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Performance management stages



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Performance management overview

Performance management is a process that organisations employ to make themselves more successful through improving the performance of their employees by developing the capabilities of teams and individual contributors and aligning their efforts to corporate goals.

This document outlines the considerations within the four stages that we have identified in successful performance management processes. We have added also talent planning, which often relies on data from performance management. Successful performance management is a cycle of sequential stages:

1. **Agreement** - an agreement between the manager and the individual on the individual's objectives and the level of competency required
2. **Review** - a review of the performance by the individual, manager and others
3. **Development** - an agreement on what the individual needs to do (with the manager's support) to develop skills and improve performance
4. **Decision** – a review of all the available data for an individual to decide remuneration, performance rating and talent pool membership
5. **Talent planning** – management of the employee population at an organisational level, e.g. succession, risk and capability levels, using the data from the first four stages.

The following should be considered when carrying out the design of these stages:

- Performance improvement should be addressed throughout the whole organisation, for individual, team and organisational effectiveness – it's as much about culture as the sum of a series of management processes
- For performance to continually improve, development should be continuous for individuals and teams
- Managing behaviour ensures that individuals are encouraged to achieve their results in a way that is consistent with organisational values
- Agreement on goals establishes a shared understanding about what is to be achieved; regular discussion, review and development will ensure that it is achieved
- The design of the performance management process depends on the organisational context and will vary from organisation to organisation.

Performance and talent planning processes



Agreement An agreement between manager and individual of the individual's objectives and the level of competency required

Review A review of performance by the individual and the manager

Development An agreement on what the individual needs to do with the manager's support to improve performance and develop skills

Decision A review of all the available data for an individual, by their manager, who then makes a number of decisions e.g. remuneration, performance rating and talent pool membership

Talent planning A number of plans are developed at an organisational level such as succession, risk and capability levels using the data from the first for stages

1. Agreement

The first stage in the performance management cycle is agreement between the manager and the individual on the individual's objectives and the level of competency required.

The two activities are:

1. Company goals and objectives
2. Personal goals and objectives

1.1 Company goals and objectives

Objective

To ensure that each individual's efforts throughout the year are contributing to the company's overall aims. It is important to make sure that their own goals and objectives are aligned to the companies' objectives.

Considerations

- How will the corporate objectives be cascaded throughout the organisation?
- How many corporate objectives should be agreed for each individual employee?
- Who has visibility of these objectives?

1.2 Personal goals and objectives

Objective

To ensure that each individual knows what they must achieve throughout the year. Their efforts should be relevant to their own capabilities and role, achievable within a given timeframe and measureable against a set target.

Considerations

- How will managers be supported with the design of these objectives?
- How many objectives should be agreed for each individual employee?
- Who has visibility of an employee's goals and objectives?

2. Review

The second stage in the performance management cycle is to review the progress made by each employee against the objectives by their manager and the individual. This review should also include how they achieved these objectives against the organisation's values. By doing this, the organisation is able to then provide support to foster continuous improvement.

Six activities that are common within Review are:

1. 'What has been achieved' – appraisal
2. 'How has it been achieved' – multi-rater feedback
3. Team calibration
4. Career planning
5. Succession planning
6. Potential rating

2.1 'What has been achieved?' – appraisal

Objective

To review each individual's performance for each of their objectives, and provide feedback on the level at which they were completed within the time and resources allocated, so that their contribution to the organisation's overall objectives can be assessed.

Considerations

- Who has visibility of an employee's goals and objectives and how do they support and monitor progress throughout the year?
- What scoring method is used to assess each individual's performance?
- Should an overall performance score be given for each individual?
- How should the manager prepare for this feedback session and what information do they need to review?

2.2 ‘How has this been achieved?’ – multi-rater feedback

Objective

To review how each individual completed their objectives by providing feedback on their behaviour, so that the level to which they demonstrate the organisation’s values or leadership behaviours can be assessed.

Considerations

- Who is best placed to give feedback on an individual’s behaviour - manager, peers, direct reports, customers, others?
- Are different behaviours more or less important for different roles?
- How can you ensure that feedback is given consistently across the organisation?
- How should the summarised feedback be given to each individual and acted upon?

2.3 Team calibration

Objective

To ensure that a manager’s performance assessment of each member of their team is consistent and fair, and that when the team members are ranked by their overall performance rating, it is a true reflection of their relative performance.

