

PERFORMANCE MANAGEMENT.

Checklist 180

» INTRODUCTION

Performance management is an integrated continuous activity designed to improve the performance of individuals, teams and the organisation as a whole. Effectively implemented it can create a culture of high achievement. Designed to help achieve an organisation's strategic objectives, performance management includes setting clear goals and expectations, selecting performance measures, having a focus on good communication between line managers and their teams and enabling and supporting personal development and learning. Identifying areas of poor performance and working with the individual to take responsibility for improvement and supporting their development is critical. On a wider basis the effective implementation of performance management must fit with the culture and values of the organisation as a whole.

There has been much debate in recent years on whether the annual performance appraisal, which has traditionally been a part of the performance management process, is fit for purpose. Criticisms include the amount of time and effort involved, the cost and the limited return from poorly managed appraisals, an over emphasis on the evaluation of past performance, and a lack of timely and meaningful feedback from managers to individuals on their performance. Certainly, a performance management process that is too rigid, whether relating to the annual appraisal or yearly objective setting, cannot accommodate changing strategic priorities or the requirements of fast moving, project led environments, which have become the norm in many organisations.

In some large organisations there has been a move towards more straightforward and informal performance management processes. Accenture and Deloitte, for example, no longer use the traditional system of annual performance appraisals. Deloitte have radically simplified and redesigned their performance management to focus on more frequent quarterly and weekly feedback. The annual appraisal may still be a useful tool to record and reflect on performance but a focus on more regular communication, engagement and trust between line managers and their teams is vital. Also, a more forward looking approach to performance management which focuses on learning and future skills requirements can be central to effective implementation.

Any link to pay is given less emphasis. A 2014 e-reward survey of performance management highlighted the low priority given to informing decisions on performance pay.

This checklist aims to provide an understanding of the key activities within the performance management process and aims to highlight some recent trends.

» DEFINITION

Armstrong defines performance management as "the continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organisation, planning performance to achieve the goals, reviewing and assessing progress, and developing the knowledge, skills and abilities of people."

1. **Align objectives with organisational strategy**

Ensure that the purpose, values and goals of each individual and team in an organisation support or relate to the wider purpose, values and strategic goals of the organisation. Communicate this shared purpose effectively to engage employees. Cascade strategic objectives through the organisation and work to ensure understanding and engagement by each team. In this way, employees will be able to understand how the contribution they make is related to the wider goals and achievements of the organisation. Use the performance management and measurement tool the Balanced Scorecard as a framework to link organisational strategy to individual and team objectives and to provide a balanced view of organisational performance. (See Additional resources)

2. **Make the performance management approach relevant**

Recognise that every organisation is different. Organisations demonstrate varying cultures and values, and are formed around individual structures, relationships and jobs. Effective performance management requires the development and implementation of an approach which reflects these varying factors. The approach needs to be relevant to the context of the organisation and flexible enough to accommodate different requirements. Think about the challenges that your organisation faces:

- Does your organisation operate in a fast changing environment?
- Is there a particular focus on learning, development and future skills?
- Is there a need to develop a culture of continuous improvement?

Consider how well you understand the culture and values of your organisation. Our related Checklist Understanding Organisational Culture will help you (see Additional Resources).

3. **Engage line managers**

Effective performance management relies on engaged and skilled line managers to drive the process forward and improve overall performance.

Line managers should have a central role. They should understand the aims of performance management and be involved in developing the system. They need to have the skills required to engage and motivate employees and be aware of individual differences and the need to adjust their approach accordingly.

Line managers need to know that senior management are involved and committed to performance management.

4. **Set performance goals and agree expectations**

Set SMART objectives (See Additional resources) and review them regularly. Explain objectives clearly and agree on what goals need to be achieved and to what standard i.e. what good performance looks like. Include a time element as to when the work is to be completed. Be flexible and consider setting objectives for the next few months rather than just once a year to allow for changing priorities.

Emphasise agreement and empowerment and encourage individuals to take responsibility for their own performance. Individuals will need to monitor their own performance regularly against action plans to meet their objectives.

Performance goals can be informed by setting key performance indicators (KPIs). KPIs are measures against which the management of any activity can be assessed. They can help to set goals and to measure both individual and organisational performance. Our related checklist on Introducing Performance Measurement will help you with this activity (see Additional resources).

5. Use appropriate performance measures

Consider what type of performance measures will be meaningful, fair and appropriate to the culture and values of the organisation.

Decide whether to focus on output based performance measures, i.e. **what** has been achieved, or behaviour based measures, i.e. **how** something has been achieved and overall contribution, or on a mix of both. In many organisations a focus on measuring the behaviours and competencies that contribute to achieving organisational objectives can be more effective than a focus purely on the outputs of individuals. The overall contribution of the individual is also important and this reflects the integrated nature of performance management. But choosing the right performance measures in practice depends on the context of the organisation and also on the types of job roles being measured. Output or results based measures tend to be more appropriate for jobs which change infrequently whilst behaviour based measures tend to be more appropriate for roles which change regularly and are more varied.

