

From Tactical to Strategic: The Evolution of the Performance Management System

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In the world of marketing the “value proposition” is made up of the total benefits which the vendor promises the customer will receive in return for the customer’s payment. In simple terms the value proposition is simply what the customer gets for what the customer pays. Marketers often spend hundreds of hours honing their product’s value proposition to formulate a single key message that hits home with buyers and causes them to act. Often the value proposition is relative to the target customer and a single product or service may have different relative values to different users of the product.

So what does this brief marketing lesson have to do with talent management, and specifically enterprise performance management software? To better understand the evolution of performance management software (and understand the future) one simply has to look at the changing “why-to-buy” messages (that used to be printed on a box, but software boxes no longer exist). Over the past ten years there has been a recognized shift in the HR field from tactical to strategic. Call it “a seat at the table” or participating in driving the business objectives through a people strategy, or any other name, HR has increasingly become responsible for the quality of the workforce – which is most often determined by measuring employee performance.

As HR’s focus has changed, so has the value of enterprise performance management software. The first performance management applications were designed, built and sold to HR for the purpose of improving the performance review writing process itself. The value messages centered on process improvement and lower administration costs, and applications of the era delivered. The value proposition was HR could more inexpensively manage the process of completing performance reviews through automation – benefitting the company’s bottom line – and that was good.

As organizations began to more efficiently manage the performance management process, they started pressing vendors to provide functionality to help improve the quality of the performance review, and make the task easier for managers (review writing was always portrayed as a grueling task for managers). Vendors began adding competency content, and a host of feedback mechanisms to enhance the quality of the review itself. However, in order for HR to receive budget to purchase the software, the value proposition was caged as better reviews meant fewer transactions between managers and HR further benefiting the company’s bottom line – and that was better (but still focusing on the value to the *company*).

However, getting high-quality reviews done more quickly didn’t seem to inspire those managers to rally behind performance management software and many organizations faced significant resistance to using the software. Why? Their value proposition didn’t speak to what was important to managers (of course they care about the company’s bottom line, but the direct benefits to managers were not well communicated). To remedy that, the next generation of performance management software added a significant number of tools specifically designed to help supervisors be more successful in managing the day-to-day performance of their employees. Specifically, features to track daily activities and support coaching and mentoring were added to increase the value of the software to, oddly enough; those that were being asked to use it on a regular basis to better perform their management function. This new value proposition was significantly different than its original cost reducing, process improving predecessor. The biggest value (or reason to buy performance management software) was no longer to improve the process, but rather improve the relationship between the manager and the employee. This is when performance management software became performance management systems. For years, HR has lived by the credo that employees don’t leave their company they leave their manager, and now they finally have a system to measure and influence the quality of that relationship.

The next generation of enterprise systems is now beginning to focus the value proposition on the employees. Without question managers have become more attentive to (and skilled in) improving employee performance by encouraging learning and developing opportunities, but no group is more motivated to enhance their careers than the employees themselves. The market has responded with a new generation of performance management applications that offer a rich, interactive environment to address career and succession planning, workforce mobility, and a host of other tools designed to bring unprecedented transparency and ownership of the performance management and career development process to the employees. No longer is the “employee file” kept in a top secret filing cabinet behind the walls of the HR office.

Employees today have access to historical performance data, peer and manager evaluations, learning and development opportunities, succession plans, career path tools, and dozens of other features that have been developed and delivered with the sole purpose of engaging the employee in a meaningful way. Organizations have recognized that their top talent is going to leave for a better opportunity; so they might as well be the one’s offering it.

The value proposition is now that of quality, not quantity, investment in talent rather than reducing expenses, and performance reviews are fast becoming something employees and managers look forward to rather than dread. When the conversation is driven by the employee and centers around maximizing their contribution to the organization, excelling in their role and engaging with the company at new depths, managers stop fearing the review and start creating superstars. And when those conversations are happening weekly instead of annually, employees begin to develop a deep and positive relationship with their manager and the company they work for.

Today, the value proposition for using a performance management system is that it can show employees how their unique contributions are truly valued by both their manager and the organization and helps employees to connect real meaning to the work they do each and every day. The target customer is no longer HR, it is the employee – and that is very, very good.

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