# Performance Management

## Using PM to Improve Organisational Performance & Enhance Business Value

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**InvolveHR**

# Overview

**01**

# Background

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- In many (most?) organisations performance management systems

    - Fail to differentiate adequately

    - Are immensely time consuming
    - Are poorly perceived by managers and employees, alike

- A badly conceived and implemented PM system may be worse than none at all but either has legal risks

# Technical Considerations

- Rating scale design
    - Lots of conflicting opinions
    - Balance and consistency
    - Clear differentiation

- Relative ranking
    - Highly controversial
    - Can be counter-productive

- Degrees of flexibility
    - Changing circumstances
    - Manager discretion
    - Rules vs. guidelines

# Practical Considerations

- Use of milestones - progress ✓s
- Interim reviews - scheduled and ad hoc
- Credit for additional accomplishments
- Goal cancellation/forgiveness criteria
- Performance period length
- Goal legitimacy criteria (SMART)
- Compliance monitoring and correction
- Quality assessment and measurement

# Other Considerations

- Key operational components
  - Openness and process transparency
  - Consistency across organisation
  - Consistency between individuals
- Variations in manager behaviours
  - Too soft, too average or too hard
  - Constructive confrontation
  - Positive encouragement
- Objectively defensible outcomes

**02**

# Business Context

# Business Context
## Need to Enhance PM Stems from…

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### Business Context

- **Growing competition in sector**
- **Pressure to grow revenue streams and shareholder returns**
- **Recognition that lasting competitive advantage flows from**
  - **Motivated and engaged employees**
  - **Increasing levels of K,S&C**
  - **Strong performance culture**
- **Effective PM & appropriate rewards are critical to business**

### Internal PM Context

- **Need to re-enforce performance culture**
- **Expectation that HR will deliver**
  - **Enhanced & efficient processes**
  - **Support to Appraisers by conducting ongoing dialogue with Appraisees**
- **Need to enhance links to reward processes**
  - **Greater differentiation in ratings & rewards**
- **Strengthen Managers' Results Orientation**

# Business Context
## - Importance of PM

- **2 Key Drivers of Business Success**
  - Effective Performance Management; and Differentiated Rewards

