

## New Trends in Performance Management

The world of Performance Management and Appraisals is changing very quickly. This document outlines the major trends in Performance Management that are taking place globally.

### Trend 1 - Performance Management Redefined – Now a Valuable Line Management Tool that is used to drive Strategic Execution and Operational outcomes

In the last 30 years, Performance Management has remained a static process that consisted primarily of an annual appraisal. Managers completed the process as they were required to complete it by HR. HR used the process as an input to other processes such as Pay raises, Succession Planning or Learning and Development. When you asked line managers how it helped them drive business or organizational outcomes, very few could describe how it helped them but most said “we do it because we have to.”

Today, Performance Management is one of the principle tools executives, line managers, and employees use to achieve their collective goals. The change in use of Performance Management has been enabled by software that provides management with a way to achieve its operational and strategic goals. This is achieved through:



- a) *Cascading Strategic and Operational Objectives down to ensure every person knows their part of the plan and executes their part of the plan.*

This was virtually impossible using manual systems. There was little or no capability to cascade objectives, managers could not visually see how their strategies were cascaded, there was no reporting on strategic execution.

- b) *Developing the entire organization by setting specific Development Objectives for each individual.*

Again, keeping track of hundreds or thousands of Development plans was near impossible with manual systems. This resulted in fragmented development of individuals and fragmented development plans that did not necessarily address competency gaps.

- c) *Providing managers with visibility of their team members and how they are progressing towards completion of their objectives.*

Manual systems offered no way for managers to quickly drill down to ensure that objectives set for employees were able to properly address the Strategic and Operational plans of the organization. Due to the paperwork involved, this was near impossible to achieve in any meaningful way, with manual appraisal systems.

In summary, Performance Management has been redefined as a management tool and now receives much greater buy-in from line management as it assists them in achieving the collective goals of the organization and their own departmental goals.

### Trend 2 – High Frequency Performance Management

The Annual appraisal process is rapidly being replaced with higher frequency shorter touch-base meetings often called One on One meetings. The One on One process provides a mechanism where both managers and employees are able to make relevant notes on performance related issues (such as progress on their

**Author:** Lyle Potgieter – CEO PeopleStreme

**Topic:** Performance Management

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goals and Objectives) throughout the year. When the annual appraisal is conducted at the end of the performance period, both parties are better prepared and have a full record of achievement (or areas for development and coaching) throughout the year.

This feature also promotes an ongoing dialogue between managers and employees to ensure that both are on track to achieve their goals for the year.

With manual systems, employees are often ignored until the appraisal at the end of the year. When they finally get to the appraisal and are to be told they have not performed well for the entire performance period, it is almost meaningless feedback as there is nothing that can be done at this time to change the performance outcome.

A good example of how the One on One feature is used in practice is as follows:

Let's assume an IT Manager is the relevant example. One of her primary objectives is "Deliver all projects on Time and on Budget". With the One on One feature, the IT manager meets with her team all the way through the year and checks on progress of each of her team's objectives. She makes notes on each project all the way through the year. Her employees also make notes about these projects. When both parties meet, they have a full history and status on each objective and project. Meetings become more structured, shorter with clear outcomes and issues are dealt with. Operational execution improves, team members get better feedback and employee engagement increases. The IT manager now sees Performance Management as a valuable tool to deliver her own success as well as her team members.

It is impossible to track One on One collaboration on spreadsheets.

### Trend 3 – Move from Cascade Down to Strategic Themes and Alignment

Many organizations are now using Strategic Themes to align their employees to the strategy. Strategic Themes enable and bring to life Strategic Alignment

for every employee.

For example, employees can be relate to themes that they can understand and that apply specifically to the work that they do. For example, a nurse in a hospital will easily understand a theme such as Improve Patient Care Rating from 63 to 66 percent. This nurse will typically not relate well to an objective cascaded from the CEO that says Achieve EBIT (Earnings before Interest and Tax) of \$20 Million.

