

## Understanding Performance Management, in Context

When you hear the term “performance management,” what are a few thoughts that come to your mind? You may first think about the performance of an employee and then the performance appraisal process. If so, you are heading in the right direction. Many managers may be under the assumption that the performance appraisal process is the same as performance management; however, they are misinformed. The performance appraisal process allows a manager to assess an employee’s performance within a specified time frame. The performance appraisal is employee driven, whereas performance management focuses on methods used by an organization to remain competitive and aids the organization in developing strategic business goals. While the performance of an employee is one component of the operation, there are multiple layers required for an organization to reach the desired mission and goals. Sound performance management procedures require the employees, teams, and leaders to take a methodical approach in setting and achieving organizational goals. Within a performance management structure, you will find the following components to help employees attain career and organizational goals:

- Employees and managers need to set objectives.
- Managers must constantly assess the progress of employees.
- Managers should offer constructive feedback and coaching.
- Employees should be recognized and rewarded for achieving organizational goals.

When the HR professional implements a well-designed performance management system, it helps put the employees and managers on a positive track. The employees have clearly defined goals to achieve. The managers are able to set benchmarks to assess the results and reward employees according to their achievements. However, a performance system that is poorly designed can be considered unfair by employees, can spur on employee misconduct, and could possibly end in litigation.

The HR professional must ensure that the performance management system aligns with the strategic goals of the organization.

### Components of a Well-Designed Performance Management System

Performance management system is a tool a manager can use to assist the employees in meeting the organization’s operational and strategic goals. The manager can proactively use the performance reviews to manage employee performance, assess opportunities for areas of growth, and set new employee goals. Ultimately, a well-designed performance management system creates a win-win situation for all.

Review the tabs to know more about the components of a well-designed performance management system.



Oversee the employees’ performance.

**Example:** Coaching, mentoring, and providing constructive and positive feedback on an area for improvement.



Constantly set new goals for the employees and assist them in achieving departmental and organizational goals.

**Example:** Using SMART goals.



Ensure employees are knowledgeable of the job requirements by offering constant and continual training.

**Example:** Offering on-the-job training or having the employees attend offsite training.



Reward and recognize employees when they receive exceptional reviews.

**Example:** Giving nonmonetary and monetary rewards.



Evaluate, coach, and implement plans for corrective action and constantly communicate with the employees regarding their performance.

**Example:** Combining the performance appraisal with SMART goals.



## Additional Materials

From your course textbook, *Performance Management*, read the following chapter:

- Performance Management and Reward Systems in Context

From the South University Online Library, read the following article:

- [Reward Management: Linking Employee Motivation and Organizational Performance](#) □



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