

Performance Management

This guide will look at the how organisations can build an effective approach to performance management, including the tools that can support it.

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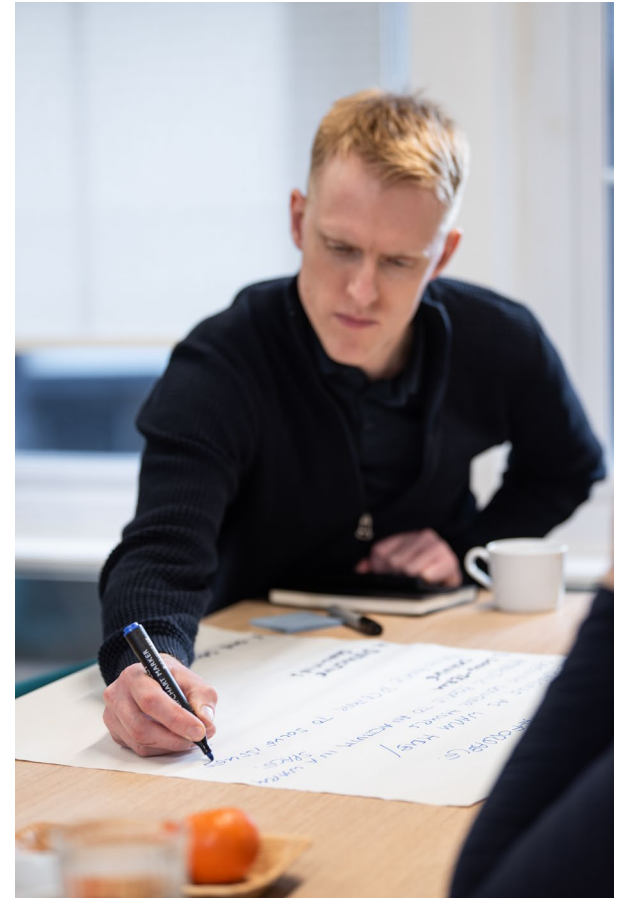


Introduction – what is performance management?

Performance management describes the attempt to maximise the value that employees create. It aims to maintain and improve employees' performance in line with your organisation's objectives. It's not a single activity, but rather a group of practices that should be approached holistically.

There's no standard definition of performance management but it describes activities that:

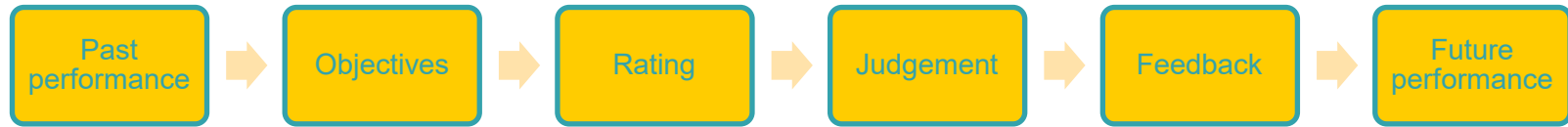
- Establish objectives for individuals and teams to see their part in the organisation's mission and strategy.
- Improve performance among employees, teams and, ultimately, organisations.
- Hold people to account for their performance by linking it to reward, career progression and termination of contracts.



At its best, performance management centres on two-way discussion and regular, open and supportive feedback on progress towards objectives. It brings together many principles that enable good people management practice, including learning and development, performance measurement and organisational development.

As well as helping people improve performance, a central strand of performance management is setting and reviewing objectives. The basic cycle is straightforward, as illustrated in [Diagram 1](#).

Diagram 1: Links in the performance management chain



Performance management is usually backed up by formal processes, including recording objectives, periodic performance reviews and improvement plans for underperformance, but it is broader than these things. While policies and processes can be important, the main focus should be regular performance discussions that help people perform.

