

## What Is Performance Management? – A Manager’s Guide

This guide provides a detailed background and rationale for Performance Management.

### What is Performance Management?

Performance management is an approach, which translates the clear vision of the organisation into business objectives and individual performance objectives and targets.

Overall, performance management can provide a vital link between business needs and people development needs. It is a sound basis for the person-to-person communications that encourage real personal development.

### Why Use It?

The main reasons for using a Performance Management system are:

#### Organisational Effectiveness

If the business plan is linked to the development of its people, then an organisation can expect improved performance.

#### Employee Motivation

Most employees place a high value on job satisfaction and people prefer to know what is expected of them. Performance management can help clarify this by providing a framework for action.

#### Training and Development

An organisation needs to ensure that staff have the knowledge, skills and behaviours to meet business objectives. Performance management stresses that training and development needs must be reviewed in relation to long and short-term business objectives. Action can then be taken to see that these needs are met in an appropriate way.

#### Elements of Performance Management

Successful managers achieve progress through managing their staff’s performance effectively. Performance management goes beyond appraising performance and simply filling forms. It is a management cycle that includes:

- Setting objectives
- Communicating expectations
- Planning an effective strategy to deliver against expectations
- Monitoring and assisting staff to achieve their potential
- Appraising performance
- Assisting in making reward decisions, where appropriate

- Helping people to develop

The Performance Management system however, is only there as a guide – the human relationship between the line manager and his or her team is the part that breathes life into it.

### Objective Setting

Before setting individual objectives the manager must have a good view of the key business objectives and the current job requirements of the individual being managed.

It should be a mutual, two-way process. If it is just top down it can lack 'real world' relevance and buy-in by the individual. On the other hand if it were just bottom up it could lack overall direction. To be a good manager you should not approach objective setting like a mechanical operation but take people along with you and have a genuine interest in their development.

Objective setting has a number of steps:

- Step 1: "What does this person do now and what do they need to do in the next 3, 6, 9 or 12 months and beyond?"
- Step 2: "Of all the things they could be doing, which are key to meeting business/ departmental objectives?"
- Step 3: "Can we agree to three or four main objectives as a basis for future action?"
- Step 4: "What plan can be jointly worked out to help meet the objectives?"

### Checklist for Objective Setting

Objectives should be agreed with the appraisee, with at least one being a development objective. Also bear in mind that objectives should be written in a manner that reflects not just the objective itself, but *how* it is completed, i.e. it is not acceptable to achieve an objective but treat staff badly in order to do so.

When agreeing objectives, check that they are SMART, i.e.

- Specific
- Measurable
- Aligned (with business goals) and Achievable
- Realistic
- Time bound

### Communication

It is important to make sure that communication is two-way. Through careful listening you should be aware of the difference between genuine commitment to objectives and uncertain agreement. It is important that you gain that commitment in order to make achievement of objectives possible.

Once expectations have been fully discussed and objectives written down, follow up conversations should ensure that everything is understood.

## Planning

You should help the individual to work out a plan based on the tasks to be achieved. Options should be explored and methods discussed. There may be a need to realistically explore how one target might impact on another part of the plan or on someone else's plan.

## Monitor and Feedback

A common complaint about performance review is that it happens once a year without much reference to it between times. In performance management you should monitor how people are doing and give feedback on a regular basis. Feedback must always be constructive whether it is positive or negative in nature and always related back to specific examples.

With regular review, assistance can be provided in different ways, e.g. through problem solving, coaching or just helping to get obstacles out of the way.

## Performance Gap

If a gap is opening up between desired and actual performance this should be discussed as early as possible. DO NOT leave it until the performance review interview. Carefully analyse the situation with the person, asking open questions of the individual first. By doing this, information may be more forthcoming.

Remember that gaps may arise for organisational reasons (e.g. the knock on effects of someone else not completing their part of the task), or for personal reasons. To close the gap ask the person to suggest solutions and whether additional help is required, which could be in the form of training.

## How Often?

The performance review process should be conducted formally in line with the organisation's business planning cycle, as a minimum annually but it is recommended that an interim review at 3 and 6 months

*However, it should be remembered that Performance Management is a dynamic cycle of ongoing review and development, not a one-off event.*