

Unit 1

Learning Outcomes

- Explain the concept of performance management
- Distinguish between performance management and performance appraisal
- Illustrate by means of a diagram the performance management process
- Outline the aim and role of performance management in the organisation
- Explain the contributions a performance management system can make in the organisation

Learning outcome 1

Explain the concept of performance management

Performance Management can be defined as:

“A continuous process of identifying, measuring & developing the performance of individuals & teams, & aligning performance with the strategic goals of the organisation”

This definition is thus composed of 2 main components:

- *Continuous Process:*

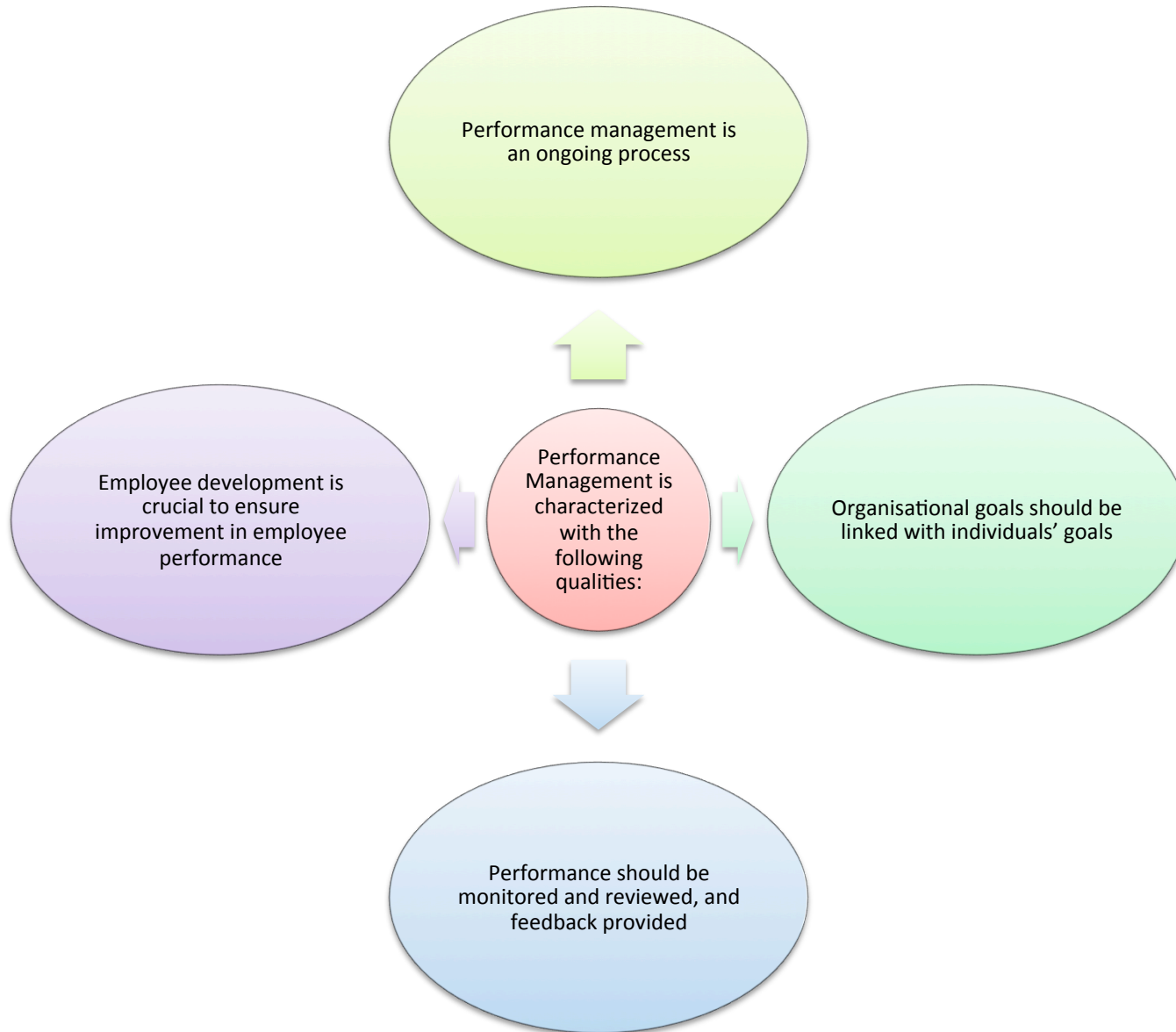
It involves a never ending process of setting goals and objectives, observing performance and receiving ongoing coaching and feedback. Once the end of the process is reached it starts all over again.