- **Evidence is Clear**
  - People performance = Business results
  - Top performing companies
    - manage performance well
    - provide superior rewards for performance
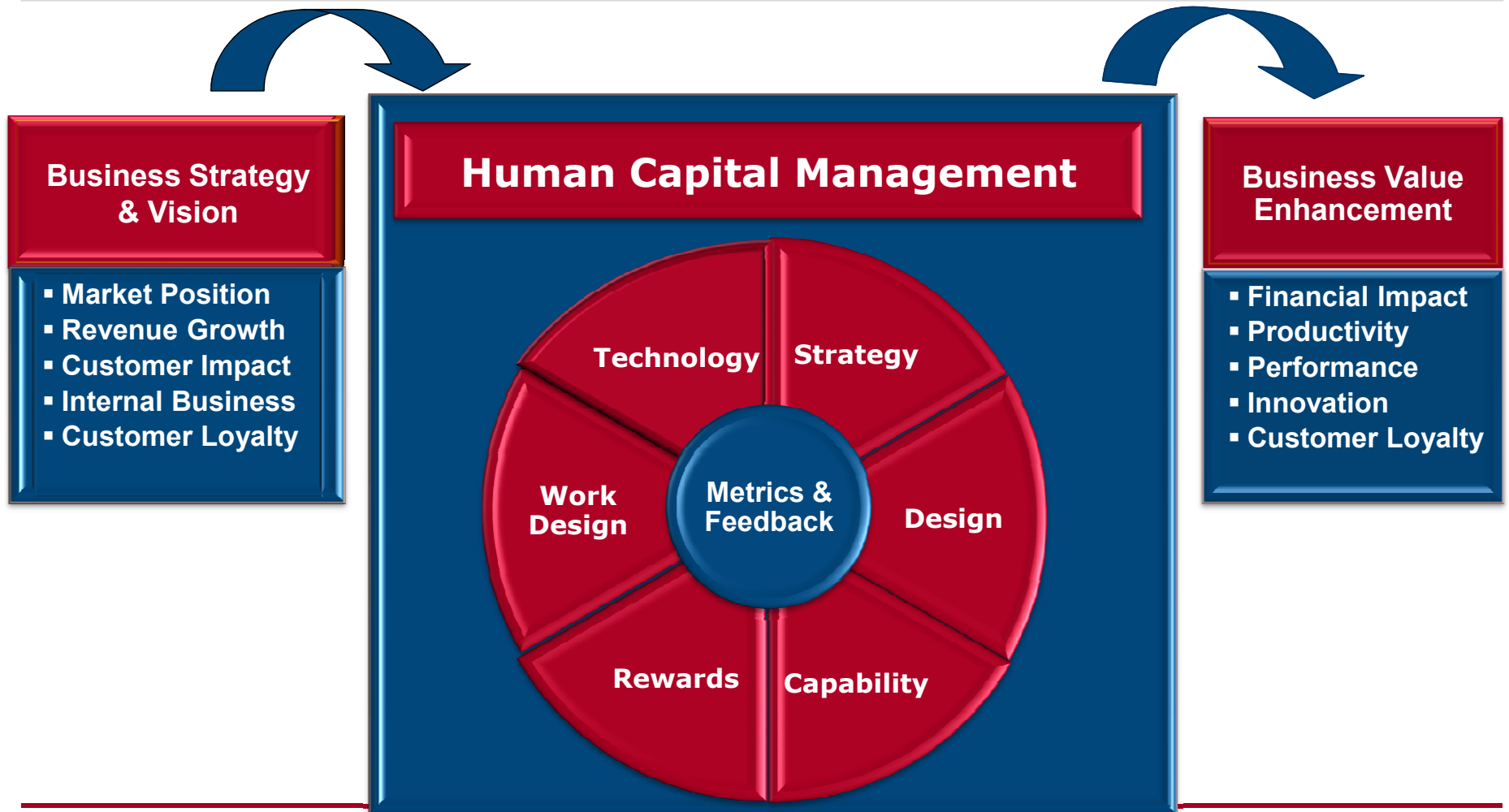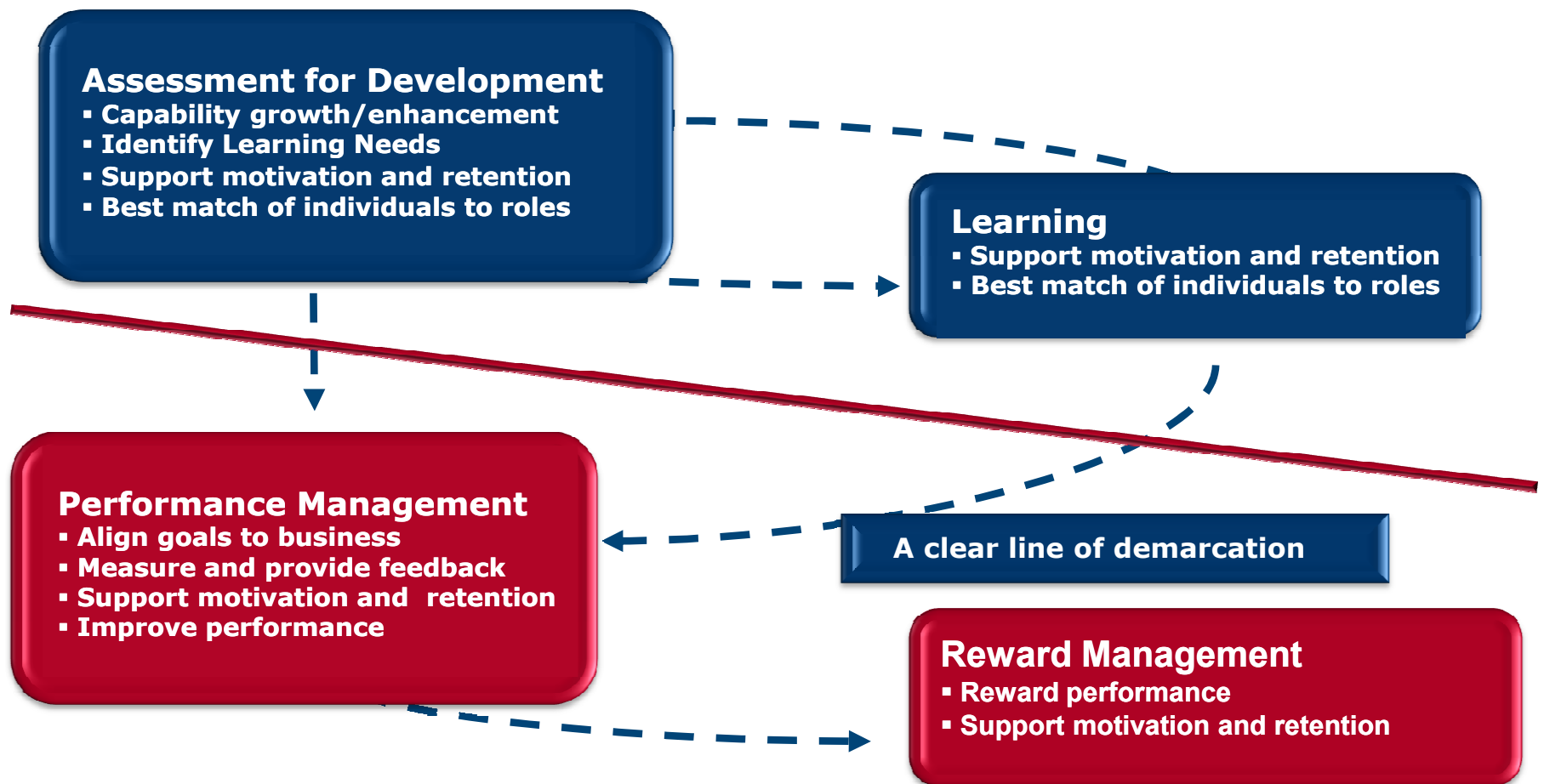    - invest in development

