PERFORMANCE MANAGEMENT – PROBLEMS AND POTENTIAL

12 key steps to ensure top performance from your staff

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"Many corporations view their performance management systems as "organisational wallpaper", meaning that they exist only in the background and are not expected to add value."[1]

Yet surveys of businesses internationally clearly show that such programmes, if well designed and implemented, have positive impacts on individual productivity and financial results.[2]

How are organisations using performance management systems?

An Aberdeen Group survey[3] of managerial and technical employees in service organisations found that 99% had some form of performance evaluation. Retail, manufacturing and small businesses are less likely to have performance management systems. A 2004 Watson Wyatt[1] survey found a participation rate of approximately 90%. In a 2003 international survey[4] of businesses of all sizes, 59% reported using some form of performance management tool, an increase of 18% compared with a similar survey two years earlier. In that earlier survey 75% said they intended to be using performance management systems by 2003. Progress was slower than expected, largely due to HR budget constraints.

In a recent New Zealand survey[5] overall 30% of managers reported they had not had a performance appraisal in the last 12 months, a percentage that was almost double in smaller organisations.

In the Aberdeen Group employee survey almost two thirds of respondents reported their performance evaluation involved an interview. 48% recorded information using a paper based system, and 17% used some form of computerised system.

The Meta Group research reports that over two thirds of the organisations used in house tools such as templates or spreadsheets and over two thirds had introduced new systems within the last three years. Many organisations go through repeated reinventions of performance management systems.

In most organisations performance management is primarily an annual event, a form completed prior to the end of the financial year. The form is filed and in most cases will not be touched again until the next review the following year. The performance appraisal may or may not be referred to at the annual pay review.

It is not surprising then that research consistently indicates that most performance management systems are of poor quality and poorly executed.

Common problems in performance management

A. Design flaws

Many performance management systems consist of an annual appraisal which may review a list of objectives. In most cases the connection between individual objectives and organisational values, goals and strategies is not made.

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[1] Watson Wyatt WorkUSA®2004 Ongoing study of employee attitudes and opinions.
[2] WatsonWyatt 2001-2003 Human Capital Index
[3] Aberdeen Group Business at Risk Is employee performance management the antidote? March 2004
[4] Meta Group The state of Workforce Management Solutions 2004 A multi client study
[5] Hudson Report Employment and HR trends January-June 2004

Often the performance appraisal includes a list of "organisational citizenship behaviours" such as communication, leadership and teamwork, accompanied by definitions representing desired levels of competence. Apart from the difficulty in defining such broad capabilities effectively, this places the emphasis on inputs to work rather than outputs - results.

The argument for this approach has been that organisational results are dependent on a range of factors which are often outside the control of the individual, and that it is not fair to evaluate performance based on results. This is obviously true of the results of an organisation as a whole, but employee performance management systems are about individuals. Individuals are employed for specific jobs. Therefore employee performance management is concerned with job performance. Most performance management systems do not adequately address role specific job requirements, many do not address them at all.

On top of this failing, many performance management systems do not have objective measurement systems, relying instead on opinions of supervisors and, in some cases peers, which are notoriously subject to bias from a number of sources.[6]

B. Lack of credibility

Not surprisingly, the recent US surveys[7] of employee feelings about performance appraisal indicate that 70-80% disagreed that their performance review helped them to improve personal performance. While the majority agreed that a better performance appraisal would lead to improved compensation, over 60% felt that their performance management system did not provide honest feedback or set clear goals.

Performance management systems and organisational success.

Should organisations have performance management systems?

Some managers oppose any form of performance management system, claiming that communication between people, getting people to talk to one another, is all that is needed. This is not realistic, even in micro businesses, but it does enable managers to avoid confronting incompetence, and everyone else to avoid accountability.

