UNDERSTANDING WORK -
A GUIDE TO PERFORMANCE MANAGEMENT

THE PHASES OF PERFORMANCE MANAGEMENT SYSTEMS

The three broad phases of performance management are:

PLAN

ACT

REVIEW

AN INTRODUCTION TO PERFORMANCE MANAGEMENT

Performance management can sound to many people like the big bad thing that no one really wants to do. The truth is that it occupies an important, nuanced area of HR that is key to understanding the workplace and adapting it to the fast-paced demands of the modern business environment. So what exactly is it?

Performance management involves a process of regular communication between a supervisor and an employee to ensure that the employee is working to accomplish their necessary goals and contributing towards the wide-ranging objectives of the organization. While formal appraisals form the core of this process, there are several associated aspects, including "clarifying expectations, setting objectives, identifying goals, providing feedback, and reviewing results" (Berkeley).

Campbell and Garfinkel's 1996 study concluded that businesses that have effective performance management processes in place largely outperform those without such systems on several critical measures. It's clear that these practices are immensely beneficial, and exploring them will benefit anyone who works in HR.

1. PLAN

Planning involves setting realistic goals and understanding what steps can be taken to reach those goals. These objectives should closely follow the useful acronym **S.M.A.R.T.**
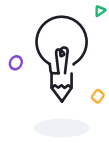
S.M.A.R.T

Specific: Vague goals can lead to imprecise work. The better you define what you expect to see happen, the greater the chances of achieving exact results.

Measurable: Set goals in a way that produces visible, tangible results. It's helpful to use metrics that can be quantified.

Achievable: Objectives must be reasonably attainable, taking into account practical obstacles such as time, money, and labor.

Relevant: Goals must be applicable to the employees involved in achieving them.

Time-bound: Setting an end-date by which goals can be reasonably achieved motivates employees without pressuring them.

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PERFORMANCE DIMENSIONS

Customer Service Orientation: The awareness and knowledge of how to respond to customer needs and expectations with a positive outlook

Effective Communication: Set goals in a way that produces visible, tangible results. It's helpful to use metrics that can be quantified.

Valuing Diversity: The ability to hold active and engaging conversations with peers, managers, and customers that are relevant to one's work

Analysis and Problem-Solving: The ability to collect and analyze information, and solve problems and make informed decisions based on this knowledge.

Strong Interpersonal Skills: The ability to get along well with fellow employees using good conversational and social skills

The first phase of project management allows a streamlined framework of employee expectations that can be referred to throughout the performance management process.

2. ACT

Carrying out planned tasks in order to achieve goals requires a continuous, monitored approach. Employees work to perform their roles effectively, while managers must work with their employees to track progress, provide feedback, and coach them. Systems like the 9-box grid assess how well employees fit into an organization.

9-BOX GRID

By mapping an employee's potential (the Y-axis) to their performance (the X-axis) along a scale of low-moderate-high, the 9-box grid helps HR identify the varying degrees of talent in their organization. Creating a standard model for assessing employees' abilities makes it easier to make decisions on which employees best fit into their roles, who requires skill training, and who can take on leadership roles.

How an employee performs on their tasks here forms the core of performance management. It's not just about a manager assessing their employees, but employees understanding how they do work themselves.

PERSONAL DEVELOPMENT PLAN

This plan is designed to improve employees' individual performances and leverage their full potential. It helps employees to establish personal goals based on current realities, identify areas of improvement and potential new skills, and determine what steps they can take to make those improvements and learn those skills.

Based on a manager's understanding of new skills needed in the workplace, they can communicate with their employees to decide what sort of coaching or training they'll need to progress.

COACHING

Coaching focuses on strengthening one or two key aspects of employee performance. These training areas are based on a manager's observations, and feedback from others where necessary. Coaching emphasizes what the employee does right, and how they can do it better. It's important that both parties understand each other's positions and barometers for performance, so they can agree on key work areas and actions to be taken.

The ongoing performance management activities taken here build up to the comprehensive third stage of the process.

3. REVIEW

The phase most commonly associated with performance management, the review (or appraisal) phase, is the final part of the process.

APPRAISAL

Typically carried out by a manager, this is an organized way of evaluating employee performance. The results an employee has achieved are compared with planned outcomes to evaluate and summarize their contributions to the organization. Any outstanding issues between the two parties are also resolved at this stage.

While reviews have traditionally been carried out annually (once an appraisal cycle), it can be strenuous to talk about a year's worth of work in a short sitting. Recognizing this, most companies have embraced a more flexible form of appraisals, which may be undertaken as often as necessary throughout the year to acknowledge the employee's accomplishments and to plan out steps to improve performance. These review meetings simply become a continuation of the momentum established throughout the work period.