Considerations

- What method should be used for the calibration i.e. forced ranking, suggested distribution?
- How should the outcome of this calibration be communicated to team members?
- What are the consequences for being ranked at any position for a period of time e.g. the lowest rank for two years running?

See also ‘Organisational calibration’ below.

2.4 Career Planning

Objective

To ensure that managers support each individual's career development by helping them identify future roles within the company and to help them produce a plan for their development for these roles.

Considerations

- Should employees follow a structured career path that has been developed by the organisation, or are they encouraged to identify their own path, looking at future roles outside of their current experience or business group?
- Who has the responsibility for monitoring an employee's career path to ensure that they are meeting their full potential, and what information do they need in order to do this efficiently and effectively?
- What support should the organisation give to managers so that they are able to communicate realistically the opportunities for career progression within the organisation?

2.5 Succession – individual

Objective

A plan developed to ensure operational continuity by considering the succession for individuals within the organisation for all the key positions. The plan should also include an indication of the readiness of each employee to fulfil the stated position.

Considerations

- How should the organisation identify the key positions within the organisation and who will have the responsibility to maintain this record? Should the plan be for the higher grades, for example senior managers and executives, or should it include all managers throughout the organisation. Should it also include technical specialists?
- For what proportion of roles is it desirable or achievable to fill with internal candidates rather than recruiting from outside?
- What is the level of cover for each position that is necessary to mitigate other factors such as employee turnover through retirement and leavers. Should you identify one, two or three employees as successors for each position?

2.6 Potential rating

Objective

To assess an employee's potential within the organisation by predicting what they could be capable of in the future.

Considerations

- Potential is often a subjective rating based on a qualitative assessment by the employee's line manager and others. What guidance is required to ensure that this is carried out consistently by all managers? What other methods might be suitable?
- Who has visibility of these assessments and how is this information best shared across the business to support career planning, internal recruitment and possibly reward?
- Should an employee be made aware of their potential rating and how should they be supported if it changes?

3. Development

The third stage in the performance management cycle is to support each individual employee with their professional development so that they are able to perform to a high level in their current role and to prepare them for future roles within the organisation. Development can be technical or behavioural and may include exposure to different roles.

The three activities within Development are:

1. Personal development plan
2. Mentoring and coaching
3. Networking

3.1 Personal development plan

Objective

To provide each employee with a personal development plan that gives specific and useful feedback about performance and identifies their strengths, areas of development and defines personal development goals. It also encourages employees to take responsibility for their own development.

Considerations

- Which tools should managers use to identify an employee's strengths and development areas?
- Can managers be supported by providing them with a list of development interventions that have been mapped to specific learning needs?
- Is it possible to match learning activity to individuals' preferred learning styles?

3.2 Mentoring and coaching

Objective

To support employees with their development on an ongoing basis by using a coach or mentor. They will be able to offer advice and support regularly, as well as helping them assess the progress that they are making with their development plan.

Considerations

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- Should the coaches be assigned by HR or chosen by the individual?
 - How do you ensure that internal mentors have the relevant experience in their role to be able to offer the best advice?
 - Should the employee and coach/mentor meet at fixed intervals or should the frequency be left up to the employee?
 - What information, if any, should be recorded to monitor the success of this process?

3.3 Networking

Objective

Encouraging employees to create their own social networks, possibly across functions and geographic locations, leading to an increase in the sharing of ideas and best practice and a better understanding by employees of the aims of each part of the business. For example, employees will be able to share their experiences of developmental challenges and how they overcame them.

Considerations

- Should this part of the performance management process be optional?
- How can the organisation help employees to build their own networks and should there be any control imposed?
- Should formal sessions be arranged to help start the networking process start?

4. Decision

The fourth stage in the performance management cycle is to start using the information collected by managers to inform decisions at an organisational level, rather than for the development of individual employees. For example, which employees should be in talent pools? Some organisations may also use this information as part of the remuneration strategy where an element of an employees pay is linked to measures collected in their performance management reviews.

The three activities within review are:

1. Organisational calibration
2. Talent pools
3. Remuneration

4.1 Organisational calibration

Objective

To ensure that a manager's performance assessment of their team is consistent and fair when compared to another manager, and when all the employees are ranked by their overall performance rating, it is a true reflection of their relative performance. Consistency should be achieved when this is cascaded up through the organisation.

Considerations

- What method should be used for the calibration i.e. forced ranking, suggested distribution?
- How should the outcome of this calibration be communicated to teams?
- What are the consequences for groups being ranked at any position for a period of time i.e. the lowest rank for two years running?

