Performance Management

Definition, Elements and Aspects

Study Program

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Executive Summary

Performance Management (PM) enables organizations to improve their performance by introducing a model for enhancing every employees' performance at each level. A properly implemented PM improves communications within the organizations. Besides that, it enhances the job satisfaction in staff and aligns company's goals with employee's contributions. Although many organization implement some sort of PM, many forget about the fact that PM is not a top down approach. It is important to involve the employee in planing the objectives, to give continuous feedback and to do a review only on the objectives agreed upon in a planing session.

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PM   Performance Management

HR   Human Resource Management

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1 Introduction

Performance Management (PM) is one of the key aspects of people and business management. The performance of the organization depends on the performance of every staff on every level working in that organization. Continuous improvements of people will enhance the performance of the organization. An effective PM helps the employees perform better and align their contributions to the goals of the organization. PM gives the supervisors a model to plan, analyze, and maintain the process of improving the performance of their staff[1].

1.1 Problem Definition

Every PM process can fail or succeed. The key to a successful PM is the implementation. In this work, we firstly define the process of PM and its different aspects. Then, the correct implementation of PM is discussed. Finally, a list of 'to do' and 'not to do' is given to summarize how can one improve the PM inside an organization.

1.2 Objectives

The main objective of this work is to briefly introduce the process of PM and a plan for how to correctly implement it.

1.3 Methodology

This work is mainly a literature review. However, the author's opinion from his personal experience as a line manager is given occasionally.

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[1]   See. *Cadwell, C. M.*, 2000.

2 Performance Management Definition

According to Armstrong '**Performance management!** (**Performance management!**) can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements',[2]. PM is a partnership between employee and the supervisor. It is a mutual process which cannot be successfully implemented by a supervisor alone[3]. The goal of the performance management is to establish a systematic approach to improve overall performance of the organization. This can be achieved only if the organization goals are well defined and are aligned with individual objectives. Performance management makes sure that individual have a clear idea of what they are expected to do and receive accurate feedback and coaching enabling them to achieve those goals.[4].

The main aspects of performance management are agreement, measurement, feedback, positive reinforcement and dialogue[5].

The focus should be mostly on the future and planning rather than criticizing past performance. It should be implemented mostly with continous dialogues instead of rating scales. PM is concerned not only with output but also with the input and process of how the goals are achieved. This way it is possible to estimate what can be done to improve the results in further steps. Measurement is a key factor because it is difficult to manage sth which is not measurable. Performance Management concerns about not only managers but all the stake holders including employees, costumers, suppliers. That is why it is recommended that the employees opinion are involved in creation of objectives.[6].

2.1 Performance Management Benefits

As we mentioned earlier PM improves the performance of the employee in an organization. In my opinion, this is mainly due to employees improved motivation and not because his performance is monitored. As a developer, I have happily spent extra hours at work without any additional payment to finish a project that I thought made sense. A project that I was present in planning phase and my ideas were taken into account. Moreover, a correctly

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[2] See *Armstrong, M.*, 2006, S. 1.
[3]   *Cadwell, C. M.*, 2000.
[4] See *Armstrong, M.*, 2006.
[5] See *Armstrong, M.*, 2006.
[6] See *Armstrong, M.*, 2006.

implemented PM leads to improved communication in the organization. It helps to align individual's goals with that of the company. Therefore, the employee's self management would be improved and consequently his job satisfaction[7].

2.2 Performance Management vs Performance Appraisal

Performance Appraisal is usually the top down approach of rating the employees at some planned time. In Contrary, performance management is a continuous process and mostly focuses on the future instead of judging the past. Therefore, performance management cannot be solely owned by Human Resource Management (HR) department but also line managers are involved.

2.3 Performance Management Process

the process management process includes[8].

1. Planning

2. Acting

3. Monitoring

4. Reviewing

As previously mentioned, planning in performance management is not in the form of a top down approach but instead it is in the form of agreement. Once the planned is agreed upon, actions need to be taken to account to achieve it. The achievement of the objectives must be constantly monitored and this progress needs to be assessed for improving further planning. In figure 1 the cycle is explained.

