The Five Elements of Performance Management

A paper in the Perspectives Series by Dr. Bob Frost, Measurement International

What are the key elements of performance management? Good performance measures are certainly one element, but what are the others and how can you implement them?

Perhaps you’ve been working on improved performance measures and are now thinking of incorporating them into a full performance management program. What should you tackle next?

For the answer, let’s review the five elements essential to making performance management work:

1) Reliable measures
2) Clear goals
3) Performance monitoring
4) Rewards and recognition
5) Initiatives and corrective actions

Reliable measures. We all know that performance measures are the key to performance management; how could you direct and improve performance without tracking how it changes? Measures must be tightly tied to the organizational results that really count and the factors that drive those results; in different words, performance measures must reflect how your organization creates value. As a practical matter, measures must also be well known and accepted as fair and complete. Strong performance measures will generally be quantitative, but well-conducted assessments and other qualitative processes can also meet your measurement need.

Clear goals. Goals can be directed toward implementing your strategy or directed toward improving operational effectiveness. In either case a clear, challenging goal calls forth action and aligns effort. In the best performance management programs, goals are:
- Based on careful study and a strong vision of what’s possible
- Linked and cross-tied to your performance measures
- Clearly announced and well known
- Accepted by individuals and groups as part of their accountabilities

Performance monitoring. You’d be surprised how many organizations have strong, detailed performance measures and yet do not use them effectively as management tools; that is, the measures are not thoroughly and periodically reviewed by senior leaders. To manage performance, senior people must:
- Regularly inspect performance measures
- Interpret trends and study root causes
- Let everyone know the measures are reviewed and used
- Set new actions and initiatives according to what is learned
Rewards and recognition. Rewards and recognition are crucial components of performance management. You have many options and ways for using them, but the three keys are: they must be present; they must be meaningful to those on the receiving end; and they must be truly contingent on performance.

Initiatives and Corrective actions. Finally, a performance management program must include new initiatives and corrective actions. We must do something based on what we’ve learned:

- Set new, higher goals when they seem achievable
- Institute mid-course corrections when performance is off track
- Always strive to inspire new action rather than assign blame

Implementing the Five Elements. While the five elements of performance management are not rocket-science ideas, implementing them calls for almost as much care as launching a rocket. Experience shows that the vast majority of organizations manage to misfire their launches and, in the final analysis, very few have done everything right. How can you optimize your launch?

1) First, check every major move before you make it—analyze the probable outcomes. I like Potential Problem Analysis, Behavior Change Modeling, and Financial Modeling as tools for prechecking a design before launch. Of course, benchmarking is another valuable tool; knowing the experiences of others can save you time and money.

2) Second, follow the three crucial “people principles” in your launch. These three principles are:

- Involve people
- Go slow and, above all,
- Communicate

Your best opportunity for successful performance management comes when everyone understands the business circumstances you face, knows the purpose and nature of your performance management program, and has a sense of participation or representation in the design. The prime enemies of success are haste, secrecy, and ignorance of what others have done.

Next Steps. If you are still wondering about the value of implementing a full performance management program, please remember this: you more-or-less already have one. However you address the five elements we’ve outlined here—measures, goals, monitoring, rewards, and corrective action—your activities add up to a performance management program of some sort. It’s like they used to say about decision making: “no decision is a decision.” So the real dilemma is whether to live with the results you are presently getting or seek to improve and integrate the five elements into a more purposeful, consciously-directed program.

Most organizations fail to optimally manage performance. If you would like your organization to be one of the few with an effective, consciously-constructed way to manage performance, consider working on the five elements we’ve outlined here.

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