- *Alignment with Strategic goals:*

Requires managers to ensure that employees' activities and output are congruent with the organisation's goals and consequently help the organisation gain competitive advantage. Creates a direct link between employee performance and organisational goals and makes the employee's contribution to the organisation explicit. Performance management systems that do not make explicit the employee's contribution to the organisational goals are not true performance management systems.

Learning outcome 1

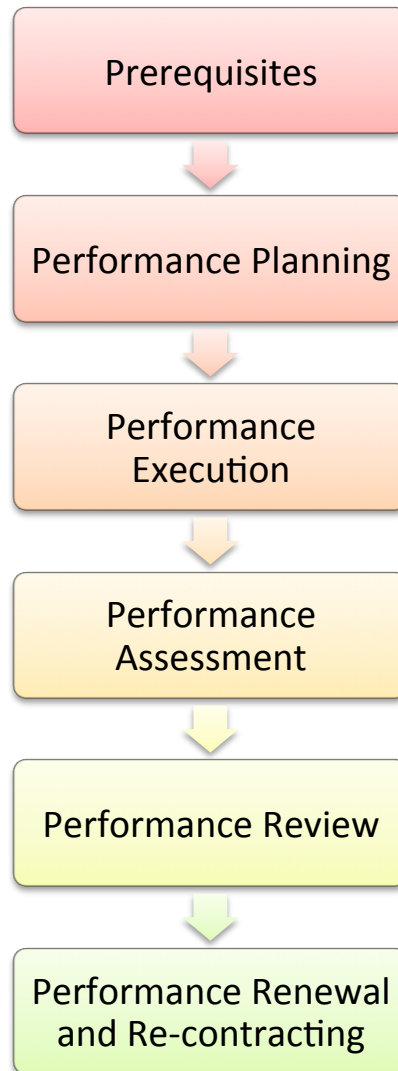
Explain the concept of performance management



Learning outcome 1

Explain the concept of performance management

The Performance Management Process includes the following steps



Learning outcome 2

Distinguish between performance management and performance appraisal

Performance management is a forward-looking process, taking frequent measures as work occurs and responding to small steps forward, while performance appraisal is a backward-looking process of performance, measuring what happened in the past.

- Performance appraisal refers to a system that involves employee evaluation once a year without any effort to provide feedback and coaching so that performance can be improved.
- It is a systematic description of an employee's strengths and weaknesses.
- Performance management is more than just evaluating employee performance.
- Performance management is an ongoing process rather than a one-off event taking place, for instance, annually or biannually. It is a comprehensive, continuous and flexible approach to the management of organisations, teams and individuals which involve the maximum amount of dialogue between those concerned.

Comparisons between Performance Management and Performance Appraisal system:

Learning outcome 2

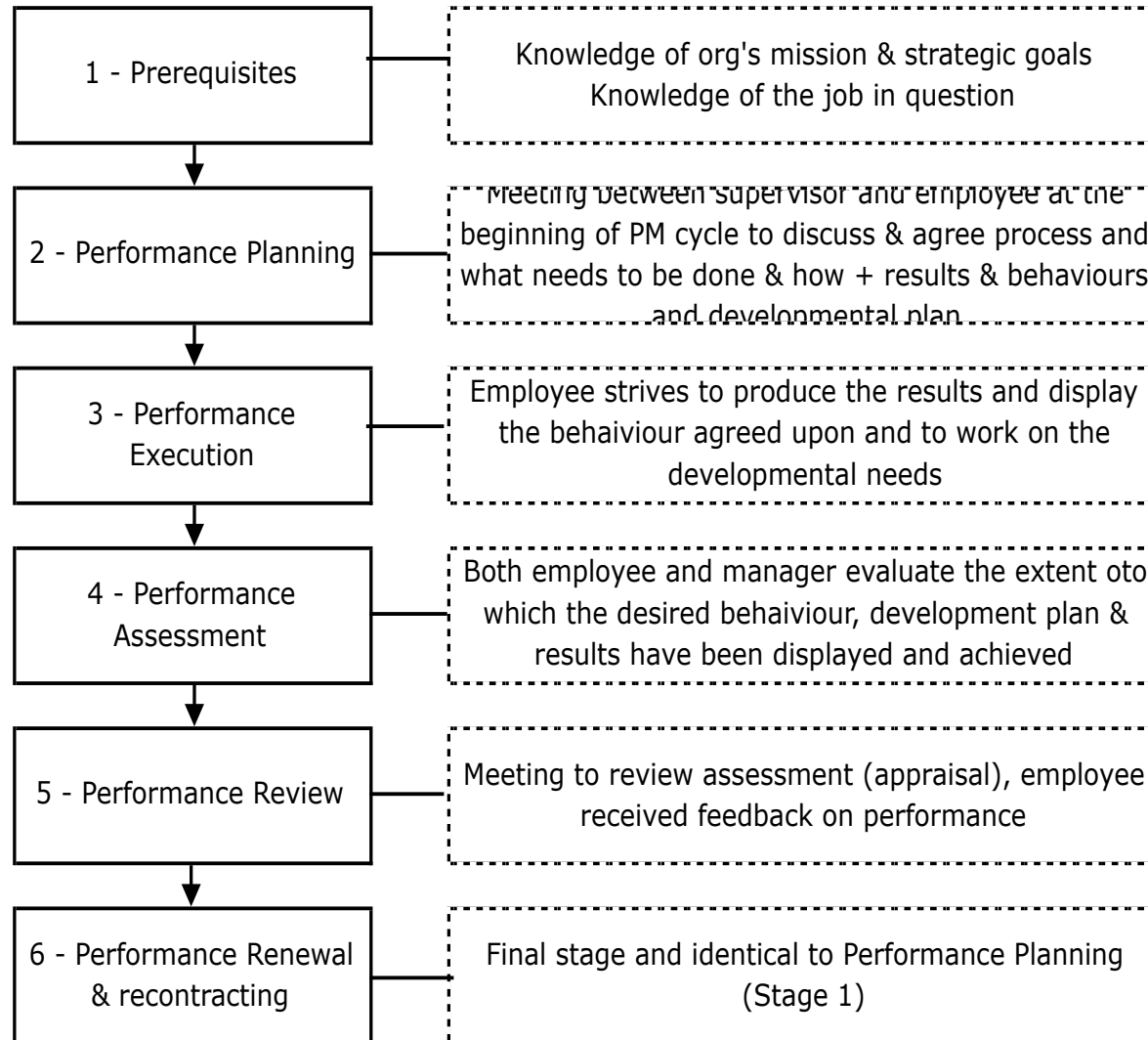
Distinguish between performance management and performance appraisal

Comparisons between Performance Management and Performance Appraisal system:

Performance appraisal system	Performance management system
<i>Focus is on performance appraisal and generation of ratings</i>	<i>Focus is on performance management</i>
<i>Emphasis is on relative evaluation of individuals</i>	<i>Emphasis is on performance improvements of individual and his or her departmental or team performance</i>
<i>Annual exercise – though normally periodic evaluations are made</i>	<i>Continuous process with quarterly or periodic or performance review discussions</i>
<i>Emphasis is on ratings and evaluation</i>	<i>Emphasis is on performance planning, analysis, review, development and improvements</i>
<i>Rewards and recognition of good performance are an important component</i>	<i>Performance rewarding may or may not be an integral part – defining and setting performance standards are an integral part</i>
<i>Designed and monitored by the HR department</i>	<i>Designed by the HR department but could be monitored by the respective departments themselves</i>
<i>Ownership is mostly with HR/administration</i>	<i>Ownership is with line managers; HR/administration facilitates its implementation</i>
<i>Key performance areas (KPA) and key result areas (KRAs) are used for bringing in objectivity</i>	<i>KPAs or KRAs are used as a planning mechanism</i>
<i>There are review mechanisms to ensure objectivity in ratings</i>	<i>There are review mechanisms essentially to bring performance improvements</i>
<i>It is a system with deadlines, meetings, input and output, and a format</i>	<i>It is a system with deadlines, meetings, input, output and a format</i>
<i>It is format-driven with the emphasis on the process linked to promotions, re-wards, training and development interventions, placement etc</i>	<i>It is process-driven with the emphasis on the format as an aid linked to performance improvements and through them to other career decisions as and when necessary</i>

Learning outcome 3

Illustrate by means of a diagram the performance management process



Learning outcome 4

Outline the aim and role of performance management in the organisation

Performance Management is most frequently used for:

