

**Book Review: Performance Management: Key Strategies and Practical Guidelines by
Michael Armstrong**

Sobia Hassan¹

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Michael Armstrong is the popular writer of Human Resource Management books in the UK. His books have been translated into twenty-one languages and cover the broad areas of Strategic Human Resource Practices, Rewards Management, Performance Management, and related topics. His book “Performance Management: Key Strategies and Practical Guidelines” presents broad coverage of Performance Management, its need in organizations, its execution, and its evaluation using concepts and frameworks. Managing employee performance is an effective method of developing growth for both employees and the organization. By shedding light on an organization’s objectives, transforming them into explicit individual goals, and reviewing these goals on regular basis, performance management provides a well-planned and effective instrument for management. This book is organized into sixteen chapters; the key concepts and their explanation in each chapter are discussed below.

The first chapter of this book starts with the foundation of performance management and its definition as the management process. The author contends that a performance management system consists of aligning the efforts of individuals with the objectives of the organizations through a planned framework that helps it achieve efficiency and effectiveness. The role of performance management is to train and monitor employees in such a way that they can work to their full potential and benefit the organization. The main characteristics of performance management system are input, values, measurement, feedback, behavior and output. Moving on further, the author discussed that the standards of performance management system should be fair, measurable, flexible, competent and informatory. There is a need of a collaborative effort by managers and employees for the alignment of personal and organizational goals. Performance management is a continuous process of evaluating employee performance and giving them

¹ Lecturer, Department of Public Administration, Lahore College for Women University, Lahore, Pakistan
ORCID: 0000-0001-6117-6905

constructive feedback, while performance appraisal is a formal evaluation and rates employees annually (Armstrong & Baron, 2005). Performance Management plays a significant role in motivating and rewarding employees and in developing a positive psychological contract, as it provides the basis for the description of roles. It helps managers to ensure that employees perform up to their full abilities for greater personal and organizational outcome.

The second chapter of this book presents the performance management process for continuous evaluation and improvement in organizations. The process involves the traditional managerial functions of planning, acting, monitoring and reviewing organizational activities along with the systematic approach of evaluating performance and defining roles through the agreement of planning and development, implementation, monitoring and review. While discussing the process of performance management system, the author argued that performance management is a continuous process of improvement and evaluation and involves a purely systematic and strategic approach, not a mechanistic approach. All stages of performance management are vital to manage employee performance but the review stage is crucial, as it differentiates between high and low performance for which reinforcement is needed through recognition, rating, financial or non-financial rewards. Coaching and mentoring are used for underperformance, helping employees unleash their potential skills and abilities. The performance matrix can help a lot when managing evaluations with the help of business performance and management style. According to author performance management involves calculating not only if jobs are done, but also how they are done because staff is supposed to evaluate against core areas of competence and good performance management is achieved only when both parties are clear about their goals and have **SMART** objectives.

The third chapter of the book focuses on the practice of performance management, which is not an easy or simple task as it sounds. The writer opined that several surveys have been conducted on how effective performance management works in an organization. These surveys are, IRS 2003; focuses on three approaches (clear strategy, general approach and ad-hoc approach); determined that the effectiveness is greater when the rewards are adjusted to the evaluation, another Chartered Institute of Personnel and Development 2003; covered 506 respondent and obtained the result that personal development plans are essential while achieving planned objectives (they give you effective performance management if the organization's workers are highly developed and motivated), and E-Reward 2005; determined that the main

objectives of performance management are organizational performance, individual performance and personal development. Most importantly, the author argued that performance management can be improved if employees receive a financial reward along with feedback. The general implication is that performance management is not an easy option.

The fourth chapter of this book covers performance planning and agreements. Performance planning helps the organization achieve planned and agreed results through employee development (helps to learn and provides support to do well). An agreement is the basis of effective and efficient management in an organization that achieves continuous improvement and development because performance and development planning is the two-way process from which managers and employees discuss together and arrive at an agreement (what should be done and how it should be done). The author outlined the steps involved in planning and agreement as: **a) Role Profile:** it is the basis of good performance and agreements because at this stage of defining a role-holder and clarify the relationship with their tasks and personal attributes (like in job description) and define their key results areas with their technical and behavioral competences along with the core values of an organization, **b) Objective Setting:** it tells us that what the role-holder has to achieve objectives varies from the functions of the organization, departments or people (like some are work objectives, some target projects, values and business expectation). **c) Performance Measures and Assessment:** it is important to improve performance management, for this purpose measurement of input; output and outcomes have been made both qualitatively and quantitatively, **d) Performance Planning:** in this stage managers and employees jointly establish the priorities on the basis of past experience as well as performance. **e) Development Planning:** provides support to managers and enhances the learning capabilities of employees (360⁰ feedback etc). The last stage is, **f) Performance Agreement:** it is a document that ensure all the activities or work will be performed according to the plan that helps in encouraging the employee to perform the work efficiently and effectively.

