

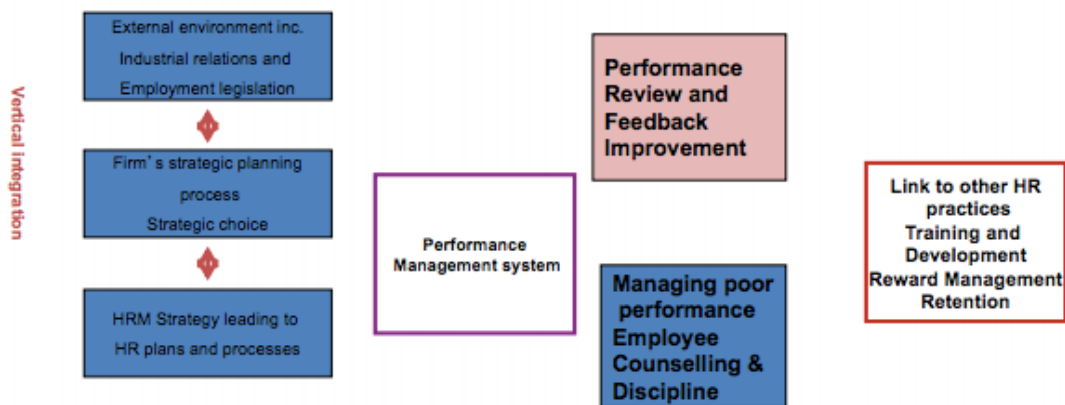
Week 9:

Performance Management

Performance management is a much broader concept than performance appraisal or a disciplinary process. It aims to improve organisational, functional, team and individual performances. Effective performance management measures the progress being made towards the achievement of the organisation's business objectives.

“Managers and staff alike too often view performance management as time consuming, excessively subjective, demotivating and ultimately unhelpful”

Simplified SHRM Model:



Performance management system:

An integrated set of practices and activities for defining, monitoring, reviewing and developing employee performance

It must horizontally (other HR activities) and vertically aligned (business strategy)

It is necessary and important for organisations

It comprises of:

- Performance appraisal/review (PA/PR)
Assessing employees' progress towards achieving desired goals or other performance standards
Measured against performance indicators linked to the strategic objectives of the firm
Choose appraisal methods based on this (behaviour-based, peer review, self review, 360 degree feedback, ratings)
Plan and review individual performance, formal and time specific (an annual event), link to individual plans for future development
The purpose and method being challenged and changed constantly

Methods:

- Outcome oriented methods (results from what people do)
Peer/self/upward appraisal
360-degree feedback
Management by objectives
- Relative judgement (assessing behaviours/attributes)
Ratings scale – global, mixed ratings or behaviourally anchored scales

- What people are (assess personal characteristics)
Use competency-based system
 - Performance feedback
Providing employees with information about their (usually) past performance
 - Performance improvement
Training to provide the opportunity to improve
Reward top performers through development and career advancement
Flexibility, good HRM practices, training/ongoing development, retention strategies
- Sources of poor performance:*
- Individual issues – lack of appropriate skills or training
 - Organisational issues – ineffective job, placement/selection
 - Work design – boring work, role conflict/ambiguity
 - External factors – extreme competition or decline of industry

Purpose of performance management:

- *Strategic*
Align strategy, individual and firm performance
- *Developmental*
Identify gaps in employees' have the skills and behaviours
Importance of development purpose of performance management is that
Motivate desired behaviours, facilitate high performance, measure performance and provide feedback, aligned with business strategy
- *Administrative*
Remuneration and rewards
Career development
Or termination?

Strategic performance management (SPM):

An integrated and continuous system that involves a cycle of formal and informal review, feedback & action at both the individual and organisational levels
Alignment (horizontal and vertical), transparent (procedural fairness, distributional justice), motivating (want to engage in desired behaviours, feedback stretch goals are useful), simple (to understand and administer)

Debates relating to performance management:

Source of dissatisfaction (both managers and employees) and in need of a rethink

For managers/organisation

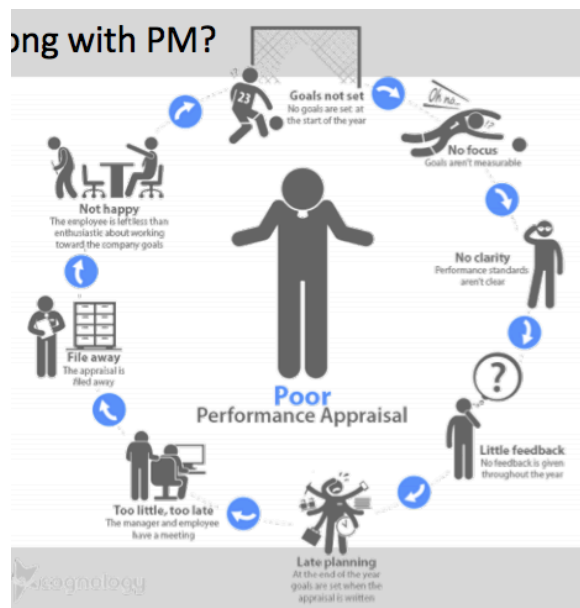
Time consuming
Backward looking
Poorly aligned with strategic outcomes
Little or not effect of company performance
Fails to provide relevant feedback