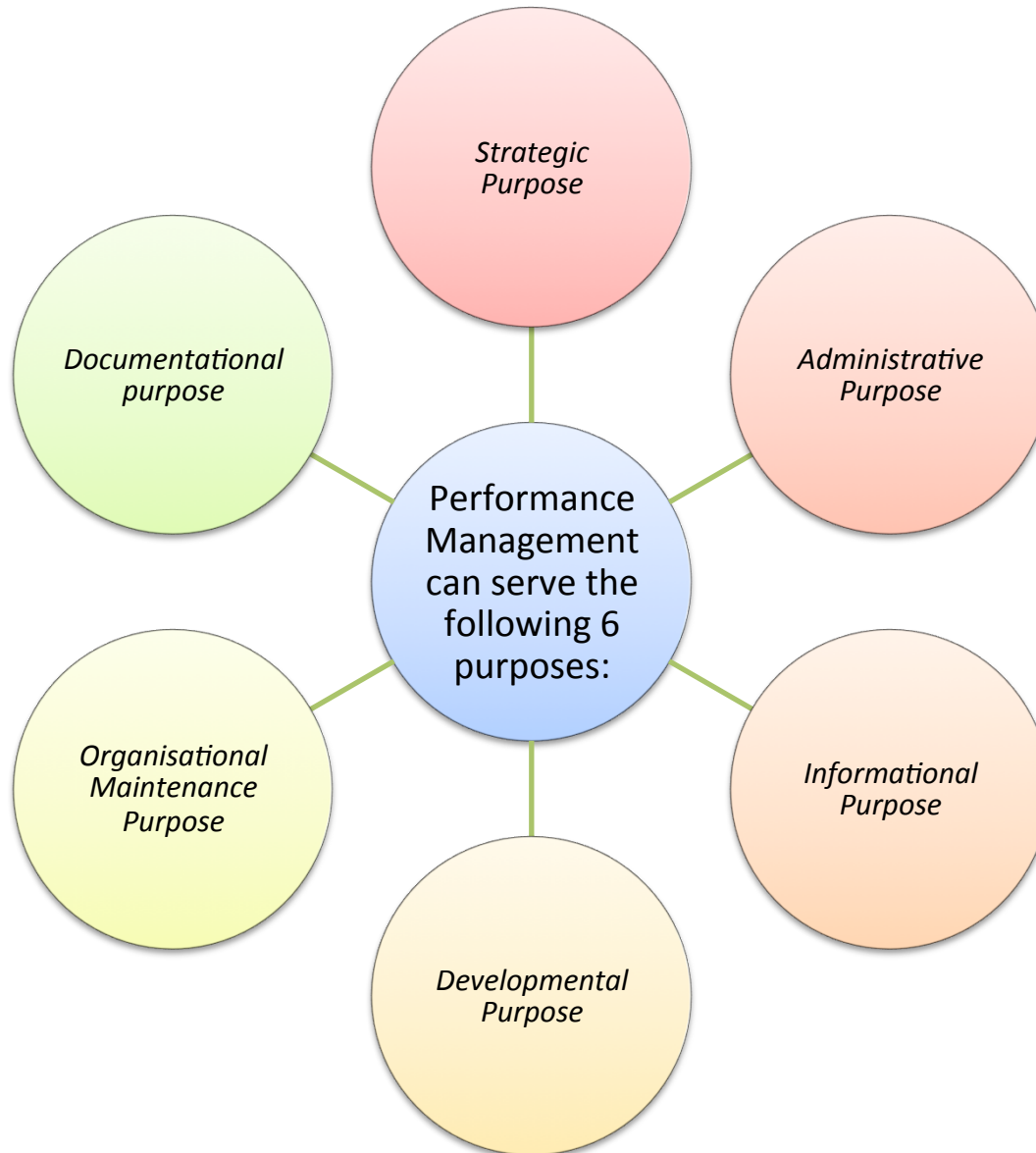
Salary Administration

Performance Feedback

Identification of Employees Strengths
and Weaknesses

Learning outcome 4

Outline the aim and role of performance management in the organisation



Learning outcome 4

Outline the aim and role of performance management in the organisation

Performance Management can serve the following 6 purposes:

Strategic Purpose:

- The first purpose of the performance management system is to help top management achieve strategic business objectives. By linking the organisational goals with individual goals, the performance management system reinforces behaviour consistent with the attainment of organisational goals. Moreover, even if for some reason individual goals are not achieved, linking individual goals with organisational goals serves as a way to communicate what the most crucial business strategic initiatives are.

Administrative Purpose:

- A second function of the performance management system is to furnish valid and useful information for making administrative decisions about employees. These administrative decisions include salary adjustments, promotions, employee retention or termination of service, recognition of superior individual performance, identification of poor performers, layoffs and merit increases. Therefore, the implementation of reward systems based on information provided by the performance management system falls within the administrative purpose.

Informational Purpose:

- Performance management serves as an important communication device. First, it informs employees about how they are doing and provides them with information on specific areas where they may need improvement. Secondly, related to the strategic purpose, it provides information on the organisation's and supervisor's expectations and what aspects of work the supervisor believes are most important.

