**SUMMARY**

Anyone can copy your product, but they can’t produce it more efficiently than you, or market it better than you, if you have the best talent on your team. Good talent management practices can give a business the edge over its competitors in the market place (Heinen, 2004). Huselid (1997) found that a single standard deviation in effective performance management between organisations led to a $42,000 increase per employee in market value.

This effect is because a good performance management system assists in developing employees to fill future vacancies (Heinen, 2004), and ensures that underperformance is addressed in a timely fashion. This avoids the cost of underperformers to the organisation (Heinen, 2004), and prevents the negative impact they can have on their team. Development opportunities provided by solid performance management systems increase retention and employee satisfaction (Hausknecht, 2009; Bettinger, 2009). A good system also allows for process improvements which can deliver more efficiency for the organisation (Bettinger, 2009).

**PROBLEM**

Despite its demonstrated importance many business fail to prioritise their performance management schemes, viewing them only as a means of managing remuneration. Many organisations that do attempt to implement a performance management scheme do so badly, either adding a layer of paperwork getting lost in measurements for measurements sake, or viewing it as an annual exercise that has no relevance to the day to day business.

Gregory (2007) asks the question “How can it be that actions taken to improve the performance of the system are actually detracting from it?”. Referencing the idea that “performance management has become a job for experts” (Gregory, 2007, p1504) he notes that the gathering of the information an organisation needs to judge performance has become a huge and costly administrative burden, which stops people delivering results while they collect data.

Gregory (2007) also outlines the reductionist approach taken by many large organisations (breaking a task down from its whole into its components) and emphasises that when this is combined with a top down goal setting approach this prevents managers from focusing on long-term improvements instead forcing them to deliver on targets that may be out of date or only key in the short-term.

The reductionist approach also makes talent management a Human Resource responsibility, removing it from the managers sphere of influence (Gregory, 2007). Separating control of these aspects from the managers role is a crucial mistake, as it also separates ownership for employee performance (Heinen, 2004).

**SOLUTION**

The solution is easy – simply implement an effective whole of organisation performance management programme.

But how to deliver a successful performance management scheme? Morgan (2010) has four success points for ensuring performance management initiatives are successful. Measurement, Alignment, Deployment, and Expansion. Measurement is fairly obvious – you need to have clear consistent measures of performance that are easy to quantify. These can be fairly generic when on the annual appraisal as long as they allow comparison between employees – i.e. percentage of KPI’s delivered fully, fulfils code of conduct, potential to promote, meeting or exceeding expecations in current role etc.

Alignment refers to ensuring that any talent management system addresses both the organisational priorities and the individual’s career development needs. If it does not align with both it will be less than successful (Heinen, 2004; Morgan, 2010; Preziosi, 2008). With regard to deployment an organisation must ensure that the “bulk of a person’s development should be derived from their current job” (Morgan, 2010. P.27) By designing the KPI’s of the role with the individual and regularly revisiting the training and development goals ensuring that they support both the strategic vision and the current needs of the employee in order to assist them to meet their role, you do this most effectively. “Participation in goal setting does not have a strong effect on productivity” (Miller and Monge, 1986, p.748) but it does have an effect on employee satisfaction. There is an assumption in Helms (2007) study that performance management systems must be linked to merit based remuneration to increase buy-in from employees, but that even so it is not enough to focus on organisational goals. “Setting and aligning employee goals to institutional strategies [and]ongoing communication between managers and employees” (Helm, 2007, p.57) were both also necessary components.

Deployment is also critical as performance management systems need to become business as usual and fully integrated into the workflow, or they will not achieve the high performance required (Heinen, 2004; Preziosi, 2008). A successful performance management system must be top down – driven by the CEO (Heinen, 2004) with the clear message that performance management is not a luxury or a nice to have but is “business critical” (Heinen, 2004, p.71).

After deployment expansion should follow (Heinen, 2004) – this includes implementing training opportunities required as part of this process to “expand” the capacities of the employees and managers. Bettinger (2009) stated that less than 50% of organisations have a formal development programme, and that less than half of these are “true” development programmes where there is phased learning. It is critical that legitimate training opportunities form part of the performance management system, and this is an investment that should be made by the organisation.

**PRACTICAL IMPACT**

There are several that provide real benefits:

1. Retention of high performers, while exiting underperformers:

High performers are also shown to significantly weight their job decisions based on personal development (Bettinger, 2009; Hausknecht 2009) with development opportunities given as the reason for both remaining in, or leaving, a position. Hausknecht (2009) also stated that individuals who are poor performers are more likely to use pay as a decision criteria for remaining in a role. This underlines the fact that a performance management system must be about more than remuneration to deliver the desired outcomes for a business. Performance management systems also need to both support the high-performers and exit the under-performers (Hausknecht, 2009). Underperformers can truly damage an organisation, preventing the staff below them from effectively delivering, and damaging retention of key staff (Morgan and Jardin, 2010).

