




Performance Management Cycle





Objective: Performance management cycle is an important component in achieving organizational success and a competitive advantage. The performance management cycle depicts the stages involved in the process of planning, monitoring, reviewing, and rewarding employee performance.

Purpose: The goal of this cycle is to develop and execute employee performance plans. These plans help in focusing employee efforts on achieving organizational goals which, in turn, helps to align employee priorities with the goals of the organization.


Process: It is important to realize that the goal of the performance management cycle is explicitly aimed at improving performance. All the activities that we will discuss in the performance cycle model are aimed at setting goals and coaching the employee to reach or even *overreach*, these goals. Another element I would like to point out is that performance management can work for both individual employees as well as teams.

MBO (Management by Objectives) proposes that individual goals should be aligned with organizational goals. It is the responsibility of management to cascade higher level, organizational goals into smaller, individual goals. This way the employee is contributing towards realizing the goals of the overall business. This alignment between individual and team objectives and the organizational goals is not always easy to achieve but a good goal to keep in mind.

The performance management cycle model that we propose is a four-stage model:

- **Plan** - involves setting goals and defining success metrics, usually at the beginning of the year. Once goals are set
- **Manage** – Monitor and Manage the progress of these goals. If there is potential for improvement, or performance is lacking
- **Review/ Develop** – Employee development and review on regular intervals using tools like 1 on 1, IDP etc. Poor performance is addressed, and potentials are further developed
- **Rating/ Reward** – The employee is then rated and rewarded on their performance, and the cycle starts again. Performance is tracked and rated, good performance is recognized and rewarded. This eliminates ambiguity and confusion about goal setting. Having regular, future-focused conversations through continuous review helps to ensure employees are clear on everything they are supposed to be doing and what is expected of them

Although for many, this cycle starts at the beginning of the year, it is very much a continuous process. If goals shift, goals should be set again. If ratings are low, development takes higher priority, and if halfway through the year a more senior job opens up and the employee is ready to take it on, the reward comes early.

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- **Planning:** The planning phase revolves around setting performance expectations for the employee. These are often planned and are also included in the job descriptions. It is best practice to actively involve the employee in this planning process. This involvement increases satisfaction with the performance cycle, as well as perceived fairness, usefulness, and motivation to improve. Employee performance plans should also be flexible so they can be adjusted for changing objectives and requirements along the way. For more information about planning and goal setting, the SMART goal setting process is a useful framework.
 - **Monitoring:** In the monitoring phase, the goals set in the planning phase are actively tracked. Monitoring involves the continuous measuring of performance and providing feedback on progress towards the goals. By monitoring continuously, the manager or supervisor can correct in case of suboptimal performance, rather than finding this out at the end of the year when it is too late. Especially when dealing with professionals, it is important to focus on whether the goal *is* achieved and *how* it is achieved.
 - **Developing:** Development plays a key role in improving performance. As a result of active monitoring, areas of improvement can be identified. This can be underperformance that should be corrected or areas of superior performance in which the employee wants to excel even further. This can be achieved in the form of training and development but also through challenging assignments and other opportunities for personal and professional growth.
 - **Rating & rewarding:** Rating performance is an inevitability to determine the added value of employees to the organization. This is usually done during the employee's mid-year and annual performance appraisal. In case of continuous subpar performance, the employee might not be in the right function or organization, and parties should say goodbye. In case of superior performance, the employee should be recognized for their performance. This can be through giving them praise, a raise, time off, recognition items, a promotion, or all the above!

Conclusion :

These are the four stages of the performance management cycle. It is important to remember that performance management is not a fully top-down process. Rather, it is a shared responsibility between the manager and the employee. Emphasizing this shared responsibility will make the whole process more effective. The employee will be most motivated when he or she feels involved in the process and understands why their goals matter to their colleagues and the rest of the organization. This makes monitoring progress on goals much easier as well. It is the manager's responsibility to create this buy-in and mutual commitment to the goals in the performance management cycle.



FAQ

1) What is the performance management cycle?

The performance management cycle is an annually reoccurring phenomenon in which employees are evaluated throughout the year.

2) What are the four stages of a performance management cycle?

A typical performance management cycle is divided into four stages: planning, monitoring, developing, rating & rewarding. After this, the cycle starts again.

3) What is continuous performance management?

In continuous performance management, the performance management cycle is considerably speed up. Instead of going through the performance management cycle once or twice annually, you go through it at least once a month.

4) How frequently should the set goals be monitored?

It is recommended that the goals review should happen at least once a month. It is manager responsibility to drive this conversation and employee's responsibility to own the conversation.