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Nine Keys to Performance Management



Any organization still seeking that one silver bullet that will revitalize its performance management (PM) system should forget about it, suggests analysis of a survey conducted by the Institute for Corporate Productivity (i4cp) in conjunction with HR.com. That bullet doesn't exist. That is, there is no single PM practice that can transform an ineffective system into a good one.

Performance management systems are just that - systems. They require the coordination of multiple key practices. The more of these practices that are in place, the more likely a performance management system is to be seen as effective. The i4cp/HR.com survey indicates that there are nine key practices overall and that there's plenty of room for improvement in the performance management systems of many companies.

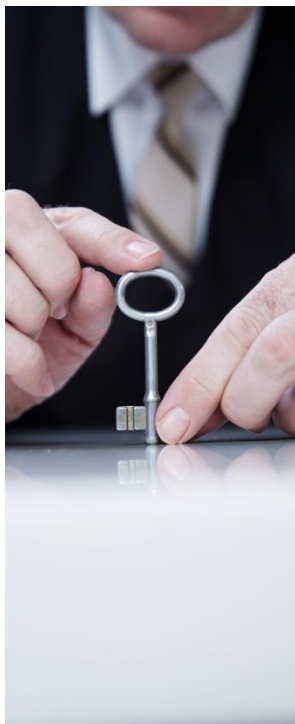
The *Performance Management Survey* is based on data collected from 1,031 respondents. When respondents were asked whether their PM process is seen as contributing to individual performance, only 8% said that their process contributes in a significant way and few improvements are required in the future. Another 45% said that their PM process contributes but more improvements are required, while nearly half (47%) are not sure if their PM process makes any contribution at all.

Part of the problem seems to be inconsistency. Only about two-fifths of survey respondents indicated that a large majority of their employees receive quality performance appraisals, whereas nearly a third think that the proportion is half or less in their organizations. Just 13% of respondents said that their employees think the PM process provides great value organization-wide.

Performance management tends to be a work in progress. About two-thirds of respondents said their companies have plans for more closely aligning employee goals with business goals, increasing the number of worker/manager interactions centered around performance-related feedback, and improving clarity in regard to performance expectations.

Although the survey didn't ask respondents about their future plans for technology, it did find that the most common technologies used for carrying out performance management today are still paper-based (43%), followed by home-grown technology solutions (30%), e-mail and attachments (16%) and commercially available technology systems (12%). If technology-based PM systems are the wave of the future, as some experts predict, then many organizations seem to have a long way to go.

But plans to improve performance management indicate that companies know which parts of their systems need fixing. To get an idea of what are truly the key practices in PM systems, the i4cp/HR.com team looked for correlations between performance management processes and the overall perceived effectiveness of their systems. This produced a list of nine key practices. That is, a PM system is more likely to be seen as effective when it includes the following:



1. plans for helping employees develop in the work period after the appraisal
2. ongoing goal review and feedback from managers
3. training for managers on how to conduct a performance appraisal meeting
4. metrics of the quality of performance appraisals
5. ways of addressing and resolving poor performance
6. appraisal information that isn't limited to the judgment of supervisors
7. a PM system that is consistent across the whole organization
8. some form of multirater feedback
9. employees can expect feedback on their performance more often than once a year.

The survey data shows that organizations are increasingly likely to see their PM systems as being effective as the number of key practices grows. *Which* of the nine practices are implemented does not matter as much as the *number* implemented.


Some survey findings are notable for what they *didn't* show. Although supporting compensation decisions was the focus of performance management for 72% of organizations, no significant correlation was found between this and perceived effectiveness. That might be because some respondents make compensation a PM focus but fail to implement the other key practices.

The survey also failed to show a simple one-to-one correlation between PM effectiveness and technology. However, e-mail and attachments seem to be more effective than paper-based processes, and commercially available performance management systems seem more effective than home-grown systems. On the other hand, e-mail-based systems can be just as effective as commercially available performance management systems. This suggests that technology is not a PM panacea but rather one aspect of a larger system in which various practices play important but never essential roles.



Mark Vickers is the vice president of research at i4cp and is the editor of this report. He has authored many studies and white papers for i4cp, served as managing editor of the Human Resource Institute, and is currently the editor of *TrendWatcher*. He has authored and coauthored various periodical articles and has served as editor and project manager for numerous primary research projects.

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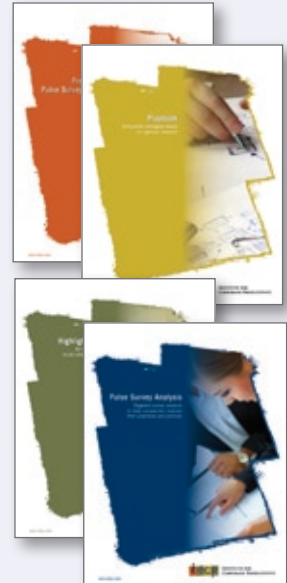
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