

Stages of Performance Management System (contd..)

Once the prerequisites are met and the planning phase has been completed, we are ready to begin the implementation of the performance management system.

This includes performance execution, assessment, review, and renewal and re-contracting.

Stage 3: Performance Execution

Once the review cycle begins, the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs.

The employee has primary responsibility and ownership of this process.

Although the employee has primary responsibilities for performance execution, the supervisor also needs to do his or her share of the work.

Supervisors have primary responsibility over the following issues:

Observation and documentation. Supervisors must observe and document performance on a daily basis.

It is important to keep track of examples of both good and poor performance.

Updates. As the organization's goals may change, it is important to update and revise initial objectives, standards, and key accountabilities (in the case of results) and competency areas (in the case of behaviors).

Feedback. Feedback on progression towards goals and coaching to improve performance should be provided on a regular basis, and certainly before the review cycle is over.

Resources. Supervisors should provide employees with resources and opportunities to participate in development activities.

Overall, supervisors have a responsibility to ensure that the employee has the necessary supplies and funding to perform the job properly.

Reinforcement. Supervisors must let employees know that their outstanding performance is noticed.

Also, supervisors should provide feedback regarding negative performance and how to resolve the observed problem.

Performance management systems not only measure performance but also provide information about the source of any performance deficiencies, which is done in the performance assessment stage.

Stage 4: Performance Assessment

Both the employee and the manager take ownership of the assessment process.

In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved.

This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved.

The fact that both parties are involved in the assessment provides good information to be used in the review phase.

Stage 5: Performance Review

- The performance review stage involves the meeting between the employee and the manager to review their assessments.
- The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance.
- In spite of its importance in performance management, the appraisal meeting is often regarded as the difficult task of the entire process ” (Kikoski, 1999).

- ✓ Many managers are uncomfortable providing performance feedback, particularly when performance is poor (Ghorpade & Chen, 1995).
- ✓ Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system.
- ✓ For example, a study involving more than two hundred teachers in Malaysia, including individuals with distinct Chinese, Malay, and Indian cultural backgrounds, found that when they received effective feedback, they reported greater satisfaction with the system, even when they received low performance ratings (Rahman, 2006).

The appraisal meeting should also include a discussion of the employee's development progress as well as plans for the future.

In addition, a good appraisal meeting includes information on what new compensation, if any, the employee may be receiving as a result of his or her performance.

In short, the appraisal discussion focuses on the past (what has been done and how), the present (what compensation is received or denied as a result), and the future (goals to be attained before the upcoming review session).

Stage 6: Performance Renewal and Re-contracting

The final stage in the performance process is renewal and re-contracting.

Renewal and re-contracting stage uses the insights and information gained from the other phases.

For example, some of the goals may have been set unrealistically high given an unexpected economic downturn. This would lead to setting less ambitious goals for the upcoming review period.

The performance management process includes a cycle that starts with prerequisites and ends with performance renewal and re-contracting.

The cycle is not over after the renewal and re-contracting stage. In fact, the process starts all over again.

As an illustration

Consider how Merrill Lynch has changed from having simply a performance appraisal system to now having a performance management system.

Merrill Lynch is one of the world's leading financial management and advisory companies, with offices in 36 countries and private client assets of approximately US\$1.1 trillion (<http://www.ml.com/>).

Recently, Merrill Lynch started the transition from one performance appraisal per year to focusing on one of the important principles of performance management: the conversation between managers and employees where feedback is exchanged and coaching is given if needed.

At the first review of the year, employees and managers set employee objectives. Mid-year reviews assess what progress has been made towards the goals, and consider personal development plans.

Finally, the end of the year review incorporates feedback from several sources, evaluates progress toward objectives, and identifies areas that need improvement.

Managers also get extensive training on how to set objectives and conduct reviews.

In addition, there is a website that managers can access for information on all aspects of the performance management system.

In sharp contrast to their old performance appraisal system, Merrill Lynch states that the goal of the newly implemented performance management programme is to say: 'This is what is expected of you, this is how we're going to help you in your development, and this is how you'll be judged relative to compensation.'

Performance management systems that do not make explicit the employee contribution to the organisational goals are not true performance management systems.

Return to the case of Sally:

From Sally's point of view, the performance review forms did not provide any useful information regarding the contribution of each of her subordinates to the organisation.

References

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