Developmental Purpose:

- Managers can use information gathered during the performance management system, feedback specifically, to coach employees and improve performance on an ongoing basis. This feedback allows for the identification of strengths and weaknesses as well as the causes for performance deficiencies (which could be due to individual, group, or contextual factors)

Organisational Maintenance Purpose:

- The PMS provides info to be used in workforce planning (set of systems that allow organisations to anticipate & respond to needs emerging within and outside the organisation, to determine priorities and to allocate HR most effectively). Important component of any workforce planning effort is talent inventory, info on current resources (eg skills, abilities, promotional potential and assignment history of current employees). PMS Primary means through which accurate talent inventories can be assembled, Assessing future training needs, evaluating performance achievements at organisational level & evaluating effectiveness of HR interventions (eg whether employees perform at higher levels after participating in a training programme). By managing performance the organisation can track down the talent it has and the ones it still has to search for. Retention in the meantime.

Documentational purpose:

- Finally, performance management systems allow organisations to collect useful information that can be used for several documentation purposes. Firstly, performance data can be used to validate newly proposed selection instruments. For example, a newly developed test of computer literacy can be administered to all administrative personnel. Scores on the test can be paired with scores collected through the performance management system. If scores on the test and on the performance measure are correlated, the test can be used with future applicants for the administrative positions. Secondly, the performance management system allows for the documentation of important administrative decisions. This information can be especially useful in court cases. This document will also assist organisations in applying consistency to its decision making.

Learning outcome 5

Explain the contributions a performance management system can make in the organisation

The advantages associated with the implementation of a Performance Management system are as follows:

Motivation to perform is increased:

Self-esteem is raised

Managers gain insight into subordinates

Self-insight and development are enhanced

Administrative actions are more fair and appropriate

Organisational goals are made clear

Employees become more competent

There is better protection from court cases

Better and timelier differentiation between good and poor Performers

Manager's view of performance is communicated more clearly

Organisational change is facilitated

Motivation, commitment and intention to stay in the organisation are enhanced

Learning outcome 5

Explain the contributions a performance management system can make in the organisation

The advantages associated with the implementation of a Performance Management system are as follows:

Motivation to perform is increased:

- Receiving feedback about your performance increases motivation for future performance. Knowledge about how you are doing and recognition about your past successes provides the fuel for future accomplishments.

Self-esteem is raised:

- Receiving feedback about your performance fulfils a basic need to be recognised and valued at work. This is likely to raise your self-esteem.

Managers gain insight into subordinates:

- Gaining new insights into person's performance & personality will help manager build better relationship. Supervisors gain better understanding of each individual's contribution. Useful for direct supervisors & supervisors once removed. The job of the person being appraised may be clarified/ defined more clearly: Employees gain better understanding of behaviour & results required in their specific positions.

Self-insight and development are enhanced:

- The participants in the system are likely to develop a better understanding of themselves and of the kind of development activities that are of value to them as they progress through the organisation.

Administrative actions are more fair and appropriate:

- Performance management systems provide valid information about performance that can be used for administrative actions such as merit increases, promotions, transfers and terminations. In general, a performance management system helps ensure that rewards are distributed on a fair and credible basis.

Organisational goals are made clear:

- The goals of the unit and the organisation are made clear, and the employees understand the link between what they do and the organisational success.

Learning outcome 5

Explain the contributions a performance management system can make in the organisation

The advantages associated with the implementation of a Performance Management system are as follows:

Employees become more competent:

- An obvious contribution is that employee performance is improved. In addition, there is a solid foundation for helping employees become more successful by establishing developmental plans.

There is better protection from court cases:

- Data collected through the performance management system can help document compliance with regulations (eg equal treatment of all employees regardless of gender, race, ethnic group).

Better and timelier differentiation between good and poor Performers:

- The performance management system allows for a quicker identification of good and poor performers. It also forces managers to face up to performance problems in good time (i.e. before the problem becomes so entrenched that it cannot be remedied easily).

Manager's view of performance is communicated more clearly:

- The performance management system allows managers to communicate to their subordinates their judgments regarding performance.

Organisational change is facilitated:

- In cases where an organisation wants to change the organisational culture, this initiative can be added to the employees' list of responsibilities and be subjected to review, together with other performance areas.

Motivation, commitment and intention to stay in the organisation are enhanced:

- When employees are satisfied with their organisation's performance management system, they are more likely to be motivated to perform well, to be committed to their organisation and not try to leave the organisation.

Learning outcome 5

Explain the contributions a performance management system can make in the organisation

Conditions for the successful implementation PM:

Convey reasons for such a system to all participants

Ensure top management's commitment to the system

All participants should take part in the development and implementation

Organisational culture should have a focus on delivery outputs

All managers should be properly trained in applying the PM system

PM should not be implemented in isolation, other HR systems should allow for the PM system