So we are actually seeing better employee "buy in" to Strategic Themes than to the classic cascaded objectives theory of aligning employees.

For more information on Employee Alignment, please click on the link below to view the video.

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### Trend 4 – Low Administration Performance Management

Early automated Performance Management systems were standalone systems that offered several benefits but still suffered from high administrative input. These systems required HR to make duplicate data entries for all additions, changes and deletions to staff because entries had to be made in both the payroll system and the Performance Management system. Today, Performance Management applications can be fully integrated with the payroll system which means data entry is only required in payroll. All changes made to payroll are automatically made to the Performance Management application.

Spreadsheet administration becomes a thing of the past. This substantially reduces costs, enabling HR to assist line management with more strategic issues and matters of compliance.

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## Trend 5 – Cross Divisional Virtual Teaming

Automated performance management systems enable employees and managers to align outside of their traditional vertical hierarchy.

For example, an employee working in marketing may need to get someone from IT to assist them with a project. After discussing the project, the person in marketing can send the person working in IT an objective to create a virtual team. This ensures both people are aligned to achieve a common goal that supports a higher level strategy. These new alignment techniques are referred to as horizontal or dog leg alignment.

This capability reduces silo thinking and drives rapid progress on project based objectives that span multiple business units.

## Trend 6 – Retention

Organizations have now made the link between Performance Management and retention. In the war for talent, employees want to be:

- a) Focused and Directed by their managers.

Employees hate ambiguity and desire clear direction so they can complete the work that is required of them. Performance Management addresses this need, particularly if the manager is conducting high frequency One on One meetings.

- b) Appreciated.

Regular, more frequent reviews address this need, particularly if managers are conducting One on One meetings.

- c) Developed.

As part of Performance Management, Development planning addresses this issue.

A clear outcome of implementing a more robust Performance Management system is better retention

of high potential employees due to the reasons outlined above

## Trend 7 – Succession and Talent Planning

Once organizations have Performance Management systems in place, they can leverage the data collected to implement Succession Planning and Talent Management systems. These systems allow HR to identify:

- a) Successors for critical and non critical roles
- b) High Potential staff who are then put through accelerated learning and development programs
- c) Employees with particular skills that are required for new roles or projects. For example, identifying employees who have particular experience, qualifications, who are high potential and able to work overseas.

Once these types of systems are put in place, employees start to see Succession Planning and Talent Management in a new light. These processes are no longer mysterious HR processes but management processes that deliver new roles and opportunities to employees.

## Trend 8 – Pay Raise Management and Salary Packaging

Many organizations still make pay raise decisions in the absence of any employee performance data. Cronyism may still form a large basis for giving out pay raises. By implementing an effective Performance Management system, organizations can now rank employees according to how well they achieved their business and development objectives. Pay raises now gain objectivity and are directed mainly towards those employees who are truly the top achievers.

## Summary

Performance Management in its present form is a trend in itself. Performance Management has progressed from Appraisals and Reviews to a valuable tool to drive performance, link performance to strategy and to do

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this in an environment that is less onerous on HR than it has ever been in the past. Line Management is accepting and in many cases driving the desire for adequate systems that they can use to deliver both the organizations and their own goals and objectives. Employees are benefiting from better pay linked to their performance, better recognition of their achievements and better opportunities to advance their careers.

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### **About PeopleStreme Human Capital Management**

PeopleStreme Human Capital Management specializes in Performance Management systems and is a leader in AsiaPacific. In addition to developing Performance Management systems, PeopleStreme also provides training to Executives and Employees on how to set clear business objectives including Strategy Cascade, Financial measures and links to Short Term Incentive Plans.

For more information: Please refer to our web site at: [www.peoplestreme.com](http://www.peoplestreme.com)

Email: [lyle.potgieter@peoplestreme.com](mailto:lyle.potgieter@peoplestreme.com)

Phone: +613 9869 8880

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