

# Factsheet: Performance Management

## What is Performance Management?

Performance Management in the context of this Factsheet relates to people and their performance in the workplace. In this context, performance management can be defined as:

*The process of continuous communication and feedback between a manager and employee to create an environment where people can continually improve to perform to the best of their ability and in alignment with organisation strategy and objectives. Features are planning / developing / monitoring / evaluating / recognition.*

The overall concept of performance management is to develop and deploy human resources for the best benefit of the organisation.

## Why is Performance Management Important?

Drivers for performance management include such things as:

- › Competition for talent in a competitive labour market.
- › Employee expectations for career development.
- › Workforce shift to knowledge-based vocations.
- › Workplace cultures focused on teamwork, empowerment and innovation.
- › Rapid advances in technology that require continuous skill development.

Historically, performance management systems have been viewed as something that has to be done but with little enthusiasm or value-adding. In many cases, this has been perpetuated by managers conducting performance evaluation of subordinates without effective training and adequate performance management from their own managers.

A focus on accountability in the workplace can encourage a healthy, transparent and more enjoyable work environment with stronger communication. Performance management is established within a defined system leading to clearer mutual understanding between managers and employees. When expectations are clear, workplace relations can be clearly understood and be less stressful.

## Why are Performance Management Benefits?

Performance management benefits may include:

- › Enhanced organisation and employee capability.
- › Help organisations achieve their strategy and objectives.
- › More fulfilling work for employees.
- › Improved employee retention.
- › Improved customer satisfaction through customers dealing with more motivated employees.
- › Move managers to become coaches.

## What Does Performance Management Look Like?

An important element of performance management is for it to be an ongoing process. A once a year performance evaluation means an entire year can be lost to discuss a performance issue, or to reinforce desirable behaviour, when it could have been dealt with far earlier.

Performance management generally contains the following components:

- › Alignment to the organisation's strategy and objectives – This helps employees understand how what they do contributes to their organisation's success.
- › Specific performance outcomes – Performance management helps employees understand their job parameters and how what they do fits into the bigger picture.
- › Performance-based expectations – Employees should have the opportunity to contribute their input and ideas into how their performance will be measured. Expectations generally include actions performed, work results and behaviours demonstrated.
- › Performance development plan – This sets out employee development activities for the year showing areas the employee could further development to more effectively perform their role, but also to get them ready for career advancement opportunities.
- › Regular manager and employee meetings – These allow continual feedback in addition to an annual performance evaluation.
- › Fewer surprises – Employees know where they stand through ongoing feedback and discussions.

Performance management differs from performance evaluation in that performance management provides ongoing feedback while performance evaluation happens at a point in time, usually annually, and usually reflects the employee's past year performance. Organisations should incorporate performance management and performance evaluation into a single process.

## What Are Performance Management Components?

A performance management system will generally be built around:



### Plan

- › Define skills required for individual jobs and ensure they are kept up-to-date as circumstances change.
- › Set individual objectives to provide each employee with a roadmap to enhanced development.
- › Involving employees in establishment of workplace behavioural principles can lead to improved culture.

### Develop

- › Development opportunities for employees lead to enhanced performance.
- › Employees identified as future leaders are provided with skill development to prepare them for future career opportunities.

### Monitor

- › A manager adopting a coaching approach can help an employee change or develop new skills so they can go in their desired career direction.
- › Resolution of identified performance issues leads to improved performance.

### Evaluate

- › The performance evaluation process of a manager meeting with an employee to discuss performance progress and future plans should be a component of a performance management system and not a standalone process.
- › Open and honest feedback is critical to a performance management process – this should not just be focused on the employee, but also involve 360-degree feedback from the employee of their manager's performance.

## Recognition

- › It is important to have a balanced approach to performance management rather than a manager just focusing on what could be improved – good work and accomplishments should be acknowledged.

## Conclusion

Good practice performance management is intended to get the best out of employees and to therefore benefit the organisation. It involves active employee involvement in setting their own performance development plans. It also focuses on accountability and transparency to foster a clear understanding of expectations. For best success, performance management should be an ongoing process rather than conducted annually.

## Useful References

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Rollo, J., 2001. *Performance Management - a Pocket Guide for Employee Development*. Waltham, MA: Goal/QPC.



