

1-1

# Performance Management

# Learning Objectives

- ✓ Explain the concept of performance management
- ✓ Distinguish performance management from performance appraisal

### Consider the following scenario:

3

Sally is a sales manager at a large pharmaceutical company. The fiscal year will end in one week. She is overwhelmed with end-of-the year tasks including reviewing the budget she is likely to get for next year, responding to phone calls of customers, and supervising a group of 10 salespeople.

It's a very hectic time, probably the most hectic time of the year. She receives a phone call from the HR Department: 'Sally, we have not received your performance reviews for your 10 employees; they are due by the end of the fiscal year.'

Sally thinks 'Oh, those performance reviews... What a waste of my time!' From Sally's point of view, there is no value in filling out those meaningless forms.

She does not see her subordinates in action because they are in the field visiting customers most of the time.

All she knows about their performance is based on sales figures, which depend more on the products offered and geographic territory covered than the effort and motivation of each salesperson.

And nothing happens in terms of rewards regardless of her ratings.

What is she going to do? She decides to go down the path of least resistance: to please her employees, she gives everyone the maximum possible rating. In this way, she believes they will be happy with their ratings, and Sally will not have to deal with complaints or follow-up meetings.

Sally fills out the forms in less than 20 minutes and gets back to her 'real job'.

Is there anything wrong with this scenario?

Unfortunately, this is a frequent situation in many organisations. Although Sally's HR department calls this process 'performance management', but it is not.

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

This is painfully clear in the case of Sally described above: from her point of view, the performance review forms did not provide any useful information regarding the contribution of each of her subordinates to the organization.

# Reinventing Performance Management

Marcus Buckingham & Ashley Goodall, *HBR April 2015 Issue*

At Deloitte we're redesigning our performance management system. This may not surprise you. Like many other companies, we realize that our current process for evaluating the work of our people—and then training them, promoting them, and paying them accordingly—is increasingly out of step with our objectives.



In a public survey Deloitte conducted recently, more than half of the executives questioned (58%) believe that their current performance management approach drives neither employee engagement nor high performance.

They are in need of something which focuses on fueling performance in the future.

What might surprise you, however, is what we'll include in Deloitte's new system and what we won't. It will have no cascading objectives, no once-a-year reviews, and no 360-degree-feedback tools. We've arrived at a very different and much simpler design for managing people's performance.

Its hallmarks are speed, agility, one-size-fits-one, and constant learning, and it's underpinned by a new way of collecting reliable performance data. This system will make much more sense for our talent-dependent business.

But we might never have arrived at its design without drawing on **three pieces of evidence**: a simple counting of hours, a review of research in the science of ratings, and a carefully controlled study of our own organization.

## What CEOs Say About the Contribution of Performance Management Systems

A study conducted by Development Dimensions International (DDI), a global human resource consulting firm specialising in leadership and selection, found that performance management systems are a key tool that organisations use to translate business strategy into business results. Specifically, performance management systems influence 'financial performance, productivity, product or service quality, customer satisfaction, and employee job satisfaction.' In addition, 79 per cent of the CEOs surveyed say that the performance management systems implemented in their organisations drive the 'cultural strategies that maximise human assets.'<sup>5</sup>

## Definition of Performance management

Performance management is a continuous process of identifying, measuring and developing performance in organisations by linking each individual's performance and organization's overall mission and goals.

# Definition of PM

13

1. Continuous process of ...
  - Identifying
  - Measuring
  - Developing... the performance of individuals and teams
2. Aligning performance with the strategic goals of the organization

# Definition of PM (continued)

14

➤ Performance management (PM)

is NOT

performance appraisal (PA)

## Definition of PM (continued)

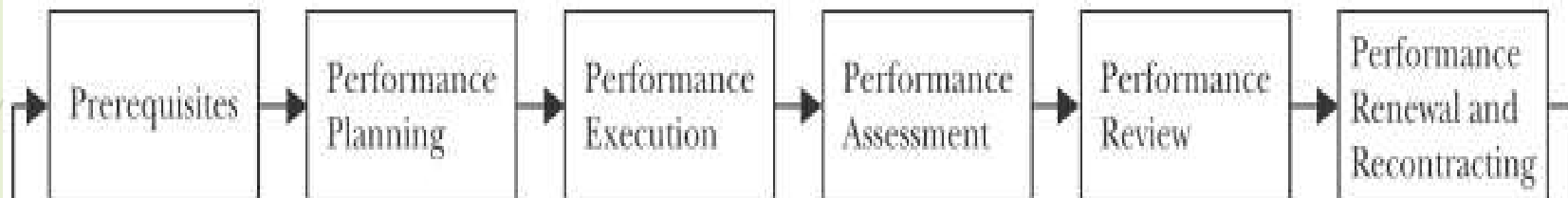
### PM

- Strategic business considerations
- Driven by line manager
- Ongoing feedback
  - So employee can improve performance

### PA

- Driven by HR
- Assesses employee
  - Strengths
  - Weaknesses
- Once a year
- Lacks ongoing feedback

## Flow of the Performance Management Process





# References

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