

Key Elements of Performance Management Systems

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Generally, a Performance Management System (PMS) provides a formal process of aligning each staff's performance goals and development plans with the organization's objectives. Each staff's overall performance is equally determined by the achievement of measurable "hard targets" as well as the demonstration of "soft" and "functional" skills. The result of performance management then allows the organization to pay staff based on their individual performance.

Specifically, the broad objectives of a PMS can be as follows:

1. Provide a formal process of planning and reviewing.
2. Establish standards of performance (KRAs and Performance Objectives) required for the following year.
3. Encourage two-way communication between staff and their immediate supervisors regarding expectations, measurements and feedback on performance.
4. Review performance based on clearly defined performance standards set during performance planning.
5. Track progress in performance by identifying training and development needs.
6. Pay for performance based on the assessment of individuals' results and accomplishments

Performance Appraisal

A critical element of the PMS is the performance appraisal process which is usually represented by a performance appraisal form that is completed by the appraisee and discussed with the appraiser.

The performance appraisal is usually done at the start of the financial year to assess the performance of the previous year and establish the objectives for the new year. In addition, an interim performance appraisal is conducted in most organizations at mid-way of the financial year. Occasionally, some organizations even do quarterly performance assessments.

Most performance appraisal forms will cover the following broad categories:

- a. **Key Objectives and Measures.** The broad work objectives and KPIs (Key Performance Indicators) are established to identify the extent of an employee's contribution.
- b. **Functional Competencies.** Some form of functional skills and expertise designed to the broad job categories will be measured and assessed.
- c. **Leadership Competencies.** For certain levels of employees (primarily supervisory and managerial staff), some form of leadership assessment

will be conducted. These leadership competencies are usually aligned to an organisation's corporate culture and definition of a leader.

d. **Organisation Values.** Most organizations would have some representation of the organisation's values and beliefs that all employees are expected to comply and exhibit.

e. **Career & Personnel Development.** Some form of assessment of the employee's key strengths and weaknesses are conducted and translated into training and development plans for the new year as well as future plans for the progression of the employee within the organisation.

Performance Management Principles

Fundamentally, performance management is both a science and art designed to maximize an employees' fullest potential and enable the person to contribute substantially to the organisation.

a. Good performance management systems

- Will connect competency profiles, job profiles, business objectives, performance and compensation
- Will differentiate among individuals
- Will realize what it takes to be a successful performer in the future and reaches agreement on this within the company

b. HR, staff and managers need to understand and be convinced about the logic and impact of the system

- System needs to be transparent and integrated
- System should foster communication on all levels of the organisation
- It needs to create Win-Win Situations for the company & employees
- Training for HR and business managers to conduct performance appraisals effectively is essential

c. Performance reviews are both an art and a science

- There is no perfect performance appraisal/review system
- Alignment of employees & managers expectations about the performance review is essential
- Performance reviews will never be totally objective or unbiased because it is about people, not numbers or machines
- The one-to-one discussion counts