

Revise Your Performance Appraisal Systems - now!

The Impact of the Economic Slowdown on
Performance Management Systems

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Management Consulting

Strategy - Planning - Objectives

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Since September 2008 the economic downturn has caused some changes which have direct effect on the performance management systems in companies.

Strategic Change

Due to the current situation, all companies have to reconsider and evaluate the strategic business units of their business portfolio all over. Based on this and taking in consideration the existing resources, all strategies for investment, withdrawal, transition or absorption are examined and redefined.

Impact on Performance Systems

Changes on strategic level inevitably lead to the fact that management has to redefine its understanding of performance now and in the future. Turbulent times offer first-class opportunities. A company can take over market share from weakened competitors without a fight, sign contracts with more favorable conditions with suppliers and can implement a planned vertical integration.

Kerosene for Strategies Realization

Active and innovative companies realize that now is an excellent time to come closer to the realization of their vision. That is why they integrate this recognition and the consistent use of such chances into their performance management systems. Thus the goals and plans get quickly communicated to and transferred into the organization. The goals are immediately transferred into responsibilities of the respective levels and functions. This leads to an examination and reorientation of the measures for achievement of the goals. The goals attain relevance for the actions and activities of each individual employee.

Consistent Sustainability

Even if there are no extensive strategic-level changes the operational- and tactical-level goals are sharpened. Thus, for example, the decreasing and/or returned orders in some industries lead to the implementation of long overdue necessary adjustments in measuring sales performance.

Very indicative is the withdrawal from systems aligned with turnover and sales figures. Instead, the performance in goal- and measurement-systems of sales is measured based on an evaluation of the earnings and profit margins and how these are related to the completion of the deal.

Considering the Costs

Funds for strategic projects are not so easily provided nowadays. Therefore another important aspect are the costs. It has to be verified whether the performance management systems take into sufficient consideration the realization and use of opportunities for cost savings. The economic downturn provides a great chance to “turn on” the attention of all functional areas of the company to the expenses made, to the aspects of cost-benefit analysis, and to make all necessary changes immediately, if needed.

Employee Retention

In some, especially in Western industrial nations, there is a significant lack of qualified technical and managerial personnel. The reason for this is the demographic factor, above all the diminishing number of young people. This shortage, together with the current slowdown leads to the fact that companies become very selective towards the measures for retaining their employees. The same is valid for the management of employee turnover. This suggests that those that have high potential, those that deliver, the top management which is so crucial for achieving success, are to be identified with appropriate systems.

Hoisting the Right Sails

Managements which temporarily neglect performance assessment, miss the opportunity to set the record straight, draw the attention and provide orientation to their employees at a time when many question marks emerge in their If employees sense uncertainty or are not sufficiently informed, this could result in the following:

- Inactiveness (“I will rather wait up instead of doing something wrong ”),
- Unintentional actions damaging the business objectives, and
- Loss of employees needed for the success in the future.

Performance assessments offer employees the opportunity to attain security/receive confirmation for the direction and prioritization of their actions in these uncertain times. Only when they know in which direction the ship will sail, can they help with all their might to set the sails accordingly. The current situation is particularly suitable for achieving strategically important success and performance on the level of the individual, the team, the business unit and the company.