goals, such as what drives them to performance, what conditions they perform best under, and how well they might work with different teams. All of this information can contribute towards building a comprehensive performance management system.

➤ Performance Related Pay

The idea of rewarding good performance with an increased level of pay is likely one of the most well known factors of performance management. The topic is one of much contention yet is still seen as one of the most traditional ways of rewarding employees for their performance.

Performance related pay can work to improve performance, but there are a number of possible negative effects that it could have on surrounding people, teams, or the business in general. For example, using performance related pay as an incentive could reinforce the focus on the measurable performance targets that were previously mentioned, with individuals striving to only reach those numbers at the detriment of other things.

Similarly, performance related pay can automatically become the primary incentive if it is introduced, which can reduce the motivation in other areas of reward such as position in the company or further learning opportunities. Performance related pay can also cause problems between employees or other teams within the organisation. It is inherently competitive in nature, with certain people hoping to achieve something and receive a raise before someone else, and this can really affect the way a team works together and ultimately reduce performance levels. This same reason can work to increase feelings of unfairness in the organisation, as well as reduce the likelihood of valuable feedback teams and individuals and dampen the culture of trust and openness around performance.

Performance related pay can work well for some organisations depending on individual circumstances and business position, but in order to do so organisations must already have appropriate performance management and performance measurement systems in place. If this is not the case, then managing performance related pay can be dangerous. Each organisation needs to be completely clear about how they are measuring performance and communicate this to employees. However, this can still create issues because how do you determine how performance is measured? Do you apply the same scale to each individual? Can performance really be measured on just one basic scale?

Performance related pay can work well for a number of businesses, but for it to work efficiently and effectively without causing any potential problems; it needs to be incorporated into a wider performance management system. Simply rewarding 'good' performance with increased salaries is not specific enough and does nothing for the overall learning and development of the individual, as well as that of the business. Perhaps consider performance related pay as something applicable to everyone when employees' performance has benefited the organisation overall.

Why is Performance Management Changing?

As previously mentioned, performance management is often regarded as something that must be done by completing an appraisal with each employee once a year in order to ship it off to the HR department. It was also mentioned that this is not really 'managing' performance in any way and is doing nothing to add value to the business.

However, there has been a significant upturn of organisations that are actively seeking HR or outsourced assistance in making changes to their performance management. Businesses and organisations of all kinds are beginning to see that working with human resources, whether in-house or with an agency, can make a genuine difference to overall business performance. Organisations want to align individual objectives to the organisational culture and overall strategy and know that effective performance management is the way to do this successfully.

When you look at today's average working environment and relationships you will be able to see how much they have changed, even when compared to just a few years ago. Relationships have altered to focus more on mutual development and opportunities, while the business landscape is now more concerned with maximising productivity and making the most of the precious time that businesses have in order to gain a competitive edge.

Ultimately, employees are essential to an organisation's success, so it should go without saying that when they are managed properly, and they are given consistent feedback on their performance, it only serves to improve the overall operation of the business.

Performance is no longer treated in isolation but used as part of a comprehensive business strategy.

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