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Performance Management: *Honing Your Competitive Edge*

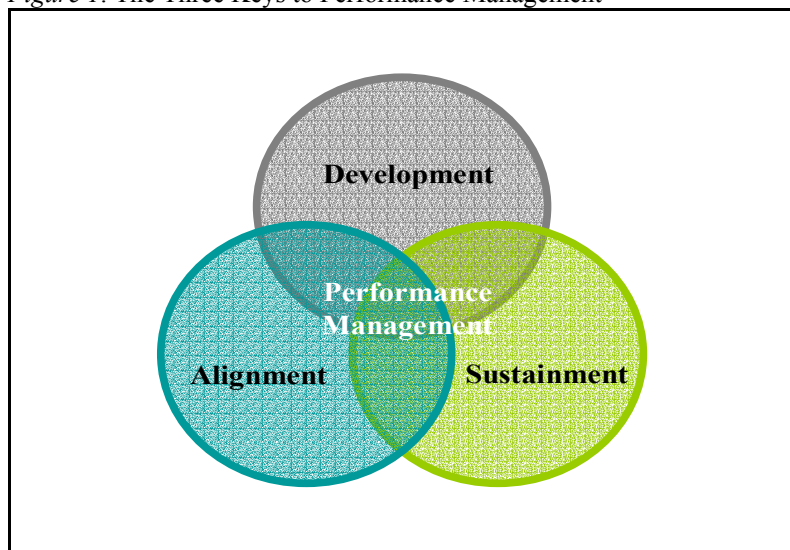
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An increasing number of forward-looking organizations (both private and public sector) are implementing comprehensive Performance Management systems, with the goal of boosting their effectiveness and profitability. An effective Performance Management system provides an opportunity for both employees and managers to discuss development goals and jointly create plans for achieving agreed-upon goals. Performance Management initiatives need to be aligned with organizational goals and focus on employee growth, in areas of knowledge, skills and abilities (KSA's) which increases the overall contribution of the employee. Performance Management is a proactive process that organizations and employees undertake to improve and increase their effectiveness and efficiency in a highly competitive market place.

In order to remain competitive today, business owners have to provide the best products and services, by capitalizing on their most important and valuable asset – employees. With knowledge-based competence becoming more valued and necessary, human capital becomes an increasingly important investment for any thriving business, and performance management is key in facilitating and maximizing the return on investment (ROI) in this invaluable commodity. Acquiring the knowledge to measure and maximize workforce production, the backbone for most enterprises, will provide any business owner an added edge in today's fast-paced global economy.

Performance Management as a Human Resources Management Model reflects a change of emphasis in organizations; moving away from a command-and-control mentality toward a transformative model of leadership. This change in perspective parallels increasing recognition that the contribution of each employee is vital to the strategic long term mission of the organization as a whole.

Figure 1. The Three Keys to Performance Management



Aligning corporate strategy and employee goals will improve organizational success by:

- clarifying employees' role and function to support organization mission
- accentuating need for realistic and appropriate performance standards
- creating constructive performance evaluations to facilitate employee development
- establishing education and skill development opportunities to increase and/or maintain current employee performance
- providing documentation for organization leaders to more effectively manage development of their human assets

Performance Management, through evaluation and analysis of individual performance, can determine:

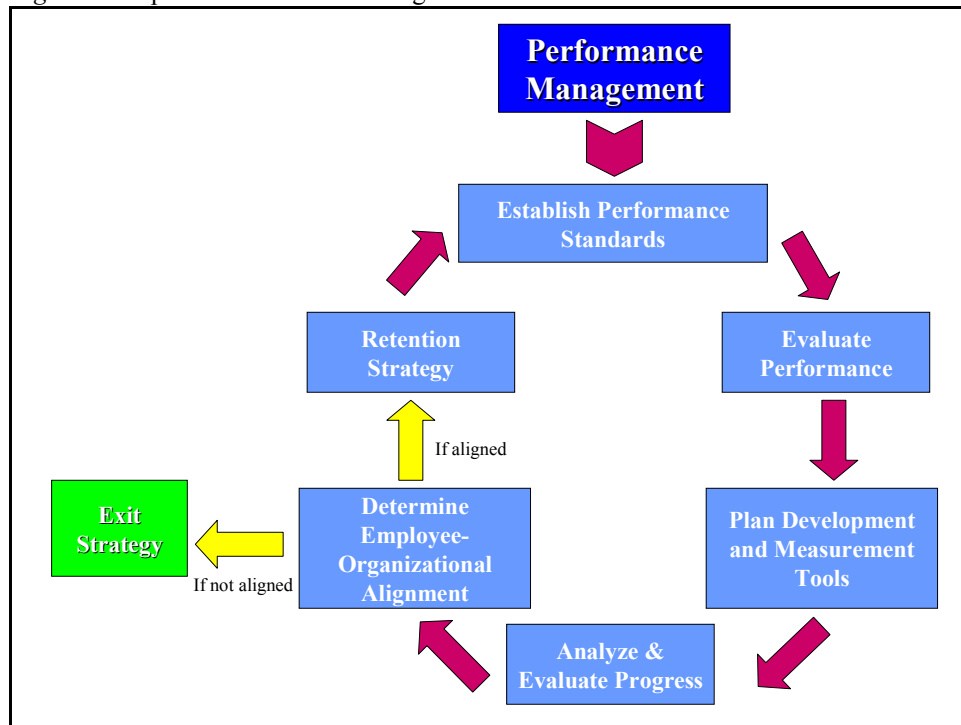
- Where performance enhancement is required
- Where structure and process can be modified to support and encourage improved performance
- Where the organization needs to "trim the fat" through more strategic recruitment and retention

More importantly, evaluation of employee performance documents the contributions, or lack thereof, of individual employees. It provides the business owner with the basis for determining whether to retain and develop employees, upgrade skills through re-training, or even to dismiss employees based on their documented performance. Performance Management also plays a role when utility analyses (process of establishing the effectiveness of organizations' recruitment and selection practices) are conducted.

The Performance Management approach follows a logical path:

- Review or establish standards of performance for overall organization
- Analysis of essential functions of each employee in relation to strategic plan and organization goals.
- Observation and feedback on individual employees, for performance standards and development purposes
- Appraisal of employee's performance in regard to alignment with strategic plan and goals of the organization
- Presentation of behavioural feedback on employee strengths and weaknesses
- A comprehensive development plan which builds on employee strengths, while further aligning their work contribution to organization mission and goals.

Figure 2. Steps in Performance Management



For a Performance Management system to be effective, organization leaders need to recognize the importance of maximizing employee performance. This includes acknowledging and rewarding employee efforts, as well as providing career development opportunities, to increase their commitment to the organization. Regularly evaluating employee performance provides the opportunity to implement employee retention and exit strategies, which allow leaders to align their human assets with their organizational goals. Annual performance evaluations, with quarterly updates and specific training and development goals, ensure that organizations are able to meet this requirement efficiently and effectively.

Performance Management, when applied in a developmental context, facilitates employee professional growth, alignment with organizational goals, retention, and development of organizational culture. These outcomes are essential in the constantly evolving global economy, which has produced increased competition, greater employee mobility and constant pressure to do more with less.

David Horton and Brian Duggan of Marathon Human Resources Consulting Group Ltd. consult with senior Leaders and Managers to develop processes aimed at maximizing the performance of employees, to attain the preferred outcomes of increased efficiency and effectiveness through improved quality and production, and increased retention of strong performers. www.marathonhrcg.com