

Part I

A Primer on Performance Management



Chapter 1

The Truth about Performance Management

Performance management is known as the “Achilles’ Heel” of human capital management, and it is the most difficult HR system to implement in organizations.

Important data from Watson Wyatt:

- Only 30% of workers felt their company’s performance management system helps them improve their performance.
- Less than 40% said their systems provide clear performance goals, generate honest feedback, or use technology effectively.

In fact, performance management is consistently one of the lowest, if not the lowest, rated area in employee satisfaction surveys. Yet, performance management is the key process through which work gets done. It’s how organizations communicate expectations and drive behavior to achieve important goals; it’s also how organizations identify ineffective performers for development programs or other personnel actions.

Given the critical role of performance management and its inherent challenges, this book provides . . .

- Time-proven methods, down-to-earth tips, and nuts-and-bolts advice for designing and implementing a successful performance management system, explained in the context of practical realities.
- Real-life examples to help negotiate the obstacles and organizational barriers faced when implementing performance management.
- Training exercises and example tools, complete with forms and procedures needed to build a fair, effective, and high impact performance management system.

What Makes Performance Management So Hard?

There are genuine reasons why both managers and employees have difficulties with performance management. Managers often avoid performance management activities, especially providing developmental feedback to employees, because they don't want to risk damaging relationships with the very individuals they count on to get work done. Employees often avoid performance management activities, especially discussing their development needs with managers, because they don't want to jeopardize their pay or advancement. In addition, many employees feel that their managers are unskilled at discussing their performance and coaching them on how to improve. These attitudes, on the part of both managers and employees, result in poor performance management processes that simply don't work well.

Another problem is that many managers and employees don't understand the benefits of effective performance management. They often view it as a paperwork drill required by human resources, where ratings need to be submitted on a yearly basis for record-keeping purposes – a necessary evil that should be minimized. What many managers don't realize is that performance management is the most important tool they have for getting work done. It's essential for high performing organizations, and one of their most important responsibilities. Done correctly, performance management communicates

what's important to the organization, drives employees to achieve important goals, and implements the organization's strategy.

On the other hand, done poorly, performance management has significant negative consequences for organizations, managers, and employees.

Good to Know:

Outcomes from Effective Performance Management

- Clarifies performance expectations and standards
- Improves productivity at all organizational levels
- Motivates employees to do their best
- Ensures employees have the skills and capabilities to contribute maximally
- Aligns performance between units and levels with the organization's values, goals, and strategy
- Provides a basis for making operational human capital decisions (e.g., pay)
- Improves relationships, understanding, and insight between employees and managers

Good to Know:

Outcomes from Ineffective Performance Management

- Decreases productivity and motivation
- Can undermine employee confidence
- May cause employees to quit their jobs as a result of how they are treated
- Fails to develop skills and capabilities employees need to contribute maximally
- Damages relationships between employees and managers
- Wastes time and money on training and a host of support activities
- Makes it impossible to meaningfully link rewards to performance outcomes
- Can result in legal challenges and significant problems for organizations

Managers who conduct performance management ineffectively will not only fail to realize its benefits, but they can damage relationships with or undermine the self-confidence of their employees. If employees do not feel they are being treated fairly, they become demotivated, or worse, they may legally challenge the organization's performance management practices. This can result in serious problems that are expensive, distracting, and damaging to an organization's reputation and functioning.

The Goal of This Book

At some level of formality, performance management exists in every organization. Because it is such a vital part of organizational functioning, this book provides practical advice to leaders, human resources professionals, managers, and employees about how to achieve the maximum benefits from performance management. Although the book centers on design and implementation of performance management systems, many of the topics are relevant to individual managers and employees who are trying to get the most from their own performance management activities.

The approach offered here focuses on using performance management to achieve important business outcomes through driving effective employee results and behaviors. It is based on best practices that have evolved from research and lessons learned from implementing performance management in many diverse organizations. While many of the general ideas and best practices discussed here are not new, what is new is how these are combined into the recommended performance management process and steps and, most important, the focus on what it really takes to implement the best practices so that performance management adds value, achieves its goals, and produces results.

So often, when people think about performance management, the basic process and tools seem so straightforward and easy to implement that they woefully underestimate the time, effort, and difficulties involved in getting a new system up and running. What happens is that "flavor of the day" performance management practices are enthusiastically and readily adopted, without considering their fit within the given organizational context – specifically, whether the infrastructure and support are there for successful implementation.

The reality is that best practices should not be automatically adopted just because someone has christened them as such. Instead, performance management systems need to be designed in light of the climate for, commitment to, and desired outcomes from performance management in a given organization. In the end, the best-designed tools and system components mean nothing if organizational members do not believe in the value of performance management and use performance management processes effectively. Therefore, it is critically important to assess the particular circumstances within an organization, be realistic about what can be achieved in a given situation, and then implement performance management components that make the most sense.

Good to Know:
The Realities about Performance Management

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| <ul style="list-style-type: none"> • Performance management takes conscious and concerted effort to implement and perform • The timeframe for developing and implementing a new system can take a year or more • Inexperienced implementers are frequently unprepared | <ul style="list-style-type: none"> for the challenges they will face • “Best practices” don’t work equally well in all situations • What is implemented needs to be aligned with the organization’s climate, appetite, and goals for performance management |
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In light of the truth about performance management, the remainder of this book:

- provides a roadmap and practical steps for developing results-oriented performance management processes that actually work
- helps you understand what it *really* takes to implement best practices successfully in your organization, and importantly
- shows you how to determine which performance management options will be the most successful in your situation.

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The book is divided into three parts. Part I contains *introductory information* and includes this chapter and the next, which provide a brief history of performance management that explains how today's best practices evolved. Part II focuses on the performance management *process* – what questions need to be addressed, what steps need to be included, and how to implement performance management systems successfully. Part III provides nuts and bolts guidance on how to develop effective performance *measures*.