There is a school of thought that recommends abandoning performance appraisal altogether. However alternative solutions proposed by such authors are still performance management systems, albeit superior alternatives to the ubiquitous annual appraisal.[8]

The quality movement has long opposed performance appraisal. Deming, the acknowledged founder, lists performance appraisal, merit rating and annual review as the third of his seven deadly sins. Some in the modern discipline of operations management view the backward looking, inputs oriented focus of most performance management, along with its unreliable and inconsistent measurement system as totally counterproductive to quality initiatives.[9]

In fact all of this criticism is a comment on the poor quality of most performance management systems. It is not an indictment of the concept of performance management itself.

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[6] Kozlowski,S. et al. 1998 Games raters play: Politics, strategies, and impression management in performance appraisal. In Performance Appraisal: State of the art in practice. Ed. J.W. Smither. Jossey-Bass
[7] Aberdeen Group, Business At Risk, WatsonWyatt WorkUSA2004
[8] Dr.C.Lee "The fallacies of performance appraisal (and how to overcome them). Paper presented at Society for Human Resource Management Conference, New Orleans, 2004.
[9] Soltani, E.,Van der Meer, R., & Wiliams, T. 2003 Performance Management: TQM versus HRM – Lessons Learned. Strathclyde Business School.

Most organisations today list as their major HR concern difficulties in getting and keeping skilled staff. As routine jobs have been automated or moved offshore those that remain have become more complex, requiring above average abilities. Of course the average statistic means that only half the workforce can be above average. Often significant resources must be invested to bring new recruits up to speed. That means today it is more critical than ever for organisations to monitor performance, reward and retain their top performing staff. People become rapidly disaffected if their expectations are not met, in many organisations staff turnover runs at 20-30%. The cost of replacement is estimated at double the annual salary for management and technical staff.

Research shows too that individual differences in work output are very large[10]. In work of medium complexity top and bottom performers can differ on output by a factor of 12 to 1. Over the last three decades extensive surveys[11] of over 250,000 employees in a huge range of industries around the world have established that keeping employees happy and committed depends on a few simple practices, most of which centre on the immediate supervisor;

- Knowing what is expected
- Having the resources needed to do one's job
- Having the opportunity to use one's skills
- Getting feedback and recognition, including appropriate rewards for top performance.
- Knowing how one's work contributes to the organisation as a whole
- Having the opportunity for personal and career development.
- Having one's inputs and opinions count

These findings are supported by numerous smaller studies. In all cases these practices are embodied in, or facilitated by, a well designed performance management system. Research shows that effective human capital practices can add up to 47% more shareholder value. [12]

Pre-requisites of effective performance management systems.

It is obvious from the recent surveys and the high rate of change that performance management systems are not satisfactory in most businesses.

Simply adopting a new system, new templates, new procedures is not enough to make performance management effective. There are some basic pre-requisites at an organisational level.

A. Clear purpose

The US Office of Personnel Management defines performance management[13] as the systematic process of;

- Planning work and setting expectations
- Continually monitoring performance
- Developing the capacity to perform
- Periodically rating performance in a summary fashion
- Rewarding good performance

[10] Hunter, J.E., Schmidt, F.L., Judiesch, M.K. 1990. Individual differences in output variability as a function of job complexity. Journal of Applied Psychology.
[11] Gallup Organisation
[12] Pfau, B.N., Kay,I.T. 2002 The Human Capital Edge
[13] OPM Handbook for measuring Employee Performance (PMD-013, September 2001)

To achieve this every organisation must have a clear idea of critical success factors, as well as a performance management culture, meaning an emphasis on individual accountability and results.

In order to develop the capacity to perform, there must also be a comprehensive capability analysis, especially where there is a known knowledge and skills gap in the industry or organisation. The performance management system must be able to identify, facilitate and track individual development and succession planning.

B. Business performance management culture

If performance is not monitored at the organisational level, then reviewing the performance of individuals is meaningless. A business performance management culture means that senior management values and insists on measurement of those business factors that are critical to the success of the organisation. The typical financial measurement system is merely a measure of what happened last period, but other measures, such as customer relationships, productivity, efficiency, and development activity indicate the organisation's fitness to meet the future. Clear organisational values and strategies and a scorecard[14] approach to measurement of business performance are the tools that underpin a performance management culture.

