

4.1 What is a performance management system?

Performance Management is a system and process that link the organisation's goals and strategies to individual and team performance so as to increase organisational effectiveness. Please note, managing poor performance should be a different process to this system and is discussed in the next fact sheet: 4.2 Managing Poor Performance.

It is a joint process that involves both managers and their direct reports ("subordinates") who jointly identify common goals/objectives which correlate to the higher goals of the organisation. This process results in the establishment of written performance expectations (a Performance Agreement) - later used as measures for feedback and performance appraisals/reviews.

Performance Management is THE WAY to get an OVERALL GRIP on what should be happening at all levels in an organisation, and then measuring whether it is indeed happening the way intended. And where this is not materializing, to identify the cause/s and implement corrective action/s.

Performance Management consists of FOUR STAGES:



This model is aligned with the WORK NEEDS of individual employees

1. Planning Performance: Performance Measures (Goals, Objectives, Targets, KPI's, Competencies, etc.) for individual employees (at all levels) are jointly discussed and agreed during one-on-one, face-to-face meetings with their direct managers. These are put into a formal, written Performance Agreement for each staff member.

2. Managing Performance: During this stage, employees implement/execute their agreed Objectives/KPI's. They manage their own performance, assisted by managers who should aim at removing performance obstacles in the work environment and providing the necessary resources, training and coaching. Managers are also responsible for integrating and co-ordinating the Objectives/KPI's of all their employees, monitoring their performance, taking corrective action, and doing joint problem solving as and when necessary. The leadership, motivation, feedback, reinforcement and support they need to provide throughout are of utmost importance.

3. Reviewing Performance: During formal Performance Appraisal/Review Interviews, employees and their managers discuss (and assess) how well the agreed Objectives/KPI's had been achieved

and specified Competencies demonstrated. Problem areas are identified and corrective measures put in place, including possible coaching and training that the employee needs. Depending on the type of organisation and its management philosophy, the frequency of Performance Appraisals may be any of 1, 2, 3, 4, 6, or 12-monthly.

4. Rewarding Performance: The actual RATING of performance (how well each Objective/KPI had been achieved and Competencies demonstrated) forms part of the Performance Appraisal/Review Interview. Rewarding people for good performance takes the form of monetary incentives or rewards (performance-based pay such as bonuses and/or salary adjustments). However, the power of non-monetary rewards, such as praise and recognition, should not be ignored and need to enjoy much more emphasis than it generally does as per Fact Sheet 3.9 *Motivate, Manage and Reward*.

Appraisal systems are also important because of their potential to encourage high performance.

Performance appraisal is a method that allows for the optimisation of labour. In a broad sense, it is a formal structure that allows for the continued measuring and evaluation of individual behaviour and performance, whilst influencing an employees job related attributes through such factors as increased job satisfaction and recognition. The purpose of any such system, is not only to measure the performance of human resources but also to find areas of skill deficit for further development (through employee feedback), identify excess potential that could be better utilised, and communicate objectives more accurately to employees . By doing so, businesses move one step closer to the achievement of their set goals and objectives.

In establishing such a system, it is important to firstly determine realistic goals that will be expected of employees, and then make these goals known so employees have direction. Once set, appraisals can be undertaken, in three steps.

- The first involves the observation and identification of an employee's work behaviour, and the outcomes and achievements that are a direct result of them. These outcomes then must be compared against the original goal standards that were set for them.
- The second step revolves around the evaluation and action to be taken to counter the first step. If an employee's performance is lacking, analysis as to the reasons why must be undertaken, and corrected through such means as increasing motivation, training or even termination. If the performance was as good, or better than requested, then considerations of reward must take place. Such rewards can be increased wages, and at times, movement to jobs requiring more expertise .
- The last step is fundamentally review and correction of the initial goals, and the development of new ones. In doing so, the person who set up the goals to begin with, must examine them and decide if they were realistic and viable, in contrast to the resources available and other such aspects of the work environment.

In order to execute performance appraisals, it is necessary to have a performance appraisal system. In essence, such a system refers to the form or method that will be used to gather and appraise data, the job analysis that will be conducted to identify criteria that will be gauged universally, establishing not only the validity but also reliability of data collection methods (validity and reliability are two separate factors all together), selecting who would best suit the position of appraiser and their influence on the overall appraisal, the interviewing processes, the way in which results will be utilised, and how the appraisals system itself will be appraised for quality and usefulness . In total, appraisal systems fall into four categories, depending on the particular approach taken. These are the comparative standards, absolute standards, objective based approaches, and direct indexes.

With a correct and well implemented appraisal system, small businesses and companies alike may look forward to improved competencies, added value to the organisation, and productivity growth

through the development of partnerships between employees and their superiors. This may allow for issues previously ignored, such as the availability and benefits of new machinery or promotional viability to be reviewed for future consideration.

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