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## 4E. Performance Management

The ultimate goal of reward programs are to attract, retain and motivate people. And it is essential for the company to clearly identify the performance and competency levels required of their employees in different roles at different levels. The company will then evaluate, differentiate and award the employees in a fair and consistent way. Performance Management is one of the most important functions in human resource management. It is also an important tool to link individual objectives with departmental targets.

### 4E.1 Overview

Performance management is an integral part of a comprehensive human resource management strategy. It is the translation of the company's strategies and objectives into practical and realistic performance goals at each level of the company.

Performance management provides employees with clarity of aims and focus on job expectation, motivates employees to perform better, cultivates the desired culture, helps focus on the desired results, improves communication, helps develop employees' capabilities and helps achieve organizational objectives.

Key elements of performance management:

a. Planning:

- ✦ agree on performance goals and targets, based on job descriptions and business objectives
- ✦ goals and targets have to be SMART:
  - » Specific – clear, straightforward
  - » Measurable – specify quantity, quality, time, money, etc
  - » Achievable – challenging but within reach of competent and committed person
  - » Relevant – relevant to the company's objectives so that the individual's goal can contribute towards the company's

b. Monitoring and coaching:

- ✦ an ongoing and continuous process
- ✦ monitor performance against agreed goals and targets
- ✦ provide direction/support/feedback on how well people are doing
- ✦ recognize and reinforce desirable behaviours
- ✦ coach and help solve difficulties in achieving desirable performance
- ✦ identify problems at early stage, take corrective action in a timely manner

c. Reviewing and evaluation

- ✦ discuss achievement of objectives and competencies
- ✦ usually termed as “mid-year review”
- ✦ identify areas for improvement
- ✦ recognize success
- ✦ encourage development

d. Assessing

- ✦ conclude the performance evaluation through the information collected and with reference to the mid-year review
- ✦ usually termed as “year end appraisal”
- ✦ provide support/feedback, recognize successes
- ✦ identify an appropriate performance rating, which serves as a reference for reward (including pay) and career development consideration



Overview of Performance Management Cycle

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## 4E.2 Performance review/appraisal meeting

Performance review/appraisal meeting:

- ✦ is a formal review on the individual's performance,
- ✦ is usually done once or twice a year to review, reinforce, monitor and record an employee's progress,
- ✦ facilitate the selection of employees for promotion,
- ✦ help identify the training and development needs of employees,
- ✦ foster a better two way communication between the line manager and the employee with regards to performance.

### a. Preparation for the appraisal meeting:

- ✦ it is necessary to keep a log of the individual's performance and achievements which gives support to rating
- ✦ allow sufficient time for preparation on
  - ✦ what performance problems are to be mentioned
  - ✦ views on the possible reasons for success or failure
  - ✦ any suggestions to solve the problem
- ✦ give sufficient notice to employee regarding the meeting and request employee to have a self-appraisal before the meeting so that they can identify their own achievements and problems

### b. The appraisal form:

- ✦ should be as simple and brief as possible and allow sufficient space for comments
- ✦ terms should be easily understood, with some notes for guidance
- ✦ information to collect on the form includes:
  - key result areas
  - agreed objectives/targets
  - assessment of performance against the key result areas and competency headings
  - details of the development plan to improve performance

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c. Procedures for conducting a performance review meeting:

- ❖ Work to a clear structure of how the meeting will proceed
- ❖ Start with stating the purpose of discussion and encourage discussion
- ❖ Give a general overall impression of the evaluation to set the foundation for discussion
- ❖ Discuss each dimension separately
- ❖ Ask the employee to give an impression of their own performance first and explain your views
- ❖ Give positive reinforcement, emphasizing what has been done well
- ❖ Encourage two-way discussion by asking open and probing questions, do not dominate the review
- ❖ Discuss performance based on factual evidence, not opinion
- ❖ Develop possible action plan(s) and review time frame jointly to correct any problems
- ❖ Close the meeting on a positive note with an agreed action plan

#### 4E.3 Success factors of performance management

The key success factors contributing to a good performance management system are:

- a. simple and transparent system that is applicable to all levels of employees
- b. well defined “performance” in the aspects of outcomes, behaviors, competencies and traits to ensure fairness and equity
- c. clearly defined standards and measurements of performance describing different levels of achievements
- d. appropriately and sufficiently differentiates the merit increase for different levels of performance
- e. clear linkage of performance with rewards to be awarded.

#### 4E.4 Relationship between performance management and reward

In order to motivate people to perform better, give discretionary effort, and develop new skills, it is only fair and equitable to differentiate reward according to an individual's performance. Performance management system emphasizes and reinforces the importance of performance.

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## 4E.5 Coaching for performance

Managers and supervisors have an important role to play in performance management, which is, to provide feedback and coaching on employee's performance when necessary.

Coaching is a process that helps the employees gain greater competence and overcome barriers to improve job performance on a as needed basis, while training uses a structured design to provide the employees with the knowledge and skills to perform a task. The other difference between coaching and training is that the former is normally done in real time. That is, it is performed on the job, at the workplace. The coach uses real-life tasks and problems to help the learner increase their performance. While with training, learning takes place in a classroom with a controlled setup.

- ✦ Coaching is effective when it
- ✦ Is specific to the individual
- ✦ Is positive and
- ✦ Occurs as soon as performance problems are identified

Procedures for coaching for performance:

- ✦ Identify performance problem by pointing out the facts/describing the behaviours observed in a professional non-confrontational manner, support with evidence if possible
- ✦ Clarify the expectations/standards of the job
- ✦ Explain the consequences of inappropriate actions/behaviours
- ✦ Ask for the employee's view and how they assess their own actions/behaviours
- ✦ Discuss the causes of the problem/analyse reasons for sub-standard performance
- ✦ Develop and agree on tentative solutions, decide on specific action(s) to be taken

## 4E.6 Reward Communication

Your company could be wasting the money spent on salaries and benefits by leaving employees in the dark about the true value of the total package. Without employee understanding, reward programs will not align or motivate employees' effort toward achieving business objectives. Employers shouldn't take it for granted that potential candidates and existing staff appreciate or understand the value of the retirement scheme or other benefits such as subsidised meals, life assurance and critical illness insurance.

If rewards are used to motivate employees, or to encourage higher performance, it is essential to have a transparent approach to communicating information about pay scales, the provision of benefits and allowances, grading systems, job evaluation, performance-related pay schemes and how pay decisions are made for different individuals or groups of employees.