C. Alignment

A means of ensuring the effort of every individual is aligned with the organisation, that each individual understands their contribution and its importance. This is easier said than done, often there are conflicts between departments such as operations and sales.

D. Fairness

Perceptions of fairness are based on comparisons. Typically staff compare their inputs, such as expertise and effort, their job performance and their compensation with others. The key factor in ensuring that staff feel their compensation is fair is procedural justice. Staff need to feel that the method used to determine relative pay is fair.[15]

E. Meaning

Research shows that many decisions about career development are made on an adhoc basis rather than on merit.[16] A performance management system must be seen to accomplish its purpose; to communicate expectations, reward top performance, and address skills and knowledge gaps. That means the system must be capable of capturing accurate and relevant data with sufficient frequency to enable objective reporting. This enables decisions on the basis of facts rather than opinions or even personal preferences.

F. Commitment

There must be commitment to performance management from all levels. Senior management and Human Resources staff, if the organisation has HR staff, must require proper and regular use of the programme. Requirement to use alone is not sufficient, the integrity of the system must be monitored and reports published. People only respect what you inspect.

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[14] For example Kaplan,R & Norton,D. The Balanced Scorecard Harvard Business Review 1992

[15] Katz,N.R. 2000 Incentives and Performance Management in the Public Sector. Harvard University

[16] NZ State Services Commisison (2002). Current Practices on Competencies in Public Service Departments in New Zealand; Feedback Report to Departments. http://www.ssc.govt.nz 6/6/04

Senior managers are often very good at making themselves exceptions to performance management systems. This is internal sabotage. If the system is to have any credibility there must be clear leadership from the top, it must be used by everyone. With a well designed system, true leadership and effective monitoring there will be strong commitment at the supervisory and staff level.

G. System integrity

Designing a performance management system is only the first step. Once designed and introduced there must be a mechanism for ensuring that the system is working. This means ensuring that the system is being used according to the defined procedures, and with the correct frequency. A recent international survey[17] found that 37% of staff were evaluated without their participation, and that only 50% of firms gave their managers any training in performance management practices.

Twelve steps to successfully implementing a performance management system

Step 1
Check that strategy and values are clear.

The organisation must publish clear values and promote them to every individual staff member. It isn't necessary to hang them in the foyer – they are not for visitors.

Values inform, or in fact may derive from, strategy. There are four main strategic choices, to be a cost leader, (not the cheapest on the market, but the organisation with the most internal efficiency), to be unique in some way, to achieve rapid growth, as the dot com companies did, or to be part of an alliance, as airlines are. This gives opportunities to gain extra revenue and cost savings through group purchasing. Many organisations use aspects of all four strategies.

A value proposition is a statement of those specific factors that make your products and services more desirable than those of the competition. It may be better technology, customer service, it may be value, it may be responsiveness, it may be marketing and sales expertise that give you the advantage. Whatever the factors may be, again there is a need to keep them in focus as a priority for everyone.

Focus on just a few values. More is not better – just confusing. Three values are ideal, five at the maximum. Following and promoting these values should be a core accountability in each person's job description.

Step 2
Outline organisational objectives.

All organisations have objectives. They should not be secret. Staff must be aware of how their role contributes to the achievement of these objectives. Individual staff don't need to know the details of sales budgets but they do need to know the organisational objectives are, for example, to improve the customer retention rate, to increase sales, to acquire new customers.

Organisational objectives are hierarchical. The overarching objective of most businesses is to add value for shareholders, or, in "not for profits", to add value for stakeholders. There are of course different strategies for achieving this. At the most fundamental level you can cut costs or you can increase revenue, or you can do both of those things. There are many different

[17] Aberdeen Group 2004 Business at Risk

approaches to cutting costs, and to increasing revenue. Staff can contribute in different ways. If you show them the organisational objectives and the hierarchy of contributing objectives, they can select personal objectives that will align to the organisational ones, and they will understand the importance of their contribution.

