



Performance Management

Case Study #2 (LIT2018): Performance management system (Lithuania 2018)

Abstract

The concept of performance management has been one of the most important and positive developments in the sphere of human resource management in recent years. In essence, performance management is a shared process between managers and the individuals and teams they manage. One of the main indices, showing the success of a company, is an employee management model. Klaipėda “Lytagra” teaches employees to work and always tries to distribute work load in equal parts. As for any company, when selling goods or providing a service, customer opinion is important and excellent customer service depends only on company employees. “Lytagra” can boast about its employees. The company has an established system of employee performance management, but it is informal, non-regulated and unknown by employees, therefore it is not always efficient. In order to improve the results of employee performance it is important to find out the gaps in the company’s existing system and to foresee the possibilities for improving the system. Therefore, the aim of this work is to determine the system of employee performance management that exists in the company and to foresee the possibilities for its development.

Introduction to the Organisation

Company “Lytagra” started its activity in 1992. For more than several years, the Klaipėda-based company UAB “Lytagra” works with the aim to retain present and attract new customers, to offer them wide and quality production. The company tries to remain modern and strong, aims to have strong and educated employees and to retain its position in the Lithuanian market.

The company has 44 employees, including salesmen-consultants, who are able to answer all customers’ questions and can help to make the best decision. UAB “Klaipėdos Lytagra” has been active since the beginning of 2006. The main mission of the company is the imagination of the business of the future.

The main activity of UAB “Klaipėdos Lytagra” is wholesale and retail trade.

The company trades in gardening goods, construction material, household goods, paints and painting means, car goods, work tools, electricity goods, plumbing means, tools, and metals.

HR Challenges

The company has several major employee management problems, which can temporarily interrupt or fully terminate the activity of the company. These are the problems that all companies face, such as insufficient employee motivation, low salary, lack of labour force, unimproved employee motivation, bad organisational culture and the most important – a weakening quality of employee performance.



Insufficient employee motivation is the most common problem occurring in the company - when the employees are not motivated to perform their work better.

Low salary is a problem caused by too little work experience, insufficient employee motivation and not enough evidence of employee efforts when doing a certain task.

Lack of labour force is a problem caused by low work experience, insufficient employee motivation, an unfavourable system of salary payment and low qualification of employees or their total absence.

Low qualification of employees is a problem caused by low work experience or its total absence.

Bad organisational culture is a problem caused by the behaviour of a company manager, which does not motivate increased effort, does not encourage the development of employee qualifications, skills and abilities. Employees are criticised for any mistake, they do not get a clear explanation of suitably organised work planning and precise implementation.

The worsening quality of employee performance is a problem that is caused by the work, which is worse performed by employees, less effort is put in to do the work. The worsening quality of activity can be a side factor of other problems of human resources, such as low motivation, lack of labour force, bad organisational culture, low employee qualification and low salary.

Literature Review

Definition of performance management

Performance management is a process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organisation. According to Armstrong & Taylor (2014), its five elements are agreement, measurement, feedback, positive reinforcement and dialogue.

The overall objective of performance management is to develop and improve the performance of individuals and teams and therefore organisations.

The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full potential for the benefit of themselves and the organisation. It is about ensuring that the support and guidance people need to develop and improve is readily available.

The purpose of performance management

Effective performance management has two other important purposes. First, it can communicate to employees the strategic goals of the enterprise and specify what the organisation expects from them in terms of behaviour and results in order to achieve those goals. This means defining what doing a good job entails. Second, it can help with relationship building between employees and their managers. Involving both managers and their staff in performance planning and review can widen the dialogue between them and enhance interpersonal trust.



Managing Employee Performance – The Cycle

Overseeing performance and providing feedback is not an isolated event, focused in an annual performance review. It is an ongoing process that takes place throughout the year. The performance management process is a cycle, with discussions varying year-to-year based on changing objectives.

The cycle includes planning, checking-in, and review.

To begin the planning process, you and your employee review overall expectations, which includes collaborating on the development of performance objectives. Individual development goals are also updated. You then develop a performance plan that directs the employee's efforts towards achieving specific results to support organisational excellence and employee success.

Goals and objectives are discussed throughout the year, during check-in meetings. This provides a framework to ensure employees achieve results through coaching and mutual feedback.

At the end of the performance period, you review the employee's performance against expected objectives, as well as the means used, and behaviours demonstrated in achieving those objectives. Together, you establish new objectives for the next performance period (Guide to Managing Human Resources, 1991).