Defining and measuring performance

Objectives and key performance indicators (KPIs) are usually clear at an organisational level, but it is often less clear what good performance constitutes for individuals or teams. It is vital to identify how organisational KPIs cascade and what the expectations are for employees and teams. It's helpful to think of three main types of performance:



- **Task performance:** how well someone carries out the core activities included in their job. This could include service quality or (for people managers) their impact on the people in their team.
- **Contextual performance:** voluntary activity that benefits the organisation but sits outside one's core role – for example, helping other teams reach their targets, or contributing to ad hoc initiatives.
- **Adaptive performance:** how well employees respond to changing job demands or support innovation. This includes both how agile employees are to changing objectives and how they help the organisation become more agile in response to market needs.

All three types can all be understood as results (the outcomes of activity) or as behaviour (how that activity was carried out).

Measuring performance is an important step and requires detailed measures. However, targets are not the be-all and end-all. As a general rule, if they are emphasised too much, they become a time-consuming enterprise in their own right and can hinder rather than help effective working. Performance measures must therefore be carefully chosen to be necessary and relevant. They should align with organisational strategy and suit the types of job in question.

Performance measures in some jobs are straightforward, as the outcomes are obvious and objective. But for many professionals – for example, knowledge workers – it is more complicated to measure performance. Subjective assessments can be helpful, but they should be tools that have been tested to be reliable (measures that are stable over time) and valid (an accurate gauge of what is important).

Objective setting

Objectives or goals are a powerful motivating tool that helps improve performance. They can be expressed as KPIs, ongoing quality standards or tasks to be completed by specified dates. In either case, they should be based on a full understanding of what constitutes good performance.

Employees must be bought into and committed to their objectives for them to be effective. But contrary to popular opinion, it is not generally better for employees to set their own goals.



Usually, objectives are most effective if they centre on specific outcomes and are stretching. This is often described as 'SMART' (typically, Specific, Measurable, Achievable, Relevant, and Time-bound). However, research shows that this is not always the case. For complex tasks – for example, which involve analysing information before making decisions and acting – it's usually better to focus on learning outcomes (how you will improve or develop), or even vaguer objectives to 'do one's best'. And for jobs that are heavily reliant on teamwork, it can be more effective to focus objectives on behaviours.

Performance can be defined at an individual, a team level, or a mixture of both. Where collaboration is important in carrying out tasks, or responsibility for results is shared, it makes sense to focus on team performance. If striking a balance between individual and team objectives, employers should be careful that they do not undermine each other.



Performance reviews

Performance reviews are the process by which managers assess employees' performance and discuss this with them. Assessing and feeding back on performance is an important way to leverage objectives, as monitoring progress towards objectives is strongly motivational. Performance reviews can also be an important opportunity for learning and improvement.

Having remained stable for several decades, received wisdom on performance reviews has been challenged over recent years, and many employers have adapted their approaches. The main changes are:



- **Less focus on annual appraisals**, or even scrapping them; greater focus on regular performance reviews.
- **Less focus on process**, such as forced ranking or guided distribution ratings and lengthy ratification; greater focus on high quality conversations, often aided by a coaching style and sometimes involving a strengths-based approach.
- **Less focus on judging or appraising past performance to inform administrative decisions**; greater focus on understanding current challenges and opportunities to help people improve.



Principles of good performance management

There's no single best approach to performance management, but because it integrates various management activities, an overarching structure or framework for performance management is helpful.

Employers should develop practices that are relevant to their specific context – including strategic and operational priorities and how an organisation is set up. There should also be flexibility within the system so that teams or functions can manage performance in a way that is relevant for their roles.

Performance management should be a continuous cycle, not an isolated event. Employee objectives should be reviewed and amended in line with changing organisational priorities, and feedback and reviewing performance should be regular occurrences.



Useful links

- [Acas: measuring staff performance](#)
- [Acas: how to get performance management right](#)
- [Acas: conduct and capability procedures when managing performance](#)

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Locality | 33 Corsham Street,
London N1 6DR | 0345 458 8336

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