

Trends in Performance Management



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The world of Performance Management and Appraisal's is changing very quickly. This document outlines the major trends in Performance Management that are taking place globally.

Trend 1 - Performance Management Redefined – Now a Valuable Line Management Tool

In the last 30 years, Performance Management has remained a static process that consisted primarily of an annual appraisal. Line management viewed the process as something which the HR department required managers to deliver and complied accordingly.

Today, Performance Management is one of the principle tools executives, line managers, and employees are able to use to achieve their collective goals. The change in application of Performance Management has been enabled by software that provides management with a way to achieve its operational and strategic goals.

These new applications provide a means of:

- a) *Cascading Strategic and Operational Objectives down to ensure every person knows their part of the plan and executes their part of the plan.* This was virtually impossible using manual systems. In most manual systems, objectives were not set for an employee. Therefore the review was often subjective and reflected little if any relevance to the achievement of objectives.
- b) *Developing the entire organisation by setting specific Development Objectives for each individual.* Again, keeping track of hundreds or thousands of Development plans was near impossible with manual systems. This resulted in fragmented development of individuals and fragmented development plans.
- c) *Providing managers with visibility of their team members.* Manual systems offered no way for managers to quickly drill down to ensure that objectives set for employees were able to properly address the Strategic and Operational plans of the organisation. Due to the paperwork involved, this was near impossible to achieve in any meaningful way, with manual appraisal systems.
- d) *Multiple assessment methods.* Through automation, it became possible for managers and HR staff to be able to use multiple assessment techniques to develop an overall view as to how well an individual was performing. These assessments may have include one or more of the following methods:
 - Business Objectives
 - Development Objectives
 - Competency Review (Organisational and job related competencies)
 - Behavioural Objectives
 - Activity Review

In summary, Performance Management has been redefined and now receives much greater buy-in from line management as it assists them in achieving the collective goals of the organisation and their own departmental goals.

Trend 2 – Full Time Performance Management

Annual appraisal is rapidly being replaced with Full Time Performance Management. Full time Performance Management provides a mechanism where both managers and employees are able to make relevant notes on performance related issues throughout the year. This function is often referred to as a **Performance Diary**. When the appraisal is conducted, both are better prepared and have a full record of achievement (or areas for development and coaching) throughout the year. This feature also promotes an ongoing dialogue between managers and employees and ensures that both are on track to achieve their goals for the year. With manual systems, employees are often ignored until the appraisal, only to be told they have not performed well for the entire performance period. A negative message and demoralizing result for twelve months work by the employee.

A good example of how the Performance Diary is used in practice is as follows:

Let's assume an IT Manager is the relevant example. One of her primary objectives is "Deliver all projects on Time and on Budget". With the Performance Diary, the IT manager makes notes on each project all the way through the year. Her own manager also makes notes about these projects. When both parties meet, they have adequate data to draw from and can perform a meaningful review in a short amount of time. They can objectively develop a relevant performance rating derived from factual data. Therefore, the IT manager receives an objective review based on documented information as opposed to a subjective review based on memory.

Trend 3 – Less Reliance on Position Descriptions for Performance Management

In years gone by, appraisals were often conducted against a Position Description. Today both HR and Line Management are using Performance Management systems to drive performance requirements during future performance periods. This is as opposed to using the traditional position description to drive performance. Reasons for this change are as follows:

- a) Position Descriptions are typically static documents. They usually do not reflect what a manager needs an employee to achieve in a defined period of time, rather they provide a basic outline of the role.
- b) Positions Descriptions are only one element of the Performance Management spectrum. Most managers and HR practitioners agree that the other mandatory elements of a Performance Management system are more effective at driving performance than the basic metrics included in a Position Description.
- c) Position Descriptions are often far out of date and line management cannot rely on their integrity to conduct performance appraisals.

Trend 4 – Low Administration Performance Management

Early automated Performance Management systems were standalone systems that offered several benefits but still suffered from high administrative input. These systems required HR to make duplicate data entries for all additions, changes and deletions to staff because entries had to be made in both the payroll system and the Performance Management system. Today, Performance Management applications can be fully integrated with the payroll system which means data entry is only required in payroll. All changes made to payroll are automatically made to the Performance Management application. This substantially reduces costs related to administration, enabling HR to assist line management with more strategic issues and matters of compliance.

Trend 5 – Link to Strategy

Many organisations have now realized the relationship between setting objectives and linking these objectives to organisational strategy. Performance Management systems are the vehicle for doing this. Combined with Full Time Performance Diary functionality, Performance Management is now one of the most powerful methods for effectively directing organisational effort.

Trend 6 – Retention

Organisations have now made the link between Performance Management and retention. In the war for talent, employees want to be:

- a) Appreciated – Regular more frequent reviews address this need.
- b) Developed – Development planning addresses this issue.

Given that automated Performance Management systems help to ensure compliance, employees see Reviews and Development Planning happening regularly and managers can no longer defer these activities indefinitely.

Trend 7 – Succession Planning

Once organisations have Performance Management systems in place, they can leverage the data collected to implement Succession Planning systems. These systems allow HR to identify:

- a) Successors for critical and non critical roles
- b) High Potential staff who are then put through accelerated learning and development programs

The benefits of conducting Succession Planning are many, but one of the most significant benefits is that employees see the organisation as developing career paths for them and this binds them closer to the organisation. Succession Planning has a direct contribution to retention as well as a bottom line saving for recruitment.

Summary

Performance Management in its present form is a trend in itself. Performance Management has progressed from Appraisals and Reviews to a valuable tool to drive performance, link performance to strategy and to do this in an environment that is less onerous on HR than it has ever been in the past. Line Management is accepting and in many cases driving the desire for adequate systems that they can use to deliver both the organisations and their own goals and objectives. Employees are benefiting from better recognition of their achievements and better opportunities to advance their careers.

For more information:

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