

## **Performance Management -- Basic Concepts**

Simply put, performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc. Information in this topic will give you some sense of the overall activities involved in performance management. Then you might enhance your understanding by reviewing closely related library topics referenced from the sidebar

### **On "Performance" in Organizations**

Performance management is a relatively new concept to the field of management. Performance management literature typically starts out with various examinations of the term "performance". The following information describes how the term "performance" in this library is used in this document.

Supervisors have conducted performance appraisals for years. Employees have attended training sessions for years. Organization members have worked long, hard hours for centuries. Processes, such as planning, budgeting, sales and billings have been carried out for years in organizations. But all too often, these activities are done mostly for the sake of doing them, not for contributing directly to the preferred results of the organization.

Performance management reminds us that being busy is not the same as producing results. It reminds us that training, strong commitment and lots of hard work alone are not results. The major contribution of performance management is its focus on achieving results -- useful products and services for customers inside and outside the organization. Performance management redirects our efforts away from busyness toward effectiveness.

Recently, organizations have been faced with challenges like never before. Increasing competition from businesses across the world has meant that all businesses must be much more careful about the choice of strategies to remain competitive. Everyone (and everything) in the organization must be doing what they're supposed to be doing to ensure strategies are implemented effectively.

This situation has put more focus on effectiveness, that systems and processes in the organization be applied in the right way to the right things: to achieve results. All of the results across the organization must continue to be aligned to achieve the overall results desired by the organization for it to survive and thrive. Only then it be said that the organization and its various parts are really performing.

## **Performance Management Applies to More than Employees**

Typically, we think of performance in organizations, we think on the performance of employees. However, performance management should also be focused on:

1. the organization
2. departments (computer support, administration, sales, etc.)
3. processes (billing, budgeting, product development, financial management, etc.)
4. programs (implementing new policies and procedures to ensure a safe workplace; or, for a nonprofit, ongoing delivery of services to a community)
5. products or services to internal or external customers
6. projects (automating the billing process, moving to a new building, etc.)
7. teams or groups organized to accomplish a result for internal or external customers

## **Overall Goal**

### **Overall Goal and Focuses of Performance Management**

The overall goal of performance management is to ensure that the organization and all of its subsystems (processes, departments, teams, employees, etc.) are working together in an optimum fashion to achieve the results desired by the organization.

### **Performance Improvement of the Organization or a Subsystem is an Integrated Process**

Note that because performance management strives to optimize results and alignment of all subsystems to achieve the overall results of the organization, any focus of performance management within the organization (whether on department, process, employees, etc.) should ultimately affect overall organizational performance management as well.

### **Ongoing Activities of Performance Management**

Achieving the overall goal requires several ongoing activities, including identification and prioritization of desired results, establishing means to measure progress toward those results, setting standards for assessing how well results were achieved, tracking and measuring progress toward results, exchanging ongoing feedback among those participants working to achieve results, periodically reviewing progress, reinforcing activities that achieve results and intervening to improve progress where needed. Note that results themselves are also measures.

Note that these general activities are somewhat similar to several other major approaches in organizations, e.g., strategic planning, management by objectives,

Total Quality Management, etc. Performance management brings focus on overall results, measuring results, focused and ongoing feedback about results, and development plans to improve results. The results measurements themselves are not the ultimate priority as much as ongoing feedback and adjustments to meet results.

The steps in performance management are also similar to those in a well-designed training process, when the process can be integrated with the overall goals of the organization. Trainers are focusing much more on results for performance. Many trainers with this priority now call themselves performance consultants.

## **Basic Steps**

Various authors propose various steps for performance management. The typical performance management process includes some or all of the following steps, whether in performance management of organizations, subsystems, processes, etc. Note that how the steps are carried out can vary widely, depending on the focus of the performance efforts and who is in charge of carrying it out. For example, an economist might identify financial results, such as return on investment, profit rate, etc. An industrial psychologist might identify more human-based results, such as employee productivity.

The following steps are described more fully in the topics Performance Plan, Performance Appraisal and Development Plan, including through use of an example application. The steps are generally followed in sequence, but rarely followed in exact sequence. Results from one step can be used to immediately update or modify earlier steps. For example, the performance plan itself may be updated as a result of lessons learned during the ongoing observation, measurement and feedback step.

NOTE: The following steps occur in a wide context of many activities geared towards performance improvement in an organization, for example, activities such as management development, planning, organizing and coordinating activities.

1. Review organizational goals to associate preferred organizational results in terms of units of performance, that is, quantity, quality, cost or timeliness (note that the result itself is therefore a measure)
2. Specify desired results for the domain -- as guidance, focus on results needed by other domains (e.g., products or services need by internal or external customers)
3. Ensure the domain's desired results directly contribute to the organization's results

4. Weight, or prioritize, the domain's desired results
5. Identify first-level measures to evaluate if and how well the domain's desired results were achieved
6. Identify more specific measures for each first-level measure if necessary
7. Identify standards for evaluating how well the desired results were achieved (e.g., "below expectations", "meets expectations" and "exceeds expectations")
8. Document a performance plan -- including desired results, measures and standards
9. Conduct ongoing observations and measurements to track performance
10. Exchange ongoing feedback about performance
11. Conduct a performance appraisal (sometimes called performance review)
12. If performance meets the desired performance standard, then reward for performance (the nature of the reward depends on the domain)
13. If performance does not meet the desired performance standards, then develop or update a performance development plan to address the performance gap\* (See Notes 1 and 2)
14. Repeat steps 9 to 13 until performance is acceptable, standards are changed, the domain is replaced, management decides to do nothing, etc.

\* Note 1: Inadequate performance does not always indicate a problem on the part of the domain. Performance standards may be unrealistic or the domain may have insufficient resources. Similarly, the overall strategies or the organization, or its means to achieving its top-level goals, may be unrealistic or without sufficient resources.

\* Note 2: When performance management is applied to an employee or group of employees, a development plan can be initiated in a variety of situations, e.g.,:

- a) When a performance appraisal indicates performance improvement is needed, that is, that there is a "performance gap".
- b) To "benchmark" the status of improvement so far in a development effort

c) As part of a professional development for the employee or group of employees, in which case there is not a performance gap as much as an "growth gap"

d.) As part of succession planning to help an employee be eligible for a planned change in role in the organization, in which case there also is not a performance gap as much as an "opportunity gap"

e.) To "pilot", or test, the operation of a new performance management system