

## Performance management challenges you need to know and why

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According to Furnham (2004), *performance management systems* have been an integral part of organisational life for as long as there have been organisations. Ancient civilisations like the Egyptians had to encourage their workers to build the pyramids unwittingly using *performance management systems*. Their systems revolved around whipping those workers who did not perform as required, to achieve their goals. Yet still, *performance management* existed in one form or another. Performance management has come to form an integral part of modern management practice but still needs to be utilised optimally to reap the maximum benefits that it has to offer. One of the problems is that not all organisations know what enables positive and negative outcomes when using *performance management systems* and as a result are oblivious to what they can do or stop doing to create a high performing organisation. An overwhelming body of evidence indicates that the traditional performance management methods are flawed and insufficient for staying competitive in today's technology-driven information age (De Waal, 2002,). At the heart of performance management systems is a dialogue between employee and employer which clarifies choices, identifies goals and plans appropriate actions.

According to Keyes (2005), *performance management* is the use of performance measurement information to effect positive change in organisational culture, systems, and processes by helping to set agreed-upon performance goals, allocating and prioritising resources, informing managers to either confirm or change current policy or programme directions to meet those goals and sharing results of performance in pursuing those goals. Heathfield (2007 ), defines *performance management* as the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. According to Armstrong and Baron (2005), *performance management* is a strategic and integrated approach to delivering sustained success to organisations by improving the performance of people who work in them and by developing the capabilities of teams and individual contributors. Brewster *et al* (2003) declare that a *performance management system* typically involves the setting of performance objectives, the measurement of performance against these objectives, the identification of developmental support and a review process to develop performance and subsequent objectives.

### What challenges are faced when developing and implementing a performance management system?

- **Failure to establish a consistency responsibility structure:** The roles and responsibilities of each management level must be crystal clear, and the chosen management style must be applied consistently throughout the organisation and the performance management process.
- **Failure to balance the long term focus with the short term focus:** Yet another challenge faced by organisations is to balance the long term and the short term focus which indicates that

organisations have difficulty in turning their strategic intent into activities that achieve strategic goals. Although they often have a good strategic plan in place, many companies are not able to articulate and communicate this plan effectively throughout the organisation, and then translate it into short term action plans.

- ***Failure to make value-based strategies operational:*** The contemporary sources of value no longer consist of tangible assets like financial capital and physical facilities, but increasingly of intangible assets like brand names and human capital. To effectively monitor these new sources of value, organisations have to move to more value-based, non-financial, leading indicators. However, current ***performance management processes*** are still mainly focused on financial, lagging indicators, and organisations do not seem to be action-oriented enough. One of the recent trends that address this problem is the Balanced Scorecard. In the balanced scorecard, non-financial, leading indicators (critical success factors (CSFs) and key performance indicators (KPIs)) are combined with financial, lagging indicators, to get a balanced overview of the organisation's performance.
- ***Lack of Open Communication:*** The information about ***performance management*** needs to be communicated transparently. To obtain this, the effort it takes to collect, report, process and digest information has to be reduced. An organisation has to strive for efficient data collection and reporting processes.
- ***Misdirected Focus:*** The fifth challenge cited by De Waal (2002) is to focus on what is truly important. The art of management is not to know everything that is happening in an organisation but to know what the key issues of the business are. The idea is to concentrate on critical business issues and key value drivers that are crucial to the business.
- ***Failure to enforce performance-driven behaviour:*** Another challenge faced in developing a ***performance management system*** is the failure to create performance-driven behaviour. Hence there is a need for any organisation to ensure that:
  - the objectives of all management levels have to be aligned with the mission and strategy of the organisation;
  - these objectives are translated into clear expectations regarding the performance of employees;
  - employees know how to fulfil the expectations and they know what kind of support they can expect from the management; and
  - the set of human resource instruments (performance review, incentives, training, and development) is geared towards the realisation of the organisation's objectives.

Then, the employees should act on what has been agreed on. Management should lead by example by walking the talk, consistently delivering on what has been promised.

***When developing a performance management system it is important to make sure that it is aligned with your organisational strategy otherwise it will not yield the intended results and drive overall organisational performance.***

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