In Chapter five the author sheds light on managing performance throughout the year. He proposed that performance management involves setting direction, measuring performance, monitoring, and taking action. It is the process that ensures that the activities and results of an organization must be carried out and achieved efficiently and effectively. Managing performance is an essential part that involves the development of capacities, skills and induces constant learning. This ongoing evaluation process is carried out through progress reviews that can be

conducted informally or through the existing system of formal mid-term reviews. If there is a need for effectiveness in the performance management process, there should be an ongoing schedule of regular meetings to ensure good progress and achieve all objectives and results. The specific consequences of the interim review meetings should be documented as revisions. Two main problems managers face in the course of performance management are refresher goals and continuous learning. To manage the situation, it is necessary to update or modify the objectives and work plans that involve the discussion of achievement of the job holder, identifying any deficiencies, establishing the reasons for deficiencies and agreeing on actions of managers and the individuals to improve performance. The aim of performance management is to value or increase the learning from experience and practice.

In sixth chapter the author discusses the performance review process. He argued that performance management is an ongoing process, so a formal review is necessary. The five elements of this formal review are agreement, measurement, feedback, positive reinforcement, and dialogue that are used to good purpose through performance review meetings. The performance review is a process in which the manager and the employee work together to assess the degree to which the employee achieved the agreed objectives and work together to overcome the difficulties encountered. The three main sources of difficulties in conducting the performance review are the quality of the relationship between the manager and the individual, behavior and skill, and the review process itself. Some issues related to performance reviews are lack of objectivity, leniency of rigor, central tendency error, recent behavior bias, personal bias, performance and potential confusing and cross-cultural biases, etc. The performance review process provides the scope to align performance with the organization's goals and objectives. It gives you a direction to achieve the goals of the organization by linking them to the individual goals of the employees. The objectives of reviewing performance are planning, motivation, learning and development. The management style or behavior of the manager must be corporative and must know how to behave when conducting performance reviews. Corporate guidelines for managers suggest that they should conduct intermediate formal progress reviews during the year, say once a quarter or halfway through the review year. There are some problems that arise when conducting performance reviews to avoid them the manager should inform the individual in advance (about two weeks) about the review meeting. In the review meeting, the manager usually looks at how well the individual has done in achieving the goal, if he is satisfied

with the performance of that individual, etc. On the other hand, the individual must be adequately prepared for the meeting. While the review meeting is taking place, one must be prepared, have the right environment, give adequate feedback, and be appreciative. In self-evaluation, an individual reviews his own performance and is a realistic approach to evaluation.

In chapter seventh assessing performance is focused and emphasizes more on future rather than past. Performance management process includes a rating system to view about the level of performance reached and also this information helps in pay related decision. There are many factors that affect evaluation performance, as evaluation requires the ability to judge someone's performance and good judgment always depends on clear grading standards. The "halo" and "horns" effects apply when managers think that there are only two ways to evaluate performance, that it is good or bad. According to author, there are several methods for evaluating performance. Basically, in general performance analysis, people argue that performance management is essentially about analysis rather than evaluating, and many people use the traditional form of ratings to evaluate performance for the payment decision. Then there is a narrative assessment in which you simply present written points or a summary about the level of performance at which someone is judged. Another method is the rating system that includes some standards to measure performance to direct payment decisions. Again, another method is forced distribution which directs that managers must conform to a set distribution of qualification between different levels. Ranks must be accompanied by meaningful performance data. Another method, the "quota system", provides an outline of what the distribution of grades should look like. This system can shut down everyone except the biased management that institutes them. Another approach that can be used in place of grading is visual assessment methods in which people are placed in a matrix or grid.

