

PERFORMANCE MANAGEMENT

Performance management (Armstrong & Baron) is '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'. 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'.

Performance management is a tool to ensure that managers manage effectively, so that they and their teams

- Know and understand what is expected of them.
- Are equipped to deliver on these expectations.
- Are given proper feedback on their performance.
- Are supported by the organisation to develop the capacity to meet these expectations.
- Are encouraged to contribute to individual and team aims and objectives.

A performance management culture ensures 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. The organisation itself will determine what those behaviours are and what its expectations are in terms of performance.

Good performance management is about creating an effective strategy of performance, putting in place the tools to facilitate continuous improvement and address any problems that arise, and ensuring good two way communication so as to convey and share expectations. 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 should be capable of objective measurement so that improvement and necessary development can be seen and assessed.

Tools of performance management

Performance and development reviews

- This includes appraisals which should be positive, two way, and based on a clear understanding of what "good looks like" in terms of objectives, targets and required competencies.

- A performance review 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

Development reviews leading to a personal development plan (PDP) may be based on the formal appraisal or performance review meeting, but they may also arise following development centres or other training interventions. 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, overemphasising 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 and mentoring

Coaching is an important tool in learning and development and involves developing a person's skills and knowledge so that their job performance improves, leading to the achievement of organisational objectives. Mentoring is usually undertaken by an internal senior manager, without direct line management responsibility, and can play an important part in a PDP. Coaching is probably best carried out by an external accredited coach, but line managers can act as coaches if the coaching role matches their skill set and style of leadership.

Setting objectives and performance standards

Goals are work-related, referring to the results to be attained, or personal, taking the form of developmental objectives for individuals. Goals and objectives need to be defined and agreed. They will relate to the overall purpose of the job whereas targets can be set for each performance area, for example, 'reduce staff turnover by x per cent' ... 'increase sales by x per cent...'”

Improvements in performance standards can also be regarded as objectives; for example, responding more quickly to telephone calls, meeting a designated performance measurement such as IIP, or improving customer ratings of performance.

Competences and competencies

Some organisations use competencies as components of performance management.

(Competences describe what people need to be able to do to perform a job well, such as operate a photocopier, whereas Competencies ('behavioural competencies') are defined as the dimensions of behaviour that lie behind competent performance, such as interpersonal

skills. A good performer will be able to do a job at a competent level and have behaviours that reinforce those technical skills; e.g. an architect needs good listening skills to know what the client requires in addition to technical skills. Competency frameworks are commonly used to help organisations measure both competences and competencies.

Measurement

Increasingly organisations are using more sophisticated measuring techniques:

- Balanced scorecards (a set of measures that looks at the business from customer, internal, learning and financial perspectives)
- European Foundation for Quality Management (customer satisfaction, employee satisfaction, and impact on society are achieved through leadership)
- ROI (return on investment)
- Traditional financial measures

Pay

Performance management is often linked with performance-related pay (PRP), or 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. Other 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.

Many organisations believe that when performance management is linked to pay the quality of performance discussions will inevitably deteriorate, but this has not always proved to be the case, and the measures may or may not be appropriate depending on the type of organisation and its culture.

360 degree feedback

360 degree feedback consists of performance data generated from a number of sources, including line manager, reports, peers, and internal and external customers. It will usually include self-assessment. 360 degree feedback is used mainly as part of a self-development or management development programme, and can provide a more rounded view of people, with less bias than if an assessment is conducted by one individual.

Reference

ARMSTRONG, M. and BARON, A. (2004) *Managing performance: performance management in action*. London, CIPD

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