

PERFORMANCE MANAGEMENT: Not only an HR challenge

The dreaded performance review: for many employers, it's an annual trial, wrought with stress and emotion that's second only to getting fired. Luckily, newly emerging practices and technologies are taking the guesswork out of performance management, and actually helping to motivate employees, rather than scaring them. *Nila Sweeney* investigates

Two decades ago, the annual 'performance review' was generally the extent of most executives' performance management process. They would use judgment – gut feelings mostly – to rate their employees.

Such an approach is no longer valid today. "Gen X and Gen Y people seek more feedback. They need a feedback culture," says Linda Bisnette, director of learning and organisational development at Harbour Future Leaders, of the change.

What HR needs, first and foremost, is to really understand what performance management is all about says Lyle Potgieter, CEO at IXP3 – a firm that specialises in performance management tools.

"HR still thinks that appraisal is a performance management system. If you're using the appraisal system, you're probably not going to get any business outcome. People see very little value in doing it, and therefore managers don't want to do it. In performance management, you're setting objectives and measuring people against those objectives."

The main difference between appraisals and performance management, says Potgieter, is that appraisals are typically a once or twice a year affair, based on a review of how a person completed their job. Appraisals are sometimes a pay review or an employee assessment for promotion, where HR is the custodian of the information.

On the other hand, performance management occurs more frequently and objectives are aligned to strategic or operational plans. It has a tighter structure due to compliance reporting, and focuses staff on performance of objectives, development and business.

In addition to meeting employee's expectations, there are many benefits from implementing continuous performance management systems. One is the tighter feedback on whether business activities are on track, and being able to spot where potential problems may occur. However, deeper, longer lasting benefits occur as a result of employee's skills and practices being regularly upgraded. "The organisation is developing the employee and the employee is working towards developing the organisation by achieving its goals," Potgieter says.

Technology shifts

Advances in computing and communications have enabled many of the advances in performance management.

Organisations are quickly switching on to new ways of capturing performance data on the job, and also to assess the results.

Michael Woodham, managing director, Australia-New Zealand at Aspect Software outlines three discrete technological elements that now make up performance management solutions: workforce management applications, monitoring applications, and e-learning applications. According to Woodham, it is the integration of these three applications – extracting the appropriate data from them to analyse your business in holistic fashion – that is the recipe for success.

Steve Dahl, CEO at Onetest, favours the use of online performance management tools. "Employees can log in from their desktop and complete structured, objective questionnaires about their peers and even about their manager's performance. All of that data and information can be automatically collated and reported upon.

"These online management tools are a really quick process, which means managers can keep doing their jobs and, when it's time for performance management discussions, they can sit down with the report already written for them and know that the information they have is accurate. And they can also say, 'Look, this is not my view necessarily... this is the view of many, not just one person'.

"In terms of managers [who are] poor at giving feedback it alleviates that anxiety and pressure because now they're saying this isn't only from themselves, but also from [their] peers as well."

Making performance management work

Ari Kopoulos, national sales manager at EmployeeConnect points out that technology alone will not result in a successful performance management solution. "Having effective performance management is as much about culture as it is technology."

Kopoulos believes that organisations must understand that setting up performance management initiatives involve cultural shifts and change management. "There must be a willingness to change organisational structures and processes. The beginning of an effective project is a corporate understanding of what they're trying to achieve."

It's also imperative that performance management initiatives have C-level backing. This means that the CEO, CFO, COO of the company are driving them throughout the business, says Potgieter.



Lyle Potgieter, CEO, IXP3

“Once the executives understand the value of it, they can actually drive it down the organisation. If you don’t have C-level support it’s unlikely that the managers will see the value of doing it.”

David Merchant, marketing director for Australia and New Zealand at Cognos, says: “You have to have cultural change in the organisation. Some people fight change and some managers feel threatened that the people who report to them are going to be making the decisions instead of going through them. One way of driving the change is ensuring that you have an evangelist in different areas in the organisation. Provide training to a few people who could get excited and become the specialists within your organisation.”

There must also be corporate willingness to invest and create applications. Just going off and buying an application is a misdirected effort, says Woodham.

“You must start by understanding the initiative is much bigger than a piece of software. I’ve witnessed a lot failure in ERP [Enterprise Resource Planning] and CRM [Customer Relationship Management] systems, and I’m sure I’m going to witness a lot of failure in this space as well because organisations don’t always understand the big picture when they go looking for performance management solutions.”

How to do it

1) Plan and define objectives

Graham Townend, finance manager at the Institute of Chartered Accountants in Australia, stresses the need for clear-set goals for new performance management systems.