In figure 2 the sequence is explained. In the role definition action, parties agree on key results and required competence to achieve that. The performance agreement action is about defining the objectives for individuals and methods to measure the objectives and the required competence. The performance improvement plan, explains the necessary action for individuals to be taken when their performance should improve. Performance review is a formal session to review the performance over a period of time and learn for the next revised performance agreement.
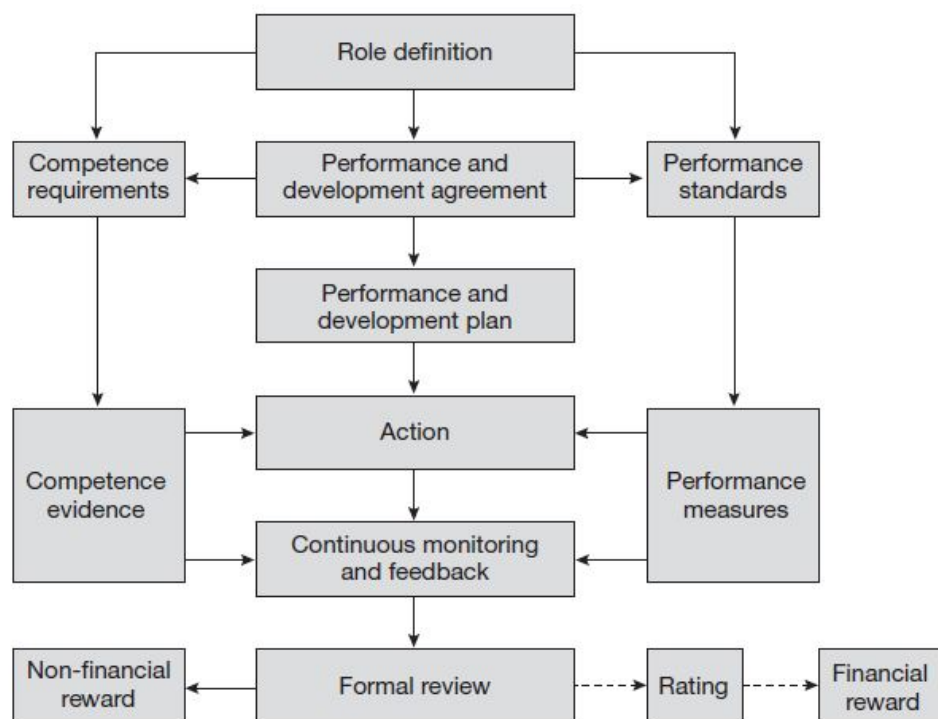
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[7] See *Cadwell, C. M.*, 2000.
[8] See *Armstrong, M.*, 2006.

Figure 1: Performance Management Cycle
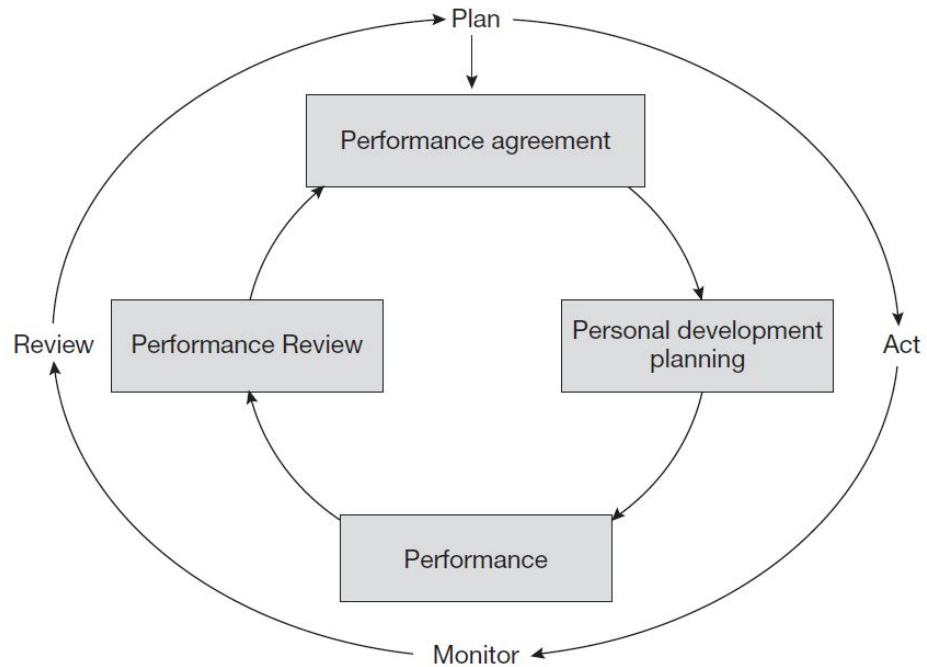
Source: See *Armstrong*, *M.*, 2006

Figure 2: Performance Management Sequence

Source: See *Armstrong*, *M.*, 2006

Performance matrices can be used for management appraisal. However, this should be distinguished with appraisal rating since the goal here is to help individuals find tasks that they are good at and help them improve in those tasks.[9].

