

# FACTFILE: GCE PROFESSIONAL BUSINESS SERVICES

## UNIT A2 2: PERFORMANCE MANAGEMENT



### Learning Outcomes

#### Student should be able to:

- Demonstrate knowledge and understanding of the purpose of performance review as a part of performance management.
- Outline the role of the manager in the appraisal or performance review.
- Explain the importance of the following in the performance review process:
  - performance standards;
  - effective feedback; and
  - setting objectives.
- Evaluate the possible outcomes of performance review for an employee and an employer, for example recognition, promotion and identifying learning and development needs



### Performance Management

Performance management (PM) is a business process that consists of a number of people management activities that affects the performance of employees and contributes to business performance. Performance management is linked to the business strategy and helps to deliver business goals and objectives through its employees.

The purpose of PM, as illustrated in Figure 1. is to identify, measure and improve an organisation's performance by aligning an employee's objectives with that of the organisation and maintain and enhance an employee's performance. A variety of human resource management mechanisms can be used within the performance management process including; performance appraisal (performance review); reward and remuneration; learning and development (training, coaching and mentoring). PM is a continuous process whereby a supervisor / line manager is in regular communication with an employee to underpin the achievement of the strategic objectives of the organisation. This communication process entails: a discussion about expectations; the establishment of objectives; the identification of goals; the provision of feedback; a review of results; an evaluation of performance.



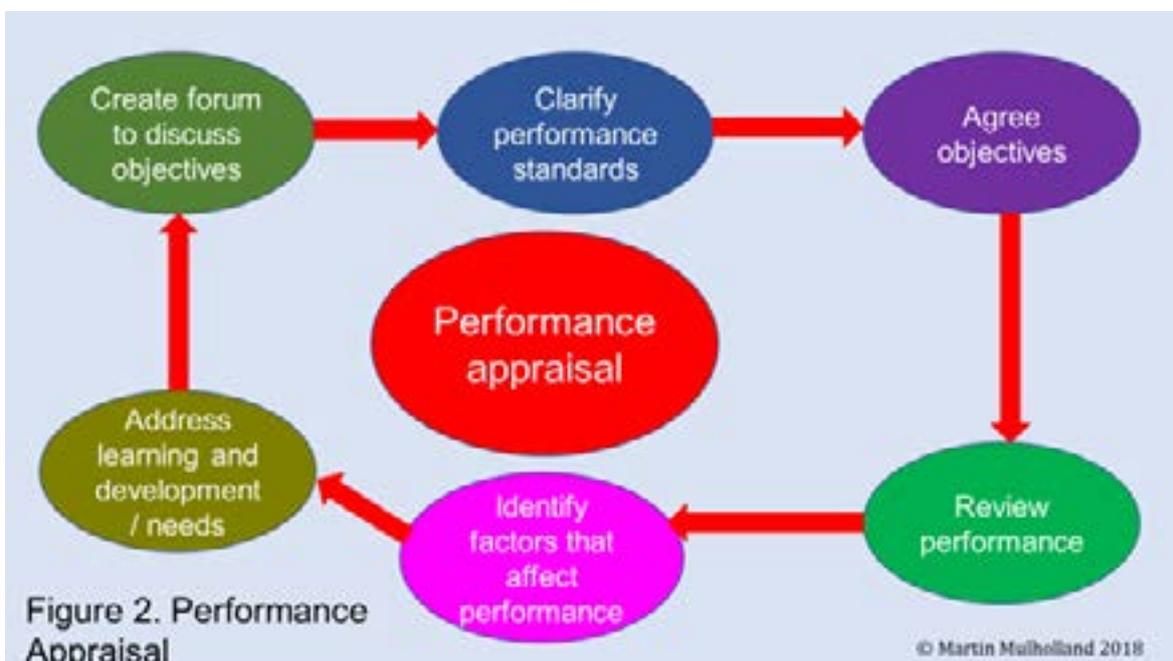
### Performance review (performance appraisal)

A performance review, also known as performance appraisal (PA), can take different forms (IES, 2011) depending on the organisation's strategy, structure, systems, people, culture, and resources. A performance review meeting used to occur once per annum but in more recent years the number of performance review meetings within one year have increased (CIPD, 2017). Figure 2. illustrates the stages of a typical performance appraisal process.