Chapter eighth deals with the performance improvement process. Performance can be improved at different levels. At first, the performance can be improved at organizational level. Poor performance at organizational level is the result of bad management. At the managerial level sometimes, psychological mechanism was used. Managers should have moderate dependence not more or less on the procedures. Improving individual performance is also utmost important. Improving underperformers is a major concern for managers. To deal with the problems, the overall strategy must be clear; the goals must be clearly defined, and responsibilities must be allocated according to their skills. Performance management process

starts with the mission and value statements. Critical success factors play a vital role in accomplishing mission. Strategies will be made which leads to attain goals and objectives. Team performance can be improved by setting objectives, making work plans and take reviews. Individual performance can be improved by the recruitment process in which right people for the right job will be recruited. Moreover, underperformers can also manage if mistakes will be used as an opportunity.

Chapter nine deals with performance management and administration. Performance management is not just the standard appraisal form but it is the collaborative communication between the manager and the employee for objective review. Therefore, performance management forms and administrative procedures must go hand in hand. The forms are supposed to be unbiased, describe what information the HR department requires, and the quality of the performance review should be ensured. The performance management forms are owned by both the manager and the staff as they are renewed over the period of time for a better understanding of the company's goals and plans by reviewing progress. In addition, the information obtained from these forms is useful in the decision-making process by the HR department. It helps the human resources department to obtain complete information about its employees for the consideration of promotional and disciplinary actions. All information must be in writing. Performance management should be as simple and brief as possible. Web-based management systems are worker-friendly for both employees and managers as they help keep data on record.

Chapter tenth focuses on the relationship between the performance management and learning, and emphasis on the fact that performance management plays a major role in improvement of performance by inducing effectiveness and providing the climate for learning (Reynolds, 2004). Performance management has helped in diversifying the horizons of growth so that people can be led towards efficiency in the best possible way.

Learning opportunities are ensured during the three main stages of performance management:

1. Performance Agreement and Planning
2. Managing Performance throughout the year
3. Performance Review

The learning and growth achieved during these three stages proves the fact that improvement in personal and professional development is an outcome of working thoroughly on the performance management. Where, coaching is a one-on-one work approach to help people develop their skills

and level of competence. Each time managers delegate a new task, a training opportunity is created to help the individual learn a new set of skills and techniques for getting the job done. Coaching can be informal but planned. It must take place within the framework of the areas and the direction of the general plan; this plan should be incorporated into the personal development plan. A personal development plan establishes what people need to learn to develop their skills, improving their performance and career. Provides a self-organizing learning framework; most importantly, it also serves as a reference point for follow-up and review. The planning process should be specific about what is to be achieved and how to achieve it. To ensure that the learning needs and the action are relevant; indicate the time, identify the responsibility, establish the domain of the people to include.

Chapter eleven describes the link between performance management and rewards. Performance management plays an important role in the reward system. Each reward item is treated as an integrated and coherent whole. The elements are base salary, employee benefits, etc. The primary goal of performance management is to generate ratings to inform performance-related pay decisions. Rewards encourage work commitment, and non-financial rewards have more lasting effects than financial ones. Focusing on performance management as a means of deciding pay rewards may conflict with development purposes. The problem of reconciling the development aspects of performance management and compensation has been with us for decades. Armstrong says “we must separate both performance improvement and potential assessment to avoid confusion for managers”. Some organizations separate the two, but cannot find a suitable solution, so it is decided that if you want to be fair, equitable and consistent, you must be transparent as to who have contributed, how much evaluation they do, etc.

In chapter twelve, the author focuses on 360-degree feedback. It is basically the process of collecting feedback from the employee’s subordinates, individual or group, on their performance. There are some advantages and disadvantages of 360-degree feedback. Advantages of 360-degree feedback include increasing self-awareness and rebalancing competencies, encouraging more open feedback, increasing people’s self-awareness about how they personally impact each other. The downsides of 360-degree feedback include that some people don’t give honest feedback and sometimes people are too lenient and sometimes there is too much bureaucracy in the actions. The main goal of 360-degree feedback is to help each individual

understand their strengths and weaknesses, foster and increase self-awareness among them, and provide insight into aspects of their work that need professional development.

