

Harmony Alliance Guides:
Project Talent Management

Performance Management



Performance Management

The Performance Management Cycle

The performance management cycle forms the foundation of an organisation's overall performance management system. It aligns the efforts of managers, supervisors and employees to achieve organisational objectives.

The concept of Talent Management was introduced over two decades ago and has since evolved to mean different things to various organisations and leaders. Learning and development (L&D) is a key strategic component of Talent Management, supporting the development of talent in increasingly competitive and complex environments.

Talent Management serves two critical purposes:

- 1. Strategic Focus** - Developing talent to deliver exceptional performance aligned with organisational goals.
- 2. Risk Mitigation** - Reducing costs, particularly those associated with staff turnover, by fostering engagement and retention.

Talent Management comprises several interconnected activities, all critical to achieving organisational objectives:

- 1.** Attraction & Selection of Talent (includes onboarding)
- 2.** Performance Coaching
- 3.** Performance Management
- 4.** Learning & Development
- 5.** Career Development
- 6.** Succession Planning

This guide focuses on defining the performance management component (distinct from performance coaching) within the broader Talent Management framework.



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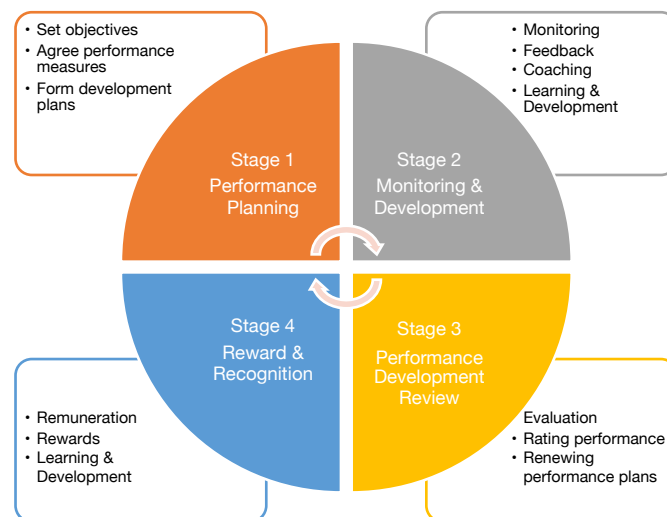
Introduction to the Performance Management Cycle

The performance management cycle goes beyond a simple annual review or appraisal meeting. It is a continuous process that includes:

- Setting clear objectives
- Developing the capabilities needed to achieve those objectives
- Providing ongoing feedback, coaching, and mentoring
- Conducting at least one formal review or appraisal

Many organisations also integrate their reward and recognition processes into the performance management cycle.

The diagram below outlines the key components and activities of the performance management cycle.



The key aims of the performance management cycle include:

- Aligning individual goals with organisational objectives
- Enhancing both individual and organisational performance
- Delivering meaningful feedback, encouragement, and motivation to employees
- Fostering collaboration and accountability among employees
- Retaining top performers and providing incentives to sustain high performance
- Supporting employees in their professional development
- Addressing underperformance proactively by reinforcing desired behaviours and correcting issues

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Stage 1: Performance Planning

Performance planning involves setting up individual performance and development plans, including agreed performance measures, to create a Performance Development Plan.

This stage confirms the organisation's core values and objectives, aligning them with individual goals and fostering constructive discussions between managers and employees about expectations and support. It should be a collaborative process, with equal responsibility shared by the manager and the employee.

When done well, performance planning simplifies the rest of the performance management cycle by ensuring clarity and alignment.

There are three main areas of focus in performance planning:

- 1. Objectives** – What needs to be done and the expected outcomes.
- 2. Capabilities, Behaviours and KPIs** – How the employee will work towards objectives, the standards required, and how success will be measured
- 3. Personal Development** – The skills and growth needed for the employee to achieve objectives and realise their potential

The Performance Development Plan

The Performance Development Plan is a formal document that is agreed on between a manager and employee at the beginning of a performance management cycle, and includes two components:

- **The Performance Plan** – A record of the agreed objectives of the individual employee, how these will be achieved (through core capabilities and behaviours) and measured.
- **The Development Plan** – Identifies the learning and development needs of the employee to support their achievement of the Performance Plan, as well as setting out their overall professional development goals.

