

Information Pack

Unit 323-Understanding Performance Management



INTRODUCTION

Performance management is vital to the success of all organisations, regardless of their size, industry sector or internal culture. Each organisation should design a performance management system to suit its specific needs. Above all, the approach should aim to align strategic, department and individual objectives. Furthermore, performance management should be as simple as possible, command visible, involvement from senior management and be implemented consistently across the organisation.

Performance management is one of the most hotly debated areas of management thought, more importantly how to achieve an effective performance management programme. This is largely because employee performance is recognised as the backbone of organisational success. A well-executed performance management framework can encourage the development of a high-performance culture and provide a clear link between individual goals and organisational objectives. This information pack outlines the evolution of contemporary performance management and examines some of its most influential models and concepts. It also considers the critical link between individual and organisational performance and looks at how different performance management tools can be combined to create an effective performance management system.

People have differing expectations about what they want in terms of development and what support they expect from their workplace. This is fine when an individual's expectations and those of the organisation are congruent. Difficulties may arise however, if there is an imbalance. For example, if funding for training and development is limited people may not be able to undertake the training and development they might like. Alternatively, if an individual does not want additional training but the organisation wants that individual to undergo further training then similarly this could cause conflict. The management challenge is to balance the requirement of both the organisation and the individual, whilst being equitable and fair in distribution of opportunities for development. Further complexities arise when consideration needs to be taken to career progression within the organisation and selecting people for development in preparation for career progression.

GUIDANCE

This document is prepared to break the unit material down into bite size chunks. You will see the learning outcomes above treated in their own sections. Therein you will encounter the following structures;

Purpose

Explains *why* you need to study the current section of material. Quite often learners are put off by material which does not initially seem to be relevant to a topic or profession. Once you understand the importance of new learning or theory you will embrace the concepts more readily.

Theory

Conveys new material to you in a straightforward fashion. To support the treatments in this section you are strongly advised to follow the given hyperlinks, which may be useful documents or applications on the web.

Example

The examples/worked examples are presented in a knowledge-building order. Make sure you follow them all through. If you are feeling confident then you might like to treat an example as a question, in which case cover it up and have a go yourself. Many of the examples given resemble assignment questions which will come your way, so follow them through diligently.

Question

Questions should not be avoided if you are determined to learn. Please do take the time to tackle each of the given questions, in the order in which they are presented. The order is important, as further knowledge and confidence is built upon previous knowledge and confidence. As an Online Learner it is important that the answers to questions are immediately available to you. Contact your Unit Tutor if you need help.

Challenge

You can really cement your new knowledge by undertaking the challenges. A challenge could be to download software and perform an exercise. An alternative challenge might involve a practical activity or other form of research.

Video

Videos on the web can be very useful supplements to your distance learning efforts. Wherever an online video(s) will help you then it will be hyperlinked at the appropriate point.

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What is Performance Management?

Performance management is of utmost importance to the modern organisation. It not only provides purpose and meaning to individual jobs but also the means to ensure that the objectives and development of individuals are aligned with long-term organisational goals.

A good definition of performance management is provided by Stephen Bach in his 2005 book *Managing Human Resources: Personal Management in Transition*:

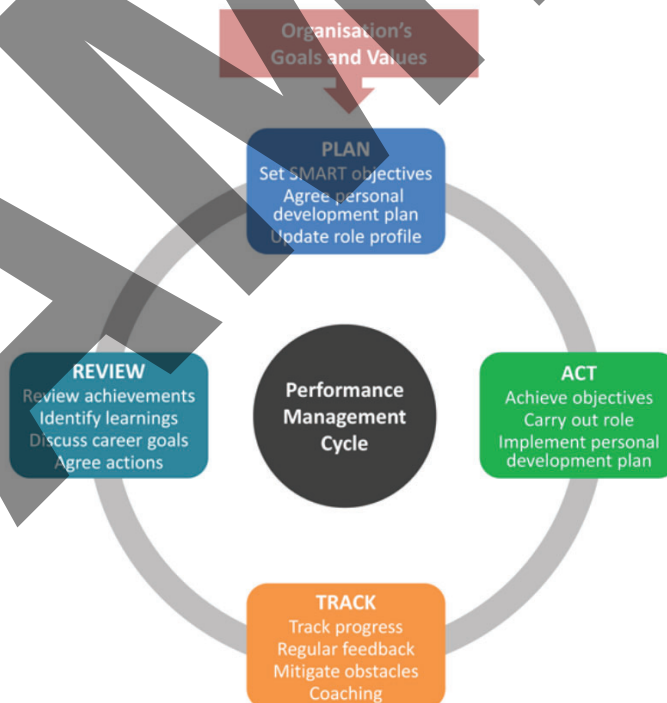
“A cycle of integrated activities which ensures that a systematic link is established between the contribution of each employee and the overall performance of the organisation.”