Technological developments have supported and enhanced the appraisal process through the provision of timely data and information relating to the appraisee's performance.

#### The purpose of a performance review is to:

- establish a forum where a manager (appraiser) and an employee (appraisee) can discuss business's objectives, employee objectives, and an employee's performance;
- clarify performance standards;
- agree an employee's work objectives;
- review an employee's past performance;
- identify factors that affect an employee's performance; and
- ascertain an employee's learning and development needs.



### Role of the manager in the appraisal / review process

The manager's (supervisor's) role includes: scheduling and starting the appraisal process (QUB, 2018); keeping records of communications, meetings and performance; ensuring the appraisee's performance is aligned with their department's plans and the organisation's strategy and goals (The University of Melbourne, 2011); offering leadership and clarity on the expected level of performance; setting fair, equitable and achievable objectives; giving feedback; coaching and supporting the employee; advising on career planning; assisting with learning and development needs; assessing and rating the appraisee's performance; managing underperformance (ACAS, 2014); ensuring that all records are completed and secured.

### Performance standards

Performance standards are important because they:

- inform an employee of the performance level that they need to reach;
- establish a benchmark whereby the employee's performance can be measured on a consistent basis;
- internal / external customers know the level of service that they should receive;
- indicate potential deficiencies in service / output levels delivered by an employee; and
- help protect the corporate brand which symbolises a level of quality.

### Setting objectives

Setting objectives are important because they:

- provide guidance and direction for the appraiser and the appraisee; action and effort are oriented toward goal-related activities and away from unconnected activities which ensures that the manager makes effective use of the employees time and resources;
- facilitate planning; work activities can be allocated deadlines for completion which enables the manager to monitor progress and take action if there is a delay in the activity being completed;
- allow work to be prioritized; the manager and the employee can rank the objectives and decide which take priority;
- provide a basis to set budgets; funds can be allocated to the employee's objectives;
- motivate and engage employees; objectives can challenge and stretch an employee to exert more effort which results in increased performance; and
- help the appraiser and appraisee evaluate and control performance.

### Effective feedback

Effective feedback is important because it:

- enhances understanding for the appraiser and appraisee as to what has been done and needs to be achieved in the future reduces the likelihood of conflict as the appraiser and appraisee can discuss and address matters that may be causing problems;
- creates learning and development opportunities for both parties; the appraiser may discover, for example, that the appraisee has had to work with faulty equipment which has adversely affected their performance; the appraisee may identify training that they need to fully use equipment; and
- strengthens the relationship between the appraiser and appraisee as both parties can see the benefits of sharing information openly (trust).

### Possible outcomes of performance review for an employer

An evaluation of the outcomes of performance review enables the employer to assess how effectively and efficiently they have accomplished their desired results and to consider possible future implications and actions. The employer has determined how effective communication has been among individuals / managers, individuals / individuals and managers / managers. The communication system can be revised and enhanced by modifying the modes of communication (meetings, emails), along with frequencies and duration of communications.

### Employee performance

The employer has confirmed (quantitative and qualitative) what employees have done and how well they have performed. The identification of the employee's strengths and weaknesses now enables the employer to take action to improve employee performance. The implications of this action for the employer is that they may incur a development cost and the future performance of the employee will need to be reviewed.

**Employee and business objectives**

The employer has ascertained if employee performance was linked to business objectives and plans. If the employee's objectives were not linked to business objectives then the employer can take action through line managers to amend the employees' objectives.

**Strategic review**

The employer can look at the cumulative outcomes of performance review and identify organisational strengths, weaknesses, threats and opportunities. The employer can develop and evaluate strategic options that would enhance future business and employee performance.