UNDERSTANDING PERFORMANCE MANAGEMENT

The performance management process (and appraisals in particular) can become complicated. There are several factors to consider, and an unstructured approach will only make things harder. It's essential, then, to understand the aspects of an appraisal that contribute to the overall image of an employee. Ultimately, performance comes down to how an employee utilizes their **skill sets** and **competencies** to achieve **goals**.

The Components of Employee Performance

Goals are the results an organization expects from its projects, typically associated with one or more measurable aims.

A **skill set** is a group of related skills, abilities, and experiences that enable an employee to do their best possible work. A comprehensive skill set is essential to career growth.

Complementary to a skill set, competencies describe how well an employee applies their skills toward the job. These are the proven abilities that provide someone with a competitive advantage.

UNDERSTANDING THE OUTCOMES OF EMPLOYEE PERFORMANCE

Key Result Area/KRAs outline an employee's roles and responsibilities within their organization. KRAs help individuals align their roles to the larger business plan and focus on results rather than activities. This allows employees to set priority goals and objectives, and make effective decisions.

Key Performance Indicators/KPIs are measures of how well a company, or a specific department, is performing with respect to its established goals. KPIs are used to quantify success in major organizational processes and areas of work, including hard-to-measure areas such as service, leadership, and satisfaction. This is done by comparing employee achievements against a predefined set of values, called indicators. These indicators can be quantitative or qualitative—either way, they clarify the standards the company intends to uphold.

Key Process Areas/KPAs are where a department or employee concentrates its resources and energies. These encompass the overall scope of activities that need to be performed by the entity under evaluation. KPIs are used within a given KPA to determine where the entity ranks, based on established definitions.

IMPLEMENTING PERFORMANCE APPRAISALS

How do you conduct an effective performance appraisal? What you don't want to do is try to compress it into a single, one-on-one meeting.

The complexity of properly evaluating performance makes it difficult for a manager who's juggling several other responsibilities to dedicate a lot of time.This is where a high-quality piece of software that can handle performance management properly goes a long way.

Being able to easily look up the performance parameters for the employee under review, set up performance management tools, and generate comprehensive reports greatly simplifies the performance management process. This lets HR focus on constructing and deploying a productive performance management system without having to do all the work themselves.

Subjective human judgment is undoubtedly inherent to the performance management process, and consequently, is the root cause of most problematic appraisals. The stress of an annual, all-encompassing review meeting doesn't help in ameliorating this issue. With that in mind, performance appraisals depend on feedback that can be provided in three main ways to compensate for the possibility of bias.
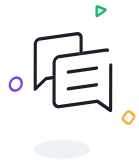
FORMS OF FEEDBACK

Peer to peer- Given by members of the same departments to one another. While not typically a factor in compensation, this feedback can happen more casually and focuses on improving work ethic.

Reporting to- The manager gives feedback to team members who directly report to them. This allows for precise information on what the team can do to achieve their goals.

360 degree- An employee can give feedback to everyone in the department, including the manager. It gives the appraiser a comprehensive view of the work the employee has done, one that's not just based on a supervisor's narrow lens.

This feedback forms the basis of a performance appraisal, which can happen at various points throughout the year. Organizations can opt for the approach that best fits their company culture. This feedback can be complemented by an employee's assessment of their own work, also known as a self-appraisal.
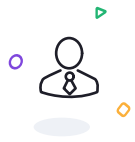
SELF-APPRAISAL

A self-appraisal allows an employee to judge their own performance. The employee can talk about their accomplishments, as well as what they think they can do better. Turning an honest eye inwards can help to better understand your own work habits, and accordingly re-align your goals.aa

When necessary, this is capped off by a formal annual or semi-annual performance appraisal meeting. The frequency of appraisals is defined by the appraisal cycle.

APPRAISAL CYCLES

Appraisal cycles are set at regular intervals based on what works best for each organization, depending on their size and how flexible their employees need to be. The time between appraisals in a cycle lets employees act upon suggestions made by HR on how to improve their performance.

BENEFITS OF PERFORMANCE MANAGEMENT SYSTEMS

- Helps identify the best-performing employees for particular jobs

- Roles and responsibilities of employees are clarified

- Personal development is enhanced

- Organizational goals are made clear

- Employees become more competent

- Supervisors' views of performance are communicated more clearly

- Organizational performance is improved, thanks to identifying the right talent to retain

THE ZENITH OF PERFORMANCE

The success of an organization relies on its people, and people can do their best work only when their strengths are encouraged, and shortcomings worked through. It's with good reason, then, that performance management is recognized as one of the most important responsibilities of HR.

While performance management comes down to the human element, a careful process and software tools can help make the process a lot easier. Whether you choose a dedicated performance management tool, or a full-fledged HRMS that can incorporate a performance appraisal process, taking advantage of good software can make HR's job significantly easier.

It's not enough to just talk about the work of your employees in mechanical terms. It's essential that performance management makes their work, and their work experiences, consistently better.

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