

News Story

Performance management fails firms

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By Mike Jones

A flawed approach to employee performance management is letting down many firms at a time when they most need it to work.

With performance management systems being the driver for employee bonus payments - and when most companies have vastly reduced reward budgets - the ability to differentiate between employee performance to target reward spend towards genuine high performers is more important than ever, according to consultants Watson Wyatt.

In recent years, many employers have been updating what they have seen as failing performance management systems by streamlining administration, improving rating systems and simplifying communication documents.

But while these process improvements are important they do not get to the heart of failing performance management.

Justin Grice, senior reward consultant at Watson Wyatt, said: "It is the intangible aspects of performance management that make a tangible difference.

"Are line managers actually capable of managing poor performance? Do employees know how to set objectives, and provide and receive feedback? Are objectives set in the context of business objectives that balance financial performance with risk?"

Watson Wyatt said the need to get this right was underlined by recent guidance from the Financial Services Authority that regulated companies should take a more balanced assessment of performance in reaching bonus decisions and not just measure the achievement of financial targets.

According to Watson Wyatt, there are four aspects of performance management that process improvements overlook too often:

- * Line managers' capability to manage poor performance and have "difficult" conversations, which can be addressed through coaching and training;
- * Employees' capability to set objectives, and provide and receive feedback, which can also be addressed through training;
- * Ongoing communication to ensure undue emphasis is not inappropriately placed on objective setting and end-of-year reviews to ensure that performance management is seen as the "way we do things";
- * Ensuring that performance management is placed in the context of overall business performance to provide employees with a "line of sight" and help them to understand how achieving their objectives help to deliver organisational success.

"Addressing these less tangible aspects of performance management as well as the tangible ones is key to delivering an approach to performance management that is sophisticated enough to assess performance 'in the round'," Grice said.

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3 comments

Posted By Nicholas Lakeland on Wednesday 27th May 2009 10:38:49

Performance management seems to me to be a euphemism for managing an under-performing employee out of a business. Apart from larger employers I rarely come across it being used as it should be.

Posted By Simon G on Tuesday 26th May 2009 09:30:41

Shouldn't the performance management team have their own performance managed?