**03**

# Our Beliefs

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## - Business Success Depends On Effective Human Capital Management

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### Business Strategy & Vision

- Market Position
- Revenue Growth
- Customer Impact
- Internal Business
- Customer Loyalty

### Human Capital Management

Technology

Strategy

Work Design

Metrics & Feedback

Design

Rewards

Capability

### Business Value Enhancement

- Financial Impact
- Productivity
- Performance
- Innovation
- Customer Loyalty

# Our Beliefs
## - Assessment, Development, Performance & Reward
### *The Relationship is Linked but Separate*

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**Assessment for Development**
- **Capability growth/enhancement**
- **Identify Learning Needs**
- **Support motivation and retention**
- **Best match of individuals to roles**

**Learning**
- **Support motivation and retention**
- **Best match of individuals to roles**

**Performance Management**
- **Align goals to business**
- **Measure and provide feedback**
- **Support motivation and  retention**
- **Improve performance**

**A clear line of demarcation**

**Reward Management**
- **Reward performance**
- **Support motivation and retention**

**04**

# Lessons from Client Experiences

# Lessons from Client Experience
## - Reasons for PM Failure

- **Overly Complex PM Systems**
  - Inadequate IT support systems
- **Failure to Distinguish Performance from Development**
  - Assessment of actual results (Performance) vs.
  - Assessment of KS&Cs for Development
    - Leads to confusion
- **Inadequate