For employees

Backward looking (not about future development)
Fails to provide timely and relevant feedback
Biased feedback and lack of fairness

Alignment with broader career factors

What is wrong with PM?



What managers think is wrong with PM system:

“...more than half the executives questioned (58%) believe that their current performance management approach drives neither employee engagement or high performance... we are in need of something nimbler, real-time and more individualised focused on fuelling performance in the future rather than assessing it in the past”

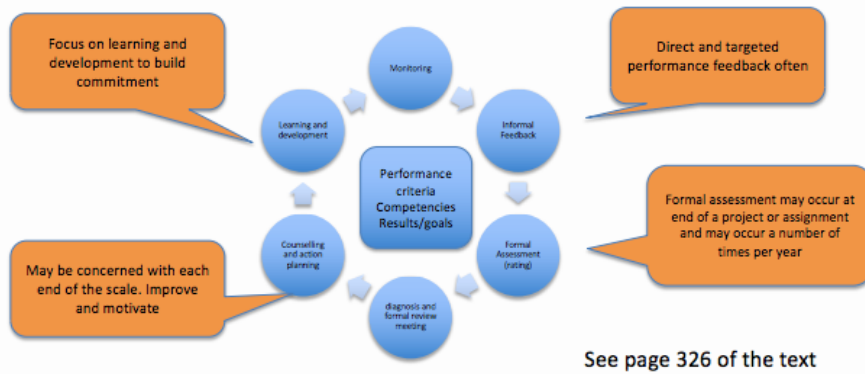
However PM is very important (RBV):

“Employee performance has been found to account for a differential in business results of up to 30% so creating an energising work environment which encourages employees to put in that little bit extra can mean the difference between achieving an average or a high-performing organisation

An ideal work environment...

- Clarity
 - Understanding one's role in relation to the organisation's strategy
 - Understanding what is expected of them in that role
 - E.g. Deloitte's 3 objectives of PM system are recognise performance, see performance and fuel performance (must be transparent and reliable)
- Standards
 - Standards of performance and work behaviours
 - Determined in consultation with staff and management
- Rewards related to performance
 - Consistent and constructive feedback
 - High performance teams commit to doing quality work, inspire a mission, have chance to use strengths every day

Performance management cycle:



Benefits of performance management:

For the organisation

- Strategic
- Staff development – career links
- Staff motivation
- Serves as proper evaluation tool
- Gives feedback to organisation
- Identifies needs – e.g. training

For the individual

- Feedback on strengths and weaknesses
- Improvement
- Future development
- Motivation

Competency based performance assessment questions:

- Group competencies
 - Accountability and dependability, e.g. takes personal responsibility for the quality and timeliness of work, and achieves results with little oversight
- Performance review statements
 - Shows up to work on time, and follows instructions, policies, and procedures
 - Meets productivity standards, deadlines, and work schedules
 - Makes the best use of available time and resources
 - Balances quality of work with meeting deadlines
 - Does not diffuse blame for not meeting expectations; faces up to problems with people quickly and directly

Sources of data and errors in evaluating performance data:

Sources

- Managers – immediate supervisors may lack information, bias?
- Peers – good source but may be biased
- Subordinates – as above
- Self – tends to be inflated
- Customers – good source for service companies

Errors

- Similar to me – diversity problems
- Contrast – A vs B performers

- Distributional errors – All highs or lows
- Halo and horn errors – Failure to differentiate between aspects of performance
- Reducing errors – rater error training, rater accuracy training

Other performance related issues:

- Employee counselling – focus on factors that influence work performance e.g. balancing work and family
- Employee assistance programs – big brother or much needed help
- Employee discipline – needs to be compliant with legislation e.g. Fair Work Act, EEO, Anti-discrimination
- Formal processes and procedures

Summary:

Performance management is a strategic and dynamic process with the emphasis on self-development, the establishment of performance standard and the giving and receiving of feedback

Performance reviews are an important motivator and employee development tool

There are a number of issues that arise out of performance review methods and care should be taken to remove bias from performance review procedures