Step 3
Update job descriptions

Einstein once said keep things as simple as possible, but not too simple. Some organisations believe they don't need the formality of job descriptions. That may be true if your organisation is tiny and the jobs very limited and very routine.

However consider that we do employ people to do a job, so it makes sense to outline to them in writing what that job is, especially since the job is an essential element of the employment agreement you have with them. We often mistakenly assume that other people know exactly what we mean – but people are not mind readers and in practice their understanding is likely to be different from ours, usually substantially different.

A frequently quoted reason for not having job descriptions is that people will do only what is written there. That may be true of some people, especially if they become disillusioned at work. The simple way around this is to ensure the job has a general purpose statement and then to add a phrase which expands the job description accountabilities to include "other activities, as needed, to accomplish the purpose of the role".

Probably the most frequent reason for not using job descriptions, and for not referring to job descriptions in performance reviews, is the difficulty in keeping them up to date. Consider the implications of this. Research shows that communication and clarification of job expectations is a critical factor in job performance. Yet we expect staff to rely on guesswork and memory.

However, up to date job descriptions per se are not enough. In many organisations the quality of job descriptions is extremely variable, even where there are organisational job description templates.

Job descriptions need to be written precisely, so that they communicate the activities and the results that are expected. Generally the more senior the role the more emphasis on results rather than tasks, and vice versa for more junior roles. The job description must also make clear how the accountability will be measured.

Many organisations shy away from the word "accountability", using words such as "responsible for". If you have a performance management culture you will use the word "accountability". It means be accountable for, to answer for. The language you use plays a huge part in determining people's behaviour at work. Vagueness gives staff the opportunity to blame their managers, departmental systems, each other, the environment, and to avoid individual accountability.

The job description should include an outline of key tasks in each accountability, phrased as activities, starting with verbs.

Example.

> *Maintain data integrity of CRM system by checking for duplications. Follow up stale records with sales representatives on a regular basis to resolve and up date status.*

Accountabilities and key tasks should be set out in order of priority. The job description should show the way in which tasks and results will be measured.

Example

CRM data integrity

The expected results or outcomes should be standards to be achieved, and must be described in such a way that they can be evaluated using the selected measurement method.

Example

The system is free of duplicate customer records, and has minimal inactive quotes, leads and opportunities.

The job description will also set out the overall purpose of the role, the reporting relationships, and the relationships with others both inside and outside the organisation. The job description may also clarify budgetary responsibilities and decision authorities.

Where a number of managers, and especially several tiers of management, are writing and updating job descriptions, a templating and approval process is advisable. Managers don't write job descriptions every day so they need a guideline to follow which shows them how to structure and phrase the accountabilities. Ideally a Human Resources adviser or another manager with more experience should check job descriptions before they are published and given to staff.

In the past accomplishing all of this has been in the "too hard" category. Today specialised software enables quick and easy authoring, moderation, tracking and updating of individual and standard job descriptions.

Step 4
Ensure everyone has a current job description.

Research into sources of stress at work[18] has shown that a high proportion comes from role insufficiency, role conflict or role overload. Quality job descriptions are the first line of defence. Ensure each individual has a current job description, and that it is readily accessible to them. Over time people drift away from their original understanding of requirements so that little by little critical aspects of the job can be overlooked. It is essential that job requirements are reviewed regularly – not just once a year.

Step 5
Performance Planning

While the job description is an overview of day to day performance requirements, organisations often have specific periodic and short term objectives and budgets they wish individuals and teams to achieve. It is well established that staff with goals outperform those who have no goals. The best way to manage goals is within an individual performance plan.

If you use a team approach, then it is the team which is held accountable, rather than any one individual. Research documents various phenomena which adversely impact on team performance. "Social loafing", the team member who doesn't fully contribute, is a very common occurrence, and one which is liable to demoralise the other team members. For this reason alone it is preferable to define individual role accountabilities within the team.