Another definition of performance management is provided by Michael Armstrong in his Handbook of Performance Management, which carefully and plainly lays out the Armstrong performance management cycle:

“Performance management is 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.”

The main consideration should be that performance management is a continuous process- not a once-a-year activity. Quality performance management should, therefore, bring together a range of different, integrated activities to form an ongoing “performance management cycle”

Michael Armstrong detailed the Stages of the performance management cycle:



There is no single universally accepted model of performance management. Performance management is a concept in the field of human management, it is a continuous process of identifying, measuring and developing the performance of individuals and aligning performance with the strategic goals of the organisation” (Aguinis, 2009).

The first stage of Armstrong’s performance management cycle is the “Planning” phase for the forthcoming period. Planning should involve:

- Agreeing on SMART objectives
- A personal development plan
- Actions to be taken in the coming months
- A Review of the employee’s job requirements, updating the role profile where necessary.

In the past, organisations tended to carry out this planning stage once a year. However, with the business environment becoming increasingly agile and fast-moving, many organisations are adapting their processes to set “near-term” objectives every three months. The organisation’s goals and values should feed into performance planning to ensure that individual performance aligns with the overall strategy of the organisation. Specifically, each SMART objective should contribute to achieving one or more of the organisation’s goals.

Personal development planning, meanwhile, should consider what behaviours, skills or knowledge the individual needs to develop to successfully achieve their objectives and uphold the organisation’s values.

Traditionally, organisations have placed a lot of their emphasis on the “Review” part of the cycle — often because a performance assessment is required for reward purposes. However, we have always advised that it is the “Act” and “Track” stages that are the most important. These stages are where performance is actually delivered and results achieved. Individuals need to be encouraged to schedule in regular time to work on achieving their objectives and personal development plans. Similarly, managers need to be checking in with their staff regularly. They must give frequent, effective feedback and use coaching skills to help their team members overcome challenges and identify opportunities for learning and performance improvement. If this is left until an end-of-year review, it is too late — objectives and development plans may end up only partially achieved.

Notice that in the above performance management cycle, there are no arrows between the four stages. This is because, in reality, the stages do not flow one after the other. Act and Track should be continuous throughout the year. Reviews may take place at any point and planning may take place several times during the year and be re-visited as the needs of the business change.

Formal and Informal Performance Assessment

Assessment is a method of measuring performance. The difference between formal and informal performance assessment is usually formal assessment is pre planned. Informal assessment can be done any time and place, there are no standards and no clear guidelines for the recording of results. Formal

Theory

The Performance Management Cycle

Many commentators argue that effective performance management cannot be achieved by a single system or technique (such as appraisal). Rather, it involves a strategic, continuous cycle of activity which combines a range of tools, policies and procedures. The consensus in performance management literature is that organisations should develop a bespoke approach which meets their needs rather than an 'off-the-peg' solution.

The cyclical models proposed by Torrington and Hall, and Cave and Thomas provide a useful introduction to each component of the performance management cycle. These models argue that performance expectations should be determined at an early stage, followed up with regular support, review and appraisal of performance and finally reassessment of performance expectations at the end of the cycle:



Jon Katzenbach's '[five paths to high performance](#)' model looks at how issues such as organisational context, culture and historical approach to performance can affect implementation of a performance management system. This is an important consideration, as even a well-designed system will not work if managers are not empowered and willing to deliver it effectively.

Aims of Performance Management

Armstrong and Baron state that the focus of performance management is to:

- communicate a shared vision of organisational purpose and values
- define expectations of what people should deliver and how
- ensure that people understand what high performance is and how they can achieve it
- improve motivation and engagement by recognising individual efforts and providing timely feedback