2.3.1 Performance and Development Planning

Help people to achieve the objectives of the tasks they agreed on. In the first step the line manager and the team member make sure that they have a mutual understanding of the role. They agree on not only the key results bur also the way it is done including the required competencies and core values that needs to be uphold.[10]. I can say from my personal experience that this step is not taken very seriously in many companies. Usually the manager has a vague idea of what need to be accomplished and the task is assigned to whoever is less occupied at this particular moment. I find the emphasis on input very important. For example, one can consider a software company. One objective can be developing a simulation platform for a robot manipulator in 11 months. However, it is very important to remember that this product may need to be further developed in some points in the future. Therefore, the source code should be implemented with some certain coding and documentations standard. As a result, the developer should welcome other team member's opinions and even critics. If the individual is not fully aware of this expected competence, he may consider his teammates engagements as not productive or even annoying.

2.3.2 Continuous Monitoring

As already mentioned in previous sections, performance management is a continuous process. Managers should not wait for an official review meeting for giving feedbacks or even receiving feedbacks from the individuals. Sometimes the objectives needs to be updated, or some obstacles prevents the individuals from accomplishing their tasks. The line manager identifies these problems as soon as possible and reacts on them. When giving feedback one needs to consider the following points[11]. :

- Harsh Feedback does not help. Giving frequent negative feedback leads to defensive reaction. For example, interrupting someone by telling that idea never works.

- The critical role of positive feedback should not be ignored.

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[9] See *Armstrong, M.*, 2006.
[10] See *Armstrong, M.*, 2006.
[11] See *Chappelow, C., McCauley, C.*, 2019.

- Telling people how to solve the problem is the wrong approach. This is not the same as coaching.

2.3.3 Performance Review

One or two formal review secessions per year are still inevitable. These sessions are used to identify main performance and development issues. Conducting a review session requires management skills otherwise the emergence of hostile attitude is very probable.[12]. I think the main focus of this meeting should be on future. What can we improve in the future is the question which needs to be answered at the end. Indeed, the review session and the way it is conducted can be reviewed and improved.

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[12] See *Armstrong, M.*, 2006.

3 Modern Performance Management

Some recent authors criticize the classical performance management methods. Colquitt[13] calls the classical performance management 'PM 1' and he explains what should be stopped in 'PM 1' and what needs to be started. He calls the new process 'PM 2' which is a more updated version and more suitable for modern life.

3.1 Things To Stop

PM 1 requires organizations to monitor performance and measure results. However, experiments show that the judgments are usually affected with many factors and they are not accurate enough for such a process. Relative feedback is more damaging in team work than constructive. It can lead to demotivation or even sabotaging the teammates. Besides that, people are not always in full control of the situation and the uncontrollable factors can affect the performance measurements which has nothing to do with individual[14]. It has happened to me several times that I have been criticized in a review process for the results which has been totally out of my control and the manager took my explanation as an excuse.

3.2 Things To Start

It is important for the companies to understand that they cannot buy commitment. If they really want their employees to commit they need to share the common belief and have a clear understanding of the objectives and the path to achieve them. They need to feel involved in something bigger than their everyday work. However, companies need to be careful with the weight they put on objectives since it can lead the a mentality of achieving a goal no matter the price[15]. In my opinion, competition in a job which requires creativity does more harm than good. People stop sharing information instead of helping each other to grow for the purpose of winning the competition.

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[13] See. *Colquitt, A. L.*, 2017.
[14] See. *Colquitt, A. L.*, 2017.
[15] See. *Colquitt, A. L.*, 2017.

4 Conclusion

The process PM if correctly implemented can effectively improve the performance of the organization. It can improve the communication and self management in an organization. Although many organization implement some sort of PM but many forget about the fact that PM is not a top down approach. It needs both supervisor and employee to mutually help planing, analysing and maintaining the process. Consequently, The employee's job satisfaction improves when he finds his goals aligned with the organization's goals. Therefore, not only he is more motivated but also his contributions are exactly in the same direction as the company's strategy.

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