The Performance Development Plan should be used as a reference tool throughout the performance management cycle and be treated as a dynamic agreement that can be adapted to changing environments and situations.

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Components of the Performance Development Plan

The Performance Plan

Review Job Profile

The individual's position description should be reviewed to ensure both the manager and employee have a clear understanding of the key tasks and scope of the role.

A position description should:

- Clearly and accurately outline the main tasks and responsibilities of the role.
- Include the KPIs, capabilities or behaviours required for effective performance.

For new employees or roles, the position description is likely accurate and relevant.

However, for employees who have been in the organisation or role for some time, the manager and employee should conduct a job analysis to ensure the description reflects the current work.

This includes:

- Activities, tasks and processes,
- Knowledge, skills and abilities (KSAs) or capabilities needed for effective performance.

If the role has evolved over time, the position description should be updated to reflect these changes.

Agreed Timeframes

While most performance objectives and measurements typically cover the entire performance management cycle (usually 12 months), shorter time frames may be necessary for specific performance goals or measurements. This is particularly relevant when:

- Developmental performance is in progress.
- Priority objectives need to be achieved within set time frames.

The Development Plan

Identify Required Development

Identify training objectives that support the employee in developing the skills, knowledge, and capabilities needed to achieve their performance targets and work objectives.

Agree on Development Activities and Develop a Learning Action Plan

A learning action plan may include various activities, such as on-the-job experiences, mentoring, coaching, formal training, or attaining accredited qualifications.

The plan should include time frames for key learning activities, helping both the manager and employee track progress.

Informal meetings may be needed after key learning activities are completed. These discussions can assess how the development can be applied to maximise performance. For instance, after formal training, a discussion on key takeaways may help the employee understand how to apply new skills, or the manager may assign relevant tasks or projects.

Career and Personal Development

While the performance development plan typically spans twelve months, in line with the performance management cycle, long-term career and personal development plans should also be considered. These plans should not be limited to promotion or progression within the organisation but should also include opportunities to enrich the current role, as well as consider lateral movements and job enlargement.

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Preparing for the Performance Development Plan Meeting

Manager Responsibilities

- Schedule the meeting in a private, comfortable location, allowing sufficient time for discussion.
- Ensure the employee understands the purpose of the meeting and the performance development process, including their role in preparing for and participating in the discussion.
- Provide relevant documents, including the position description, performance development plan template, previous plans, and the organisation's key objectives, to help the employee align their goals.
- Clarify any departmental or organisational objectives, if needed, and prepare to discuss how these connect to the employee's goals.
- Take notes on how objectives and performance measures will be framed and consider the best way to explain them.
- Summarise the employee's work to date and identify any key points to discuss.
- Consider opportunities to mentor or coach the employee to achieve their objectives, including identifying who can support them.
- Have a clear plan for the meeting, using an agenda or checklist to ensure all points are covered.

Employee Responsibilities

- Understand the purpose of the meeting and come prepared to engage in the discussion.
- Review all provided documents, including the position description and previous performance development plans, and complete any preparatory paperwork.
- Reflect on their role's key objectives and how these should be measured.
- Consider their strengths and areas for improvement, and think about what development or support they need. Reflect on preferred learning styles and activities that would aid their growth.
- Think about both short-term and long-term goals, including career and personal development plans.
- Make notes on any topics they wish to raise during the meeting to ensure all points are addressed.



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During the Performance Development Plan Meeting

Manager Responsibilities

- Create a comfortable, private setting for the meeting and take a few moments to build rapport with the employee.
- Confirm the objectives of the meeting to ensure the employee understands the process.
- Facilitate the creation of the performance development plan collaboratively, encouraging active participation from the employee, including asking questions, offering suggestions, and discussing the components constructively.
- Review the components of the performance management plan:
 - › Job profile review
 - › Set and prioritise objectives
 - › Agree on performance measures and timeframes
- Review the development plan:
 - › Identify required development areas
 - › Agree on development activities and create a learning action plan
 - › Confirm long-term career and personal development goals
- Encourage discussion, giving the employee the opportunity to express their achievements, progress, and input on their objectives and performance measurements.
- At the end of the meeting:
 - › Reconfirm the support to be provided
 - › Agree on follow-up meeting timeframes
 - › Finalise and sign off on the performance development plan.