1. Timely system improvements

McGrath (1995) emphasise deftness as key to developing competence in an organisation. A performance management system that allows a team to set its own parameters and adjust its goals in a real time fashion is therefore likely to be more successful than one that is fixed in concrete and fed top down requiring a significant amount of bureaucracy to alter.

If the performance management system also gives employees a space to articulate key improvements in processes or technology this also contributes to retention, and increases business performance (Bettinger, 2009).

1. Better business performance and productivity

Systems that develop individuals offer the greatest potential results to organisations as a way of ensuring practices that enhance performance and productivity (Benham, 1993; Bettinger 2009).

**CHALLENGES**

The biggest barrier to the implementation of a performance management system is employee buy-in, and this is for a number of reasons.

Percieved fairness is of course critical to the buy-in of employees to any performance management system (Ready, 2009). This can be impacted by various biases. Igbaria (1995) found that supervisors perceived women has having less opportunity for promotion. This was because “their job success was less likely to be attributed to their ability and effort as with men” (Igbaria, 1995, p.119). She states that this can be resolved “if the same assessment criteria are used for both groups” (Igbaria, 1995, p. 118) which emphasises the importance of a strong performance management system.

Managers are also often not trained in how to provide feedback, and so find it especially difficult to offer negative feedback in a timely fashion. Van Fleet (2005) highlights that this can be for a variety of reasons - fear of accusations of prejudice if the employee is a minority, fear of violent backlash from some employees, or reluctance where the employee is a close friend. This lack of critical feedback can impact the perceived worth and efficacy of any performance management system.

A performance management system also needs to look beyond the employees performance on the job today and also assess their future capabilities, creating development plans to help employees reach these targets (Heinen, 2004)

**FIRST STEPS**

The key change management piece lies with the attitudes of the line managers. Used to structures and systems that make them “rule enforcers and task expeditors” (Benham, 1993, p. 39) their active participation in any performance management system is critical if we want to turn them into “developers” of talent.

Helm (2007) advises that employees should receive consistent information about the system, and should also understand how it works. For this reason they advise mandatory ongoing training for all employees, which is seconded by Heinen (2004). Helm (2007) also notes that managers /evaluators must be held accountable for completing all requirements of the process in a timely fashion.

REFERENCES:

Benham, P. O. (1993). "Developing organisational talent: the key to performance and productivity." SAM Advanced Management Journal Winter(1993): 34-39.

Bettinger, J., and Brown, S.L. (2009). "The talent vacuum - keeping your best talent in a downturn." AACE International Transactions: 4.1-4.11.

Gergory, A. J. (2007). "Target setting, lean systems and viable systems: A systems perspective on control and performance measurement." The Journal of Operational Research Society 58(11): 1503-1517.

Hausknecht, J. P., Rodda, J., Howard, J. (2009). "Targeted employee retention: performance based and job related differences in reported reasons for staying." Human Resource Management 48(2): 269-288.

Heinen, J. S., and O'Neill, C. (2004). "Managing talent to maximise performance." Wily InterScience (www.interscience.wiley.co): 67-82.

Helm, C., Holladay, C.L., Tortorella, F.R., (2007). "Applying and evaluating a pay-for-performance initiative." Journal of Healthcare Management 52(1): 49-62.

Huselid, M. A., Becker, B.E. (1997). "The impact of high performance work systems, implementation effectiveness, and alignment with strategy on shareholder wealth." Academy of Management Proceedings: 144-148.

Igbaria, M., Baroudi, J. (1995). "The impact of job performance evaluations on Career Advancement Prospoects: An examination of Gender Differences in the IS workplace." MIS Quarterly(March): 16.

McGrath, R. G., MacMillan, I.C., Venkataraman. S. (1995). "Defining and developing competence: A strategic process paradigm." Strategic Management Journal 16(4): 251-275.

Miller, K. I., Monge, P.R. (1986). "Participation, satisfaction, and productivity: A meta-analytic review." The Academy of Management Journal 29(4): 727-753.

Morgan, H., and Jardin, D. (2010). "HR + OD = Integrated Talent Management." OD Practitioner 42(4): 23-29.

Preziosi, R. C. (2008). "Using talent management audits can improve HR's results." Employment relations today DOI 10.1002/ert20209: 17-24.

Ready, D. (2009). "Forging the new talent compact." Business Strategy REview Summer: 4-7.

Van Fleet, D. D., Peterson, T.O., Van Fleet, E.W. (2005). "Closing the performance feedback gap with expert systems." The Academy of Management Executive (1993-2005) 19(3): 15.