

# What Is a Performance Management System?

## Worksheet

PMS is a continuous cycle of goal-setting, regular feedback, evaluation, and development-designed to improve performance, engage employees, and align individual work with business outcomes.

## Questions

1. What is the first step in the performance management cycle?
  - A) Annual evaluation
  - B) Goal setting aligned with business strategy
  - C) Training needs analysis
  - D) Compensation review
2. Why is mid-year review important in PMS?
  - A) To finalize the annual rating
  - B) To assess progress, celebrate wins, and adjust goals if priorities shift
  - C) To cut employees' salaries
  - D) To prepare termination letters
3. What is the role of feedback in performance management?
  - A) Judge whether to fire an employee
  - B) Enable continuous improvement, build trust, and support development
  - C) Collect data for annual bonuses only
  - D) Document mistakes for legal purposes
4. How should performance ratings be linked to pay?
  - A) Automatically; high rating = big raise, low rating = no raise
  - B) With transparency and clear criteria; ratings inform compensation but other factors (budget, market) matter too
  - C) Ratings should never affect pay
  - D) Only top 10% should get raises
5. An employee's Q1 goal was to increase sales by 15%. They achieved 12%. How to review this?
6. A team member consistently misses deadlines but delivers high-quality work. How to manage this?
7. An employee excels at their current role but wants to move into management. How should PMS support this?
8. Define: What is a Performance Management System?
9. Define: How is modern PMS different from annual reviews?
10. Define: What are SMART goals?

## Answer Key

1. B) Goal setting aligned with business strategy - Clear, aligned goals set direction. Without them, feedback and evaluation lack context.
2. B) To assess progress, celebrate wins, and adjust goals if priorities shift - Mid-year reviews enable course correction and adaptation-keeping goals relevant as business conditions change.
3. B) Enable continuous improvement, build trust, and support development - Feedback is developmental-it's meant to help employees grow, not punish. Real-time feedback is far more effective than delayed judgment.
4. B) With transparency and clear criteria; ratings inform compensation but other factors (budget, market) matter too - Transparent linkage between performance and compensation motivates and rewards good work-but fairness and consistency are critical.
5. 1. Acknowledge: 12% is solid progress, short of target but valuable. 2. Understand: What obstacles did they face? Market, resource, or execution? 3. Recognize: Celebrate effort and partial win; identify learning (approach, tools, training). 4. Adjust: If market shifted, revise Q2 goal. If skill gap, provide coaching or training. 5. Motivate: Offer a path to 15% in Q2; discuss enablers (support, tools, feedback frequency).
6. 1. Diagnose: Is it time management, unclear expectations, or prioritization? 2. Feedback: 'High quality is valued; on-time delivery matters equally. Let's solve the gap.' 3. Collaborate: Work together to identify root cause-maybe unclear requirements or competing priorities. 4. Develop: Provide time-management coaching, clarify priorities, break tasks into checkpoints. 5. Measure: Set deadline as explicit goal; review weekly to track progress and adjust support.
7. 1. Assess: Are they ready (skills, mindset, impact)? Discuss expectations. 2. Goal: Add 'leadership development' as explicit goal-stretch projects, mentoring, training. 3. Action: Manager mentors directly, enrol in leadership programme, assign team-lead project. 4. Feedback: Monthly 1-on-1s discussing leadership skills, challenges, and growth. 5. Evaluate: At year-end, review readiness; if solid, transition to management role or internship.
8. An integrated approach to goal-setting, ongoing feedback, evaluation, and development-aligning individual work with business outcomes.
9. Modern PMS is continuous (feedback throughout year), forward-looking (development), and collaborative-not just a once-a-year judgment event.
10. Specific, Measurable, Achievable, Relevant, Time-bound-goals that are clear, trackable, and aligned with business strategy.

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