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Paul Tilling, strategic projects manager at LexisNexis Enterprise Solutions, says firms should see patterns in performance management

Employee performance management has been considered by many to be an onerous procedure over the years – one that HR managers and employees take part in, but often view with scepticism.

According to the website TalentManagement360, a poll of over 2,677 respondents found 98% see annual performance reviews as unnecessary. Respondents included 645 HR managers, 232 CEOs and 1,800 other employees. Not much else needs to be said, right?

Not at all. The fault lies in the application of the practice. Annual appraisals have become a 'paperwork' exercise for those being appraised and for those conducting the appraisal alike. In many people's minds, it's a standalone process, unconnected to any aspect of business at all. It's a shame – as for performance management to succeed, it must be tightly aligned with other HR processes, organisational structure and culture. Performance management then becomes aligned with the strategy and goals of the firm as well.

Definite data needs

A key objective of performance management remains the gathering of data, but to collect the right information it's imperative first to define the data to be collected. For example, if assessing whether the performance of an individual has improved year-on-year, there must be a clear understanding of what constitutes improvement, high performance – and underperformance. This in turn implies that for every employee and role, there must be a core competency framework that provides the parameters of assessment to a granular level. Usually this includes hard and soft competencies such as qualifications, skills, expected capabilities and a range of behaviours the firm wants to encourage.

The next logical extension is determining patterns. There's the oft-used cliché related to performance management: what gets measured gets done. This may be true, but measurement alone doesn't provide a complete picture. The data must then be analysed for discernible patterns that provide commercially valuable insight. Only then can corrective measures be taken to help the business achieve overarching strategic goals.

To illustrate, a firm might find that every six to eight months employees in the finance department leave the organisation. On further examination, it may emerge that departures typically take place soon after salary reviews, and it's mostly the high performers who look for other opportunities. If such a pattern occurs, it must raise a number of questions. Is the salary structure of the firm not on a par with the industry? Is the firm not offering career prospects? Is the firm not effectively communicating growth opportunities to employees? Are there any wider commercial developments or trends impacting the job market? Answers to these questions will enable the firm to take remedial action to reduce recruitment and ancillary bills – not to mention safeguard the reputation of the firm as an employer.

The knowledge derived from appraisals can be proactively applied to various business issues that may need resolving, as well as pre-empting problems that could arise in future. But the biggest value of such an approach is that it gives the firm the ability to look forward and achieve tangible business objectives.

It holds true for all HR-related interventions – vertical and horizontal. Take recruitment, often considered a horizontal HR activity. A candidate interview can highlight that while the individual doesn't fit the requirement of the current role in question, in six months' time – when the firm's office opens in the Middle East – the applicant's language skills and experience of that market would be really beneficial. The candidate can be offered the opportunity to apply for an entirely different position.

Such an approach can also help firms to achieve the right generational balance in the organisation, and even meet its diversity targets – based purely on commercial requirements. All this is only made possible if the interview process is underpinned by a detailed competency framework that is itself aligned with strategic objectives.

Faster format

Enterprise resource planning (ERP) systems help to rationalise the complexity of performance management and strategic HR management. The nature of the HR discipline is such that it can't be fully automated. In fact, it shouldn't be – as we're dealing with human beings. Nevertheless, IT can assist with gathering data and facilitating important analysis to allow firms to use the input and insight for competitive advantage. Once stored, data can be sliced and diced in many ways to highlight issues that may otherwise have remained hidden, thereby enabling the firm to react in a manner that is constructive and favourable.

This level of data collection, assimilation and analysis is impossible to undertake manually in a timely fashion. But an ERP system is able to complete the exercise and present the results in easily interpretable formats (such as reports and graphs) in minutes rather than weeks.

These technology systems facilitate integrated performance management, enabling HR teams to comprehensively encompass all elements of the practice – from policy, competency frameworks, skills analysis, feedback mechanisms and salary and reward structures, through to continuous monitoring and evaluation. This is all inextricably linked to the execution of business strategy and realisation of ambitions. Organisations across industry sectors use such systems to optimise their human resource – and law firms should too.