

# The power of performance management

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## Karen Cole looks at what performance management is, and why when done properly it is worthwhile.

Historically, performance management worked like this: an employee would annually sit down with their manager (having first completed an appraisal form) in a process often rushed and with one eye on the clock.

Although this routine is still acted out in some organisations, it's not performance management.

[ACAS](#) defines performance management as 'A *continuous process*' that ensures the performance of employees contributes to the goals of the business; with the aim to continuously improve the performance of individuals and that of the organisation.

Performance management involves the perpetual process of setting goals and objectives, noting performance while giving and receiving ongoing coaching and feedback. Effective performance management contributes to a business' success. Equally, if it's ineffective, it will impact negatively upon it.

"Employees who receive ongoing feedback about their performance are more motivated to perform well in the future"

## 10 ways your business can benefit from an effective performance management system (PMS)

1. **Increased performance motivation:** Employees who receive ongoing feedback about their performance will be more motivated to perform well in the future. This also increases the likelihood they will stay with an organisation.

2. **Increased self-esteem:** There's a basic human need to be recognised and valued at work.
3. **Insight:** Managers gain a better understanding of each employee's contribution to the business.
4. **A sense of purpose:** Employees gain a better understanding of what's expected of them and what it takes to be a successful performer (i.e. the criteria that define their role and its success).
5. **Fairer/more appropriate administrative actions:** A PMS provides valid information that can be used to manage bonuses, promotions, transfers and terminations.
6. **Clear goals:** The goals of the team and the business are made clear and employees understand the link between what they do and the company's success.
7. **Increased competence:** An effective PMS doesn't just improve an employee's performance, it sets a solid foundation. This allows them to grow and become more successful by establishing development plans.
8. **Misconduct is reduced:** Having a good PMS provides an appropriate framework so employee misconduct is clearly defined and identified early on – before it leads to disciplinary action.
9. **Employee claims:** Data collected through a PMS can help employers document their compliance in adopting fair and reasonable procedures and treating employees well. This can stand you in good stead when facing a claim.
10. **Performance clarity:** A PMS allows businesses to quickly identify good and poor performers, forcing

line managers to address performance problems in a timely manner.

## Putting your PMS together

**Set clear expectations:** Employees should never be left thinking 'what's expected of me?'. If no standard has been set, they won't be able to meet it. This often derives from a lack of communication, so always ensure you clearly explain expectations, check an employee's understanding, and challenge any assumptions.

**Regular feedback:** Managers who excel at managing performance do not wait until the annual appraisal to discuss an employee's record. This should happen on a regular and informal basis. Formal meetings should also be held to confirm and record discussions that have taken place throughout the year. That way, there are no surprises later.

**Support and develop:** It is little use pointing out where someone is falling short without discussing a plan of action that addresses the issue(s). Effective performance management is about supporting employees to reach their full potential. This could come in the form of mentoring, coaching, training, seminars or other development activities. If employees are performing well, they need some incentive to continue doing so.

As a starting point, ACAS has produced a helpful advisory booklet which sets out the performance cycle 'How to manage performance'. Of course, performance management is not a cure. You must also give attention to the recruitment process at the outset, as well as implement any capability or disciplinary procedure in a timely way when an employee is identified as a poor performer (despite effective performance management being in place).

With the right resources, a PMS can help turn your business around. The best part is, it can be implemented in any company, no matter the size, so both employees and employers can start reaping the benefits.

**"A PMS allows businesses to quickly identify good and poor performers"**

## In short

- A well thought through PMS can benefit your business.
- If people have a sense of purpose, they're more likely to stay with the company.
- It's easier for employees to reach targets when they clearly know what's expected of them.
- If employees are performing well, they should be incentivised to keep doing so.

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Note: This is not legal advice; it is intended to provide information of general interest about current legal issues.