**Establishment of new objectives**

The employer has a forum (performance review process) to set and agree new standards / objectives at a strategic, operational, and individual level.

**Organisational change**

The performance review facilitates change as the employer and the employee have discussed and agreed what has worked well and what needs to be improved. Any improvements mean that work processes and activities may be different in the future. Strategic changes can be distilled and filtered down to employees through the performance review process.

**Employee reward**

The employer has the opportunity to recognise the contribution and value of the employee's performance. This can be fulfilled by the employer by rewarding and remunerating the employee for their performance. The employer can also compare the value of employee performance against the amount of rewards and remuneration. This enables the employer to adjust future rewards and remunerations in relation to employee performance.

**Promotion of good practice**

The employer has an opportunity to reinforce positive behaviours and performance through the promotion of good practice. Case studies of departments and employees who have performed well could be included in company newsletters / bulletins.

**Promotion of employees**

The employer is able to identify which employees have performed well and promote them into higher level posts. Promotion of staff reinforces the importance of performance within the business and highlights that high levels of performance will be rewarded. The possibility of promotion also helps to motivate staff. If a business is to use promotions as an incentive to motivate employees then the business needs to ensure that promotion vacancies are available in the future and that they are affordable to the business.

**Supply chain feedback**

The employer can obtain feedback from customers and suppliers as to how well employees have interacted with them. This review enables the employer to identify positive and negative interactions / relationships with their supplier and customers and take actions to improve / enhance their dealings with customers and suppliers. Positive relationships with suppliers and customers has future cost and income implications.

**Systems review and revision**

The employer has received feedback from the employee not only on their performance but also on how work systems and management information systems have affected their performance. The employer may revise or introduce new systems to facilitate and support the future work needs of employees. This has cost implications for the employer if technology companies have to be employed to make the systems changes and staff need to be trained.

**Culture**

The employer can use the review to promote a culture of continuous improvement. Continuous improvement can be highlighted through increased productivity, reduced costs and better product / service quality.

**Talent acquisition**

The employer can identify talent gaps within the business and can also pinpoint where gaps may occur in the future. This means the business can develop a human resource plan and acquisition programme that ensures that the right talent is recruited to meet business needs.

**Learning and development plans**

The employer can identify future learning and development needs within the business. The business can develop a human resource plan and learning and development programme that ensures that learning and development programmes are in place to meet business needs.

**Conclusion**

The outcomes of the review process enable the employer to assess past performance against set objectives and standards and address weaknesses and build on strengths. The outcomes can be measured in terms of costs and income and this allows the employer to assess the return on investments. The review outcomes also enable the employer to base future decisions and plans on past information. The value of the outcomes will ultimately be reflected in the performance of the business (income versus costs).

**Possible outcomes of performance review for an employee**

An evaluation of the outcomes of performance review enables the employee to assess how effectively and efficiently they have accomplished their desired results and to consider possible future implications and actions.

**Goals and targets**

The employee is able to have their work goals and targets established.

**Feedback**

The employee receives feedback on their performance which demonstrates that their appraiser is interested in them and the work that they do.

**Strengths and weaknesses**

The employee is able to discuss their strengths and weaknesses.

**Learning and development**

The employee can discuss their learning and development needs and identify how their learning and development needs can be addressed.

**Positive reinforcement**

The employee may receive positive feedback and praise from their appraiser that makes them feel valued; the employee feels encouraged to give the same / higher level of effort in the future.

**Reward and remuneration**

The employee receives a commendation or is recommended for promotion and / or a financial reward; the employee can see the tangible benefit of their hard work during the year which may increase their level of engagement (motivation) in the future

The employee is able to develop a positive working relationship (trust) with their manager (appraiser).

**Conclusion**

The outcomes of the review process enable the employee to assess past performance against set objectives and standards and address their weaknesses and build on their strengths. The employee can also gauge the level of reward and remuneration offered to the effort that they have expended.



## References

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### Resources:

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