“It’s key to have a really good idea of what we want to achieve as an outcome right at the beginning, and clearly document and identify in our minds how we want to operate. In particular, we need to identify key areas – not only of the performance management product, but also the change management aspects and who will be using it. It’s pointless spending money on a system without understanding what it’s going to do for you.”

2) Establish ongoing communications

Potgieter believes the underlying principle of performance management is that staff members and managers should meet and have high-quality discussions, not merely type information into a computer. Yet in most organisations, cascading objectives down to the workforce is left in the hands of line managers. “These managers are typically time constrained, overworked and have many priorities to attend to. The consequence is that the delivery and its measurements are not worked through in sufficient detail.”

Staff should also be taught how to manage their own performance; rather than asking ‘how did I do’, they should be saying ‘this is what I’ve done’. Day-to-day feedback is critical and successful organisations put great value on how their managers relate to their staff. This is particularly important with poorer-performing employees, with whom managers should be having regular conversations and to whom training and advice should be readily available.

3) Deliver and monitor

Set up systems to monitor and ensure that the program is doing what it’s intended to do. “It’s essential that the performance management approach supports the company’s development and people strategies so it helps rather than hinders,” Kopoulos says.

Merchant suggests keeping sight of the big picture, then implementing the new solution incrementally. A solution’s core elements can be deployed in only three months with new elements, like reporting, planning,



Michael Woodham, managing director, Australia-New Zealand, Aspect Software

budgeting, and scorecards becoming available incrementally over a year or two.

“Some projects fail because people try to do everything at once,” he says. “People get too ambitious about what they can deliver. If you have a complex process, break it down into chunks that are easy to understand.”

4) Make training a priority

“This means training both the person doing the appraising and the appraisal. Senior managers tend to be resistant to that, yet most of them are poor at it. And HR is usually reluctant to push them to do it. That is the real issue for the success of the project,” says John French, managing director at Snowdrop Systems.

Unfortunately, there is a tendency to under-invest in this area, where the focus is instead on getting new technologies and monitoring tools up and running quickly. However, this

can be a mistake. It’s important that managers have the skills to actually set expectations and gain agreement with staff. Many organisations spend a lot of time and money putting new performance management systems in place, but if you’re not careful these technologies can actually make things worse. Managers still need to develop the skills needed to have conversations about the new system with staff and, in the worst cases, they’re seen as a substitute for effective management, not an enabler of it.

Above all else, systems must be kept simple. Performance management is a journey and as such organisational maturity and culture need to be considered when implementing any system. There’s little point, after all, in trying to get managers to evaluate employees on a complex set of criteria if they don’t have the skills needed to set objectives and review staff against basic criteria. **HC**

10 MYTHS AND MISTAKES IN PERFORMANCE MANAGEMENT

- 1) Our appraisal system does the job.** Appraisal systems do not focus staff on critical performance outcomes but only review whether the employee has performed their basic function. Performance management focuses employees, guides them to success and assists in achieving organisational goals.
- 2) Implementing appraisal systems on paper.** Manual performance systems typically fail 18 months after deployment as they do not facilitate effective and timely reporting. An automated system provides line managers and HR with a simple way to implement performance management while keeping on top of the process.
- 3) Force fit application to automate performance management.** Performance management is a journey, and as such organisational maturity and culture need to be considered when implementing the system. It’s pointless trying to get managers to evaluate employees on complex criteria when they can’t even set objectives and review staff against basic objectives.
- 4) Assuming line managers can cope with manual performance management.** Managers using manual systems can lose track of who they have set objectives for, who has been reviewed and what actions they need to take. As a result, staff don’t see action and in turn see little value in the process.
- 5) Assuming performance management is easy for line managers.** HR often thinks setting objectives is a simple process because they properly understand the concept. Line managers, however, have little or no appreciation of the process and often struggle with setting objectives.
- 6) Automating performance will lower the quality of objective-setting and review.** The underlying principle of performance management is that staff members and managers should meet and have high-quality discussions, and not merely type information into a computer.
- 7) People will do it on the computer and never meet face-to-face.** People are still required to meet face-to-face in order to set objectives and perform reviews.
- 8) You cannot create objectives for all positions.** Every position can and should have objectives.
- 9) Using performance management for project management.** Typical symptoms are the request for many objectives and extremely detailed objectives. Managers need to be coached to use summary objectives, not one for every project.
- 10) We can’t justify expenditures on performance management systems.** Performance management is one of the most powerful ways of increasing quality of human capital through personalised development plans thereby increasing capability. It also increases output through clarity of focus.

Source: IXP3

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