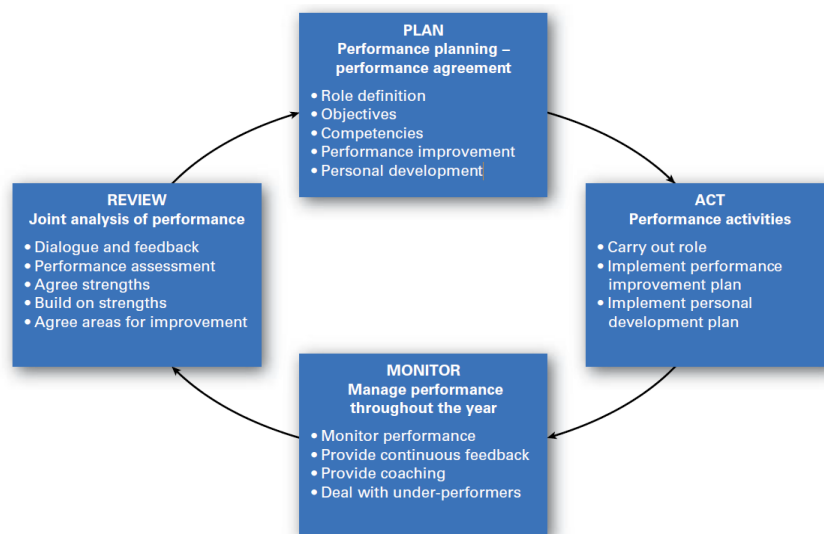


Figure 1 Performance management cycle

Findings and Analysis

Performance planning. At the beginning of every year the company carries out performance planning, setting out of yearly goals and priorities. The activities that are planned quite generalised and are set for the whole company. Sometimes heads of divisions take the initiative and create separate plans of activity for their divisions, but the company has never practiced creating plans for the activity of individual employees.



Performance monitoring. Supervision and checking of work is not forecasted and does not have determined time intervals when it will be carried out. The company states that this activity is carried out, but it is not formalised. There are no specific provisions and responsible persons for the implementation of performance monitoring. The performance of an employee is not discussed with him/her and further actions for performance improvement are not foreseen.

Performance review. At the end of every year the company carries out the general review of the company performance. Correspondingly, taking into account the results of the company activity, it is decided whether a review of the performance of separate employees will be implemented or not. When the results of the company performance are worse than expected, the company managers think that it is necessary to carry out an assessment of the performance and supervision of separate employees. Similarly, if the general results of the company activity are satisfying, the performance of separate employees is not assessed and is not reviewed. It leads to a conclusion that the review of employee performance in the company is quite a fragmented process, which is only paid attention to when the company has problems.

Employee qualification. The company has quite a large number of new employees, who have only some work experience or are totally inexperienced, so their competences do not fully comply with the requirements of the company. Unskilled employees are not able to do their tasks responsibly and on time, do not know how to plan their time, do not understand the received material on certain tasks. The problem is that the company can attract only unskilled employees for the wage they are offering.

Employee training. The company regularly organises employee training, every year it allocates funds that will be specifically spent on this. Usually decisions on employee training are made by the company director, not taking needs into an account and choosing the training topics in isolation, i.e. what he thinks is relevant in the labour market that year.

Practical Human Resource Management Tool

1 Problem: the research results have shown that the company has carried out employee assessment activity informally. Since this activity is closely related to the activities of employee education and payment for work, it needs clarity and information that is easily accessible by all.

1 Solution: to formalise employee assessment system. All employees must get a clear indication of who the assessor of their work is and what criteria are the most important to the assessor. Assessment activity should be done regularly, and its results should be registered and should have a direct relation to the teaching planning and motivation processes.

2 Problem: the company employees are not involved in the process of setting goals and indices of performance; sometimes they are even not informed of the decisions made by the managers on the trends of the company activity or goals.

2 Solution: to create a formal system of planning employee performance, which would be oriented towards an individual contact with an employee and the activity goals



would be created when cooperating and making a common decision. Every employee must clearly know the goals of his/her activity and must be able to implement them.

3 Problem: low qualification of employees is a problem, caused by having only a little experience or a total lack of it. Unskilled employees are not able to do their tasks responsibly and on time, do not know how to plan their time, do not understand the obtained material on certain tasks. Training that is regularly organised in the company does not reflect the need and raises the qualification of employees in areas that are not necessarily the essential ones for those employees.

3 Solution: to organise frequent training courses to raise the qualification of employees, but to ensure that they take into account of individual needs and to raise the individual competences of employees, instead of general ones.

4 Problem: Bad organisational culture is a problem that is caused by the behaviour of the company director. The behaviour does not motivate staff to put in more effort, to raise the qualification abilities of an employee, and can even be humiliating. Another thing that can be added to bad organisational culture is a lack of internal communication. There is a lack of clarity among common employees concerning the various processes taking place in the company. Often an employee has no contact with the company managers, does not get any feedback on his/her activity, but gets remarks only when the indices of the company performance are falling.

4 Solution: To organise qualification and leadership courses for managers. To organise conferences where managers would be encouraged to improve the organisational culture, thus eliminating the obstacles that are formed in it and which do not allow close cooperation between employees and managers. To improve the internal communication in the company.

Conclusion

Employee performance management is carried out in the company, but it is not formalised or compulsory. Heads of divisions are responsible for it and they do that using their own discretion, some pay a lot of attention to the performance management, while others choose not to do that. When implementing employee performance management, a big lack of cooperation is felt, as well as a very big gap between the managers and their employees.

The company implements employee assessment activity in a non-formalised way. This activity is done by both immediate superiors of employees and the company director, but a small number of respondents leads to a conclusion that this information is also not announced publicly. The frequency of employee assessment is also not clear – the different answers show that this activity is not done regularly and there is a lack of information about it.

The best solution for the majority of HR challenges facing this company is the formalisation of performance management, as it could lead to better communication and better understanding between company and its employees.

Companies that do not have a clear and formalised system of performance evaluation, face the fact that performance evaluation carried out at the discretion of managers, creates a big gap between staff



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and management. Feelings of employee dissatisfaction and distrust will, sooner or later, lead to a decrease in labour efficiency, employee motivation or even employee decision to change job.



References

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