

Mistakes in Performance Management



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We have worked with many organisations to fine tune their Performance Management systems. In doing so, we have seen many mistakes made, not through lack of effort but rather lack of experience in this area. This White Paper outlines some of the re-occurring mistakes we have seen over several years.

Our Appraisal system does the job

With an Appraisal system, reviews are typically conducted based on the definition of what the employee was originally employed to do, their position description, letter of offer or some other static document. Appraisal systems fail to address the critical issue that jobs change as business and organisational environments change. Appraisal systems do not focus staff on critical performance outcomes but only review if the employee has performed their basic job function.

Our view is that the basic job function should be dealt with through day-to-day management of the employee while Performance Management systems should deal with the critical focus areas. Managers should set specific objectives for business outcomes as well as developing the employee. appraisal without these objectives is often a waste of time as the manager should be dealing with the core job function during day-to-day management.

Performance Management is the process that focuses employees, guides them to success and assists in achieving the organisations goals. Appraisal without these objectives is a mistake that provides little value to the employees, managers and the organisation.

Implementing Performance Management on Paper

In large organisations, manual Performance Management systems typically fail 18 months after deployment. Compliance typically reduces to less than 30% after 18 months. This is because manual systems do not facilitate effective and timely reporting. Therefore, line managers learn that they can avoid the process by simply not doing it. HR are then blamed for lost forms, line managers don't complete the process and the process becomes fragmented.

The recovery from this position is to install an automated system that provides line managers with a simple way to implement Performance Management. An automated system provides both HR and line managers with a way to keep on top of the process through meaningful compliance reporting.

Force Fit Application to Automate Performance Management

One of the largest mistakes we have seen in Performance Management is to force the organisation to change well established and highly functional processes (Force Fit) so that a new software application will work properly. Performance Management is a journey and as such organisational maturity and culture need to be considered when implementing the system. It is pointless trying to get managers to evaluate employees on complex criteria when they can't even set objectives and review staff against basic objectives.

The message here is to ensure that the system which is deployed matches the level of maturity of the organisation and the skills of the line managers and has a low level of change management in the initial implementation. The criteria and measurement may be increased in years two or three and then moved on to tighter remuneration linkages as well as other more advanced processes such as Succession Planning, which draws on historical performance data.

Home Grown

Another mistake we have seen is to develop and deploy an in-house Performance Management application. The applications are typically sub-standard, lack reporting and are often very difficult to use. There is rarely a meeting of the minds of the stakeholders, especially IT and HR. The end result is that compliance falls, the application is removed and HR has to start over with a very cynical audience.

Assuming Line Managers can Cope with Manual Performance Management

We have interviewed many line managers and one of their greatest frustrations with manual systems is keeping track of where they are within the process. I.e. compliance with the system. Managers lose track as to who they have set objectives for, who has been reviewed and what actions they need to take in relation to an employees development plan. Invariably, nothing happens as the line managers forget what actions they need to take (forms are sent back to HR and then nothing happens). The fact that line managers do not act, means that staff don't see action and in turn see little value in the process.

Assuming Performance Management is easy for line managers

HR practitioners often think that setting objectives is a simple process. This is because HR practitioners are educated in the framework and process and properly understand Performance Management. Line Managers typically have little or no appreciation of the process and often struggle with setting objectives. Line managers also tend to defer setting objectives because it means they have to think and plan (thinking and planning is more difficult than doing the day-to-day job and responding to more urgent work issues).

Our perspective is that any implementation should be complemented with detailed training for line managers. Training must be provided on how to set objectives and appropriate examples provided for each functional unit. In addition, more senior managers may need one on one coaching on how to set meaningful objectives for their teams.

“Automating Performance Management will lower the quality of Objective Setting and Review”

This is a comment frequently made by those not familiar with the practical implementation of automated Performance Management systems. The underlying principle of Performance Management is that staff members and managers should meet and have a high quality discussion, not merely type information into a computer.

In any review or objective setting meeting, one person will be writing or typing the outcomes so that they are recorded. Whether the information is written or typed should not matter provided that the person writing the objectives/review is competent at the process of recording the outcomes. If the manager is not effective with a keyboard, then the manager should be encouraged to print the automated forms and record the session in writing, the data transcribed into the system at a later time. This is still better than a manual system because the data is recorded and can be reported as and when required.

Automated systems are not designed to work with data entry only, i.e. where the staff do not meet each other. The benefits automated systems deliver are ensuring the process happens, not denying managers and staff a meeting where there is a quality exchange of information.

Well designed automated systems ensure that this cannot happen (review conducted with no meeting) by providing a feedback loop to the manager of managers. The feedback asks a number of questions including whether or not the objective setting and review were conducted face to face, and the quality of the process. An electronic signing facility should also be provided so that both employee and manager can sign their own part of the review.

People will do it on the computer and never meet face to face

Again, this assumption is a mistake made by people who are not familiar with automated systems. Staff are still required to meet face to face in order to set Objectives and perform Reviews. The benefits that accrue through the use of an on line system are realized through features that help HR and Line Managers get the job done. Features that do this are:

- a) Status reports for managers and HR as to process compliance.
- b) Access to the information. With on line systems, the data is available when you need it, you don't have to wait for forms to be sent to you.
- c) Features such as the Performance Diary which enable all staff to comment on the performance of their objectives all the way through the year. They can then come to a review fully informed, with meaningful content and have a higher quality conversation than if they were using a manual system.

You cannot create objectives for all positions

We have often heard this comment from both HR and line managers. The truth is, every position can and should have objectives. In addition to the two methods most often used for senior management (Strategic Cascade Down and MBO method) IXP3 has pioneered the Outcomes method which provides a simple to use framework for setting objectives for difficult to measure work.

The Outcomes method is typically used where work is not quantitative but qualitative. We typically use the Outcomes method for creative designers, receptionists, marketing and several other positions.

I can't use an automated system as I have matrix positions

Although rare, this comment has been made to us before. IXP3 has overcome this issue through some intelligent software development which routes reviews to not one but two managers. The logic sounds simple but the business rules are complex.

The answer is that matrix reporting can be dealt with through intelligent design and workflow.

Using Performance Management for project management

In organisations that are very project orientated, line managers are tempted to use the Performance Management system as a project management system. Typical symptoms are the request for many objectives and extremely detailed objectives (high in number). Managers need to be coached to use summary objectives, not one objective for each project. For example, a manager using the project management approach may write 8 objectives that read something like:

Deliver the SPACE project by 13th December, budget of \$400,000.

This may be repeated several times over. The alternative approach would be an objective that reads like:

Deliver all projects for the financial year on time and on budget.

Comments are then made in the Performance diary about the projects delivery on time and on budget.

This approach means that focus can be applied to other issues and focus is not diluted solely to project management objectives.

We can't justify the expenditure on a Performance Management system

Most CEOs want to improve the quality and quantity of their human capital output. Performance Management is one of the most powerful ways to:

- a) Increase quality of Human Capital through personalised development plans thereby increasing the organisations capability.
- b) Increase output through clarity of focus.

Performance Management systems are easily justified as an expense or capital expenditure if this is the objective of the organisation. Take for example an organisation with 500 staff. The lowest cost per employee will be in the region of \$50,000 per annum assuming all on costs are included. This means that the organisation is deploying some \$25 Million dollars of human capital each year. Assuming a 1% improvement in performance, this equates to \$250,000 that can be used to justify a Performance Management system.

Summary

Performance Management is a very powerful process if implemented correctly. Mistakes can be avoided by consulting experts who have had experience across multiple industries and many implementations.

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