6. Focus on meaningful conversations and support

Regular, open and purposeful conversations should be the norm between line managers and employees. This helps to build relationships and develop a culture of continuous performance improvement. Specific, timely and constructive feedback, continuous coaching, support and recognition should form the basis of these good conversations which can take the form of day to day chats, informal discussions and regular one to ones.

Handling poor performance is a key aspect of the manager's role. Managers have a responsibility to enable performance by creating an environment which engages and motivates employees and to support employees in their development. Our checklist on Managing Poor Performance (see Additional resources) provides guidance on identifying problems, diagnosing the underlying issues and taking steps to address them. Managers should be trained to work with individuals to improve their performance, where the problem relates to their personal abilities, skills and behaviours. Part of this process should include working with the individual to get them to recognise that their performance is an issue and that they need to take personal responsibility to improve.

7. Reviewing progress

The continuous nature of performance management means that progress should be reviewed throughout the year. Along with more frequent discussions, a more formal performance review is still often used to record the discussion at a point in time. It certainly should not detract however from having good conversations with your line manager at other times. A more formal annual review, if used, should be a time to reflect on the year, celebrate achievements and the overall contribution by the individual to wider organisational objectives.

There is certainly a trend towards less assessment, in terms of traditional ranking and rating systems, and less emphasis on past performance, as part of the performance management process. More emphasis is being given to balanced assessment and agreement between line managers and employees of overall contribution and development throughout the year. Issues of ongoing poor performance, however, should not be ignored and a plan for improvement should be developed.

As part of the review process, consider implementing 360 feedback rather than relying solely on feedback from line managers.

8. Identify individual development needs and promote learning

Focus on identifying the development needs of each employee and support them in the development of a personal development plan. This will help individuals to improve their skills, grow in their current roles and prepare for the next. It will also encourage them to take ownership of their development. Our related checklist on Personal Development Planning provides further guidance (see Additional resources).

The individual is responsible for developing and implementing their personal development plan with support from their manager. Learning opportunities can be wide ranging and include skills development through

involvement in project work, job enrichment and selecting a mentor as well as training and development programmes and courses.

» POTENTIAL PITFALLS

Managers should avoid:

- › being too rigid in their approach to goal setting
- › thinking performance management is an annual process
- › giving employees 'surprises' related to poor performance – problems need to be addressed at an early stage
- › neglecting 'soft' issues such as building relationships and giving feedback
- › ignoring the culture and values of the organisation.

» ADDITIONAL RESOURCES

BOOKS

Armstrong's handbook of performance management: an evidence based guide to delivering high performance, 5th ed., Michael Armstrong
London: Kogan Page, 2015

Performance management, Linda Ashdown
London: Kogan Page, 2014
This book is available as an e-book

Performance management: Theory and practice, Sue Hutchinson
London: Chartered Institute of Personnel and Development, 2013

The end of the performance review: a new approach to appraising employee performance, Tim Baker
Basingstoke: Palgrave Macmillan, 2013
This book is available as an e-book

Beyond performance management, Jeremy Hope and Steve Player
Boston Mass.: Harvard Business Review Press, 2012

Handbook of corporate performance management, Michael Bourne and Philippa Bourne
Chichester: John Wiley, 2011
This book is available as an e-book

This is a selection of books available for loan to members from CMI's library. More information at:
www.managers.org.uk/library

JOURNAL ARTICLES

Reinventing performance management, Marcus Buckingham and Ashley Goodall
Harvard Business Review, April vol 93 issue 4 2015, pp40-50

Fulfilling its potential
Training Journal, October 2014, pp40-43

No exit! Rob Caul
Training Journal, October 2014, pp56-59

Total contribution planning, Tom Kenny
Training Journal, March 2014, pp37-42

Re-appraising appraisals, Tim Baker
Training Journal, July 2013, pp 12-16

Achieving your objectives, Hedda Bird
Training Journal, September 2012, pp55-58

RELATED CHECKLISTS

- 036 Conducting a performance appraisal
- 089 Coaching for improved performance
- 092 Personal development planning
- 129 Introducing performance measurement
- 143 Introducing performance related pay
- 154 Implementing the balanced scorecard
- 222 Giving feedback
- 231 Setting SMART objectives
- 232 Understanding organisational culture
- 243 Developing trust
- 275 Managing poor performance

» NATIONAL OCCUPATIONAL STANDARDS FOR MANAGEMENT AND LEADERSHIP

This checklist has relevance for the following standards:

- › Unit DB4: Managing people's performance at work
- › Unit DC5: Helping individuals address problems affecting their performance

» MORE INFORMATION

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