Just as with the job description the performance plan needs to be carefully written, or it will be worthless. Staff may have objectives in any or all of the 4 major areas of a balanced scorecard[19]. There may be objectives which contribute to the financial results, objectives which contribute to customer relationships, objectives that improve effectiveness and efficiency of business activities, objectives which contribute to development, of the

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[18] www.apa.org
[19] Kaplan, R. & Norton, D. The Balanced Scorecard. *Harvard Business Review* 1992

organisation, its products and services and the knowledge and skill base. Individuals may also have personal objectives, such as job related special projects.

The Performance Plan should clearly start from an Organisational Objective and clearly relate the individual objective to it. The objective can be written as an activity to be completed, but as with the job description there must be a description of the measure and the expected outcome. These should be written in quantitative terms.

Example.

> ***Organisational Objective** – Customer satisfaction*
> ***Individual Objective** – Improve customer satisfaction with Customer Contact Centre.*
> ***Measure** – Customer Satisfaction rating.*
> ***Expected Result** - Satisfaction ratings to improve from current level of 3.2 of a possible 7 points.*

The objective may be assigned a priority and should have a deadline.

There is nothing so de-motivating as an objective that is not achievable. Large organisations are always under pressure to achieve short term profit and growth targets for their shareholders. It is not uncommon for budgets to be set on the basis of what the organisation needs to achieve. The difficulty of the current market environment and the adequacy of the product or service range may not be taken into account. The performance management system should facilitate two way communication throughout the organisation. Staff and managers should suggest, discuss and agree objectives on a joint basis to ensure they are realistic, that there is total commitment, as well as appropriate resourcing.

Step 6
Plan for feedback

Research shows that on its own the activity of monitoring performance results in more effective work behaviour. [20] There are some provisos. Monitoring should be of productivity, that is results or outputs. Monitoring of behaviours, that is inputs, is liable to be interpreted as too intrusive. Feedback must be ongoing – once a year is not enough. Behavioural science has given us some basic laws. Positive feedback encourages more of the activity that it follows, negative feedback discourages activity that it follows - but only if the feedback is perceived as immediate – if it's a week or a month later feedback is likely to be quite ineffective.

Feedback must be objective. The ability to give unbiased feedback is dependent on the quality of the expected results and measures in job descriptions and objectives. If expectations are vague then you cannot give meaningful feedback.

There are many ways of capturing the data you need for feedback. The supervisor relationship is central. Of course you can't give feedback if you don't know what the staff member is doing. There must be a regular but informal process of observing performance. If the supervisor and staff member are not physically together, or are completely remote from each other, then the observation may be indirect via a self or peer report. These are subjective measures, open to bias. In a business with a results oriented culture some business performance measures will be available at the individual level.

Management also needs feedback, but rarely gets it. The principle of no news is good news applies. No individual wants to tarnish themselves by giving management bad news, messages they don't want to hear. Yet this communication is critical for any organisation.

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[20] Larson, J.R. & Callahan, C. 1990 Performance Monitoring, how it affects work productivity. *Journal of Applied Psychology.*

The performance management system should provide a communication channel where barriers to performance can be identified early, and thus minimised or removed.

Feedback on performance should be linked to individual capability development, so that, where gaps are identified, plans can be made for individual development. Individual development does not necessarily mean attending training courses, though this is often perceived as an enjoyable perk by staff. In fact there are many developmental strategies that are less demanding of resources and much more cost effective than training courses, if less glamorous. On job training and coaching by peers and supervisors is one example.

Step 7
Have a clear methodology to deal with poor performance.

No one is perfect all of the time. In the absence of feedback performance tends to slip. Staff who are disaffected for any reason will be quite comfortable doing little or nothing. Technology brings new problems. The availability of the internet means abundant opportunity for attending to personal matters on company time. There have been plenty of cases where monitoring has revealed at least 50% of working time spent on personal internet sites or email.

If poor performance is not confronted it continues and spreads.