4.2 Talent pools

Objectives

To categorise groups of employees who meet the organisation's definition of talent e.g. they have performed consistently above expectation and have a high level of potential.

Considerations

- Should you have different types of talent pools for the major career paths e.g. future leaders and technical specialists?
- What additional support and guidance will be given to each employee?
- Do you communicate to an employee why they are / are not currently being considered as a member of talent pool? How do you communicate the decision to no longer class an employee as a member of a talent pool?

4.3 Remuneration

Objectives

To encourage high levels of performance by linking a proportion of an employees pay to metrics that are linked to their performance and possibly behaviours.

Considerations

- What proportion of remuneration should be variable based on performance levels?
- How do you encourage high performance without also encouraging employees to make decisions that will not benefit the organisation in the longer term?
- How do you ensure that the process is fair for all employees and that all the information required is available to managers making these decisions?

5. Talent Planning

The final stage in the performance management cycle is also one of the key parts of talent management. It is to view and analyse all the data that has been collected, calibrated and summarised in the previous four stages so that the organisation can plan the actions required to ensure that its employees are able to deliver the business strategy now and in the future.

Five activities that are common within talent planning are:

1. Succession for critical roles
2. Identifying and managing risk
3. Tracking goals
4. Talent matrices
5. Capability reviews

5.1 Succession for Critical Roles

Objective

By considering the succession for critical roles within the organisation, a plan is developed that ensures operational continuity. The plan should also include an indication of the readiness of each employee to fulfil the stated position.

Considerations

- How should the organisation identify the critical positions and who will have the responsibility to maintain this record?
- For what proportion of roles is it desirable or achievable to fill with internal candidates rather than recruiting from outside?
- Should you identify one, two or three employees as successors for each critical position?

5.2 Identifying and managing risk

Objectives

High employee turnover leads to a number of issues including disruption and high recruitment and onboarding costs. By using data obtained through exit interviews and surveys, it is possible for an organisation to identify the reasons that employees become disengaged and leave for another job. These can then be used to build a profile of leading indicators that predict the intention to stay with the organisation. When an employee matches these indicators, it can prompt communication between the company and the employee identified as potentially at risk. This should lead to higher levels of retention, particularly if the data is used alongside an employee engagement survey whose results are used to guide organisational change.

Considerations

- Should you try to build a risk profile that fits all employees or have a profile for each role or location?
- How should managers initiate discussions with employees that may be identified as 'at risk'?
- What should the company do if any large pockets of risk are identified?
- Are there any local compliance rules that mean that some measures must be / cannot be used or require negotiation with labour representatives?

5.3 Tracking goals

Objectives

To monitor and support the progress of employees, team and business units against objectives, which have been cascaded throughout the organisation, in pursuit of the business strategy.

Considerations

- Who should be responsible for monitoring this progress?
- What can be done to support and/or challenge individuals or areas that are failing to meet their objectives?
- Who should have visibility of these reports and how often should they be reviewed?

5.4 Talent matrices

Objectives

To identify candidates for internal promotion to different roles or to talent positions and monitor their progress. Graphically representing each employee's performance and potential rating allows decisions to be made simply. It can also be useful when trying to decide whose performance is so low as to require intervention.

Considerations

- How many categories should be on each axis i.e. nine or four boxes?
- Who should use the talent matrices and which activities should they support?
- Should employees know their position on the matrix?

5.5 Capability Reviews

Objectives

To review the overall capability of the organisation and identify if employees have the correct skills, behaviours and potential to deliver on the current aims of the organisation and any future aims that the organisation has. Where gaps are identified, plans can be created to either upskill current employees if there is sufficient time or to recruit new employees that can bring the required capability immediately.

Considerations

- How can the organisation determine what skills are required to deliver on the business strategy?
- How much weight should be placed on values and behaviours as opposed to technical skills?
- Who is responsible for identifying any gaps in capability?

About ETS

ETS (Expert Training Systems plc) is a talent management company that services UK and international companies. It is a leading provider of tailor-made, web-based systems and services. Each ETS solution is developed to meet exactly the client's requirements. Our aim is to delight our customers through creating their ideal solution and through excellent customer service.

We have achieved our reputation by employing top-flight staff with a wide range of skills and experience, focusing on customer satisfaction, and investing heavily in R&D and technology.

Our principal areas of expertise are in the design, development and hosting of solutions for performance management, 360-degree feedback and employee research.

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