Employee Responsibilities

- Actively engage in the discussion and contribute to the development of the performance plan, ensuring any key issues from their preparation are addressed.
- At the end of the meeting, sign off on the agreed performance development plan.

Following the Performance Development Plan Meeting

- The manager should keep a copy of the performance development plan in the employee's confidential personnel file and provide a copy to the employee.
- Both the manager and the employee should ensure that any agreed-upon timeframes, follow-up meetings, or additional commitments are met.
- Move on to the second stage of the performance management cycle.

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Stage 2: Monitoring & Development

In this phase, both managers and employees should clearly understand their objectives and the expected standards to achieve them. Employees should perform their role as outlined in the performance development plan, with managers monitoring performance and providing feedback to ensure alignment with the agreed-upon objectives.

Ongoing Monitoring and Feedback

Continuous monitoring and feedback are crucial. They help reinforce positive performance and identify areas where underperformance needs to be addressed. Employees meeting objectives should be praised, while those falling short can be supported or corrected to meet their goals.

Monitoring doesn't mean micromanaging every task, but rather ensuring employees are progressing toward their overall objectives.

Performance Feedback

Timely, effective feedback is key to performance improvement. Feedback should be constructive, highlighting areas of success and opportunities for growth. Regular informal discussions can address minor improvements, while more significant underperformance may require a formal performance improvement plan, providing structure without disciplinary action.

Coaching and Mentoring

Coaching and mentoring are vital for helping employees meet goals. Coaching is short-term and task-focused, while mentoring supports long-term development and succession planning.

Learning and Development

Learning and development are essential for meeting performance goals. These can include formal training, informal learning, and on-the-job experiences. Managers should ensure training aligns with performance needs and assess how new skills are applied in practice. Training programs should also align with the organisation's overall development strategy.

Communication

Effective communication is essential throughout the monitoring phase. Managers should maintain regular dialogue and adapt their communication style to the employee's preferences for maximum engagement. Active listening is also key to ensuring both parties understand each other clearly.

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Collating Performance Information

Managers and employees should document performance throughout the year, as relying on memory can be unreliable. Establishing a process for recording performance details ensures accurate information is available for performance development reviews.

While minor performance issues, such as praising good work or suggesting small improvements, may be addressed informally, it's essential to document these alongside more significant issues requiring detailed notes.

Performance Information can be gathered from:

- Direct observation
- Written materials/documents
- Data sources and reports
- Notes/emails from employees, colleagues, or customers
- Manager's own files and meeting notes

All performance records should remain confidential between the employee and manager.

Automated performance management systems can be highly beneficial in consolidating information, offering a central portal for record-keeping and easy retrieval, accessible by both the employees and the managers.

Updating the Performance Development Plan

While it is important to follow the performance development plan, the performance management system should remain flexible enough to allow adjustments as needed. Changes in circumstances, whether from the organisation or the individual, should be recognised and accommodated. Flexibility is important in situations such as:

- Organisational restructuring
- Shifts in priorities or strategic objectives
- Changes in roles or responsibilities
- Assignment of unexpected project work
- Temporary transfers to other departments with different objectives
- Updates to operating systems
- Changes in business environment or conditions

Summary: Key Monitoring and Development Activities

1. Assess progress towards meeting performance objectives
2. Share positive and developmental feedback on progress and achievement of goals
3. Provide coaching and mentoring support
4. Ensure training and development activities occur
5. Identify barriers that may prevent employees from achieving their objectives and provide solutions
6. Support personal development and career progression
7. Collate performance information to record progress and for reference when undertaking the Performance Development Review
8. Update the Performance Development Plan, where necessary
9. Communicate, communicate, communicate

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Stage 3: Performance Development Review

The performance development review, also known as a performance appraisal or evaluation, assesses the employee's overall performance and development over the course of the performance management cycle or a defined performance period. It involves assigning a performance rating and evaluating past, current, and future performance needs.