Chapter thirteen emphasizes performance management roles. Performance management ensures that employees continually develop their skills and capabilities along with the changing needs of the business landscape. There are four groups of people whose commitment to performance management are crucial; line managers, top managers, employee role and HR role. Top managers determine the overall strategic goals of the company. They are senior executives of the company and have greater responsibility. They do not direct the daily activities of the company, but establish the goals of the organization and direct the employees to achieve them. Line managers directly supervise other managers and operations and report details to senior managers. They act as a liaison between employees and senior management. The role of employees is to work in accordance with all current policies. They have a responsibility to speak to management about their ambition and desire for progress in the near future. HR professionals play a critical role in advising management on issues related to managing and improving employee performance. HR's role is to ensure a fair performance system, train managers on the performance system, record and store performance reviews. Also, the performance appraisal system is something that assesses the performance of the employee or identifies their current performance and also finds an individual's potential for a better job in the future. Typically, companies conduct performance reviews as an annual event that creates a lot of pressure on line managers. Better to give feedback and raise salary when the employee completes the project or performs their job successfully. If we involve line managers as members of different projects and focus groups, they can act as trainers and mentors to handle facing some problems while working.

In chapter fourteen, the author focuses on the introduction and development of performance management. Performance management works as frameworks that includes the performance requirement and expectations, then prepares the performance plan, manages performance throughout the year, and evaluates and review the process. Contextual factors include culture, management style and structure. For better performance, employees must participate in the decision-making process, if the management forces its decision on the employees then it will not work efficiently. In the structure of the organization there must be a decentralization of power in this way the employees are encouraged.

In chapter fifteen, the author explains that learning about performance management is very important. There is a misconception in people regarding performance management that it is a waste of time or not worktable. It is the responsibility of top management to eradicate this misconception through training, coaching and mentoring. Trainers should use practical examples from different companies and teach students that performance management contributes to improving the effectiveness of the organization. In addition to structured formal learning, less formal learning programs (involving fewer complexes and flexible), coaching and follow-up that are carried out with the help of the HR department are also important. The formal apprenticeship program focuses on the fact that performance management should involve employees being able to understand the purpose of the performance review. For the development of evaluation skills in employees, three important methods are used which are: 1) Guided discussion method enables the members to go through the learning outcomes themselves by giving their point of view about performance assessment. 2) Role play is a written method where a scenario according to participant's perception is given to them, and then they were asked to perform their roles and then get evaluated by their fellows. 3) Exercise method include a group activity where each member would become the leader of group one by one and then get performance assessment by other ones or may be one should give presentation on specific topic and the other will evaluate him and then this evaluation is assessed by third one.

Chapter sixteen highlighted performance management evaluation that is equally important as performance management monitoring. The best way of carrying monitoring and evaluating the performance management is by the managers and employees themselves. They can be members of project team or by HR management. Discussions and interviews with the addition of special survey fill by the managers and employees results in obtaining feedback which helps in changing the process or strategy of the Performance Management System. Evaluation can be used to analyze the organizational performance and improve performance management. Monitoring can also perform recording and analyzing performance evaluation. It can also be used for interviews, surveys and decision making. Performance management evaluation has some basic points that must be answerable in an effective performance management system. The performance agreement must be completed correctly and the objectives must be clear, measurable and achievable and agreed upon. Performance standards must meet with the job requirements. Performance review meetings should be held in a formal setting

where managers and employees participate appropriately. Evaluations and ratings must be fair and reasonable. Managers and employees should be satisfied with performance-related pay systems and view them as a source of motivation.

Therefore, it can be argued that the basic objectives and goals of this book are to take some concrete steps towards a detailed and comprehensive performance management system that create an environment in which employees can perform to the best of their abilities and produce the work of the highest quality efficiently and effectively.

Overall, this book makes a positive contribution to the field of performance management and the findings of this review can act as a guide for researchers to further investigate performance management systems from a holistic perspective, which is the ultimate gap in developing countries. The author has tried to focus on the application of various approaches, activities and measures to promote performance management in organizations. The book is well written and covers formal efforts in organizations to improve performance management and could be a guide for academics and professionals who wish to gain a better understanding of the organization's performance management system. However, what seems to be ignored in this book was the holistic view of the performance management system in small organizations that can create a real impact on the bottom line to improve results, motivate employees and deal with problems to increase profitability. Lately, the performance management philosophy described in this book has focused less on a fairly organic organizational structure that is vital in this era.

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