There are of course many causes of poor performance. Managers often attribute poor performance to "attitude problems" or to lack of skill. Sometimes they are right, but most people aren't deliberately negative, everyone wants to feel successful and important, bad attitudes can be created by the work environment. The manager's role is to create a work environment that enables staff to perform well, and to identify and correct skills and knowledge gaps.

It is vital then that managers have a diagnostic system for analysing the causes of poor performance, with a view to first identifying and eliminating environmental factors. If after a structured analysis the reasons for the poor performance are personal factors, the poor performance must be confronted. The system must meet the legal requirements of documentation, non discrimination, fair procedures, such as giving staff the right of reply, and a realistic opportunity to improve.

Step 8
Plan to align the consequences

With the shortage of skilled staff today in many roles and industries it is vital to retain top performers. There must be a transparent and systematic means of differentially rewarding top performers if they are not to be disillusioned.

A reward is something that is *perceived* as a positive by the recipient. Sometimes, with the best of intentions, incentives (positive reinforcement) become disincentives, for example if the process of awarding incentives is not fair. Even simple rewards like a dinner out or movie tickets can cause problems if there is no money for a baby sitter.

Motivation has everything to do with expectations. Be transaprent, ensure that staff have realistic expectations. Unmet expectations, even if unrealistic, lead to disillusionment and demoralisation. Companies that are going through difficulties may not be able to afford pay increases at all, but they can always reward staff in other ways.

Where bonus or other pay for performance schemes are operating make the contingencies crystal clear, with targets that are realistic and fixed.

Step 9
Evaluation

Accurate evaluation of individual performance depends on two key factors, plentiful and objective performance data, and a sound methodology for evaluating it.

The standard method of performance appraisal depends entirely on opinion. In many organisations where performance appraisal is completed annually, and especially for lower level or technical roles without cost or profit centre accountability, there is no objective performance data at all.

A vast body of research shows that such evaluations are biased by a number of factors, most notably the similarity of rater and ratee, and the degree to which the ratee exhibits "citizenship behaviours". Those staff members most like their supervisor and those who are better communicators, who "fit in" well, are rated better, regardless of whether their actual results, based on objective business measures, are in fact unsatisfactory. The opposite is also true, people who, on objective business measures perform well, are rated more poorly if they are perceived as different, if they are not good communicators, and if their approach is different from the norm.[21]

Performance means performance on job related factors, not on input factors such as competencies.

Many companies assess staff on broad competencies in their performance review, most often on citizenship behaviours, rather than role specific competencies.

Competencies are inputs to the role, and should not be confused with performance.

Further, while it is assumed that these behavioural inputs lead to the desired outputs, there is as yet no research to substantiate this. In fact what research there is raises doubt as to the value of competencies in performance improvement. Studies show that some top performing salespeople excel on only one or two sales competencies[22], and not the same competencies in each case, and perform poorly on others. Other studies have shown that factors other than competencies, environmental factors such as clarity of expectations, management support and resources are the major factors determining job outputs.

Competency evaluation is a development strategy. Obviously people need skills and knowledge in order to undertake work activities, and any review of performance should include an evaluation of the required capability and development needs. However given the right environment most people will perform well without the need for the complex and highly prescriptive competency approach.

Step 10
Evaluation process

How often should a review take place? So long as there is ongoing informal feedback an annual review is sufficient. There should be no surprises. You may wish to have an interim review after six months, but this is not absolutely necessary if there is an ongoing record of dialogue on achievements, development and performance issues.

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[21] Hunter, J.E. & Scmidt, F.L. 1996 Intelligence and Job performance. *Psychology, Public Practice and Law*
[22] Smith, B. & Rutigliano, T. (2003). Incompetencies *Gallup Management Journal August 14*

We have seen that most staff are sceptical of the review process. To gain staff confidence the review process must be totally open and transparent with strict adherence to clear evaluation criteria. What does this mean in practice?

Staff must have the opportunity to prepare for the review. To review their job requirements, their objectives and optionally their competency levels. They should be able to refer to the records of feedback through the year. If there are no records of feedback on most aspects at least monthly, then reliance on memory guarantees inaccurate and biased assessments.

Staff should have the opportunity to rate themselves and to make comments on their review in as much or as little detail as they wish. The manager should be able to follow the same process. Ratings must be accompanied by a clear descriptor for each level.

Example

> *"Meets expectation" Performance is at an acceptable level for the position, expected results are achieved and are due to staff member skill and effort.*

Comments and ratings made by each party on their review form should be available to the other. No secrets and no surprises.

All performance review meetings should be conducted face to face so that manager and staff member can fully discuss progress and issues on all aspects of the role. There should also be discussion and review of activities in the job description which are no longer relevant, and those undertaken which are not currently included. This serves as input to update the job descriptions.

If your performance management system is going to be used as an input to a pay for performance scheme, then a more structured and quantitative approach is required.
Ideally each objective and job accountability should be given a weight, proportional to its importance, and also each relevant competency if you wish to reward certain behaviours.

This method of assessment needs to be made clear at the outset of the formal review period so that people know how they will be measured and what ratings are required to achieve the rewards.

Simple calculations of weighted rating totals can then be made separately for job performance, achievement of objectives and for competency levels.

The review should include an overall summary comment and rating. If a strictly quantitative method is being used, it can be calculated using relative weightings for review components of job accountabilities, achievement of objectives and competencies.

Step 11
Implementation

The best system in the world is useless if no-one uses it. Resistance to change is part of the culture in most organisations. The best change management strategy is multifaceted, including communication and education supported by regulation and example. Senior management must make performance management a requirement and itself part of the review process. It goes without saying that they should not exclude themselves, but be clearly seen to actively use and support the performance management system.

Most staff are untrained in performance management concepts. The first step is to educate staff and managers about the importance of performance management. This requires that staff understand all of the key concepts, best practices and terminology. It is vital that the environmental and personal factors needed for top performance are clearly set out, and the key role of the supervisor in facilitating the work environment is highlighted. The relationship of effective HR systems, such as performance management, to organisational success needs to be pointed out. In fact such systems can add more than 20% to shareholder wealth.[23] All of this can be achieved in a presentation format, in person or via multi media.

Next the performance management procedures and documents need to be fully explained and guidelines distributed. Preferably the guidelines are incorporated within the system and its documentation.

Compared with doing nothing, a structured performance management system does represent an administrative burden on staff and especially managers. If they are to use the system effectively they must clearly see the personal benefits.

For staff an effective system means clearer expectations, feedback and recognition based on actual results, and therefore a more enjoyable, rewarding and less stressful workplace.

For managers it means their area of responsibility will have fewer staff problems, better staff satisfaction and retention rates, improved staff productivity and performance and better business results. In turn they can expect to be appropriately recognised and rewarded.

Step 12
Ensuring the integrity of the performance management process

So how to make it all work? There must be a means of monitoring the performance management process itself – to ensure that managers and staff are using it appropriately. This means regular checking on the level of performance management activity, the amount of dialogue and recording of objective performance data and subjective feedback. It means checking the quality of job descriptions and the alignment of objectives. It means checking that performance reviews are conducted as scheduled and according to procedures and the quality of comments and ratings therein.

This sounds like a lot of work. It is - if the information you need is available only in the depths of corporate filing cabinets, or electronic folders, or is missing, a common occurrence.

One of the reasons performance management systems are rated as ineffective is that they are reliant on old technology. They are too time consuming and too hard to operate effectively. 68% of organisations in a recent international survey used homegrown systems, mostly spreadsheet or template based.

It doesn't have to be like that – modern technology means that proven performance management practices can be supported and encouraged by flexible systems. Such systems enable the capture of relevant performance data and the delivery of quality information, on demand, with full security and access controls.

[23] Watson Wyatt 2001 and 2003 Human Capital Index.