The main goal of this review is to help employees achieve their highest level of performance by highlighting their strengths and areas for development.

Frequency of Review Meetings

Formal review meetings typically occur annually, but bi-annual or quarterly reviews may also be scheduled. These shorter reviews focus more on tracking progress toward objectives and contribute to the final annual review.

Benefits of the Performance Development Review Meeting for Employees

The performance development review benefits employees by:

- Actively involving them in the performance management process.
- Motivating them to perform and develop.
- Providing constructive feedback.
- Recognising and appreciating their contributions.
- Keeping them informed about current and future objectives.



Forward Focused Reviews

While traditional reviews were often focused on past performance, modern reviews should concentrate on future improvement and development. Managers and employees should discuss how to address any performance issues identified and plan for the future.

Key elements of the review include:

- Reviewing information gathered through continuous feedback.
- Examining performance from various sources (e.g., supervisor reports, self-assessments, 360-degree feedback).
- Assessing progress against objectives.
- Evaluating learning and development outcomes.
- Updating the performance development plan for the next period, including:
 - › Reviewing the position description.
 - › Setting new objectives.
 - › Agreeing on performance measures and timelines.
 - › Identifying development needs and creating a learning action plan.

No Surprises

By the time the performance review occurs, neither the employee nor the manager should face any unexpected issues. If there are surprises, it may indicate a failure in the monitoring process or lack of effective feedback.

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Rating Performance

Performance ratings provide a measure of how well an employee has met objectives. These ratings often inform decisions on rewards, career development, and succession planning.

Challenges of Performance Development Reviews

Challenges in performance reviews often arise from misunderstandings or lack of information. While some employees may view constructive feedback as criticism, clear communication and preparation can improve the review process.

Common challenges include:

- **Manager Bias:** Managers should be aware of biases (both conscious and unconscious) when assessing performance. Training for both managers and employees can help mitigate bias.
- **Agreement on Performance Measures:** Disagreements on performance measures may arise. Managers should explain the rationale behind the measures and their alignment with organisational goals. If there is a disagreement, it should be documented.
- **Collecting Performance Evidence:** Managers should gather evidence, such as data or reports, to support their performance assessments. Clear processes should be in place for collecting this evidence, ideally at the time of setting objectives.

Handling Negative Reactions

While most employees respond well to constructive feedback, some may perceive it as criticism. Managers should be prepared to address negative reactions and deliver feedback in a helpful, constructive way.

Appealing Performance Disagreements

An appeals process is crucial when disagreements arise over performance ratings or perceived unfairness. Employees should be made aware of the appeal process, ensuring they have a platform for raising concerns. If a resolution cannot be achieved, the manager should explain the appeal process and help initiate it.

Stage 4: Reward & Recognition in the Performance Management Cycle

A key goal of the performance management process is to link performance with reward and recognition. Recognising good performance can include promotions, assigning more challenging tasks, or offering learning opportunities.

When employees see a clear connection between their performance and rewards—such as recognition, remuneration, or career development—they are more motivated, satisfied, and appreciative of the performance management process.

Many organisations tie performance outcomes to remuneration reviews, influencing salary adjustments, bonuses, or other benefits. Performance reviews can also inform talent management decisions, such as succession planning, promotions, or job enrichment.

Recognition should not be limited to the end of the performance cycle. Managers should acknowledge contributions year-round, from simple gestures like saying “thank you” to assigning engaging projects or offering more formal acknowledgments, such as team celebrations or individual rewards.

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Conclusion

This guide defines performance management within the context of talent management and outlines the performance management cycle.

Performance management focuses primarily on past performance and development, while performance coaching is more forward-looking. Organisations and leaders should establish a solid performance management system within their organisation before implementing performance coaching.



Other Harmony Alliance Guides in the Talent Management Series

- Defining Talent Management
- A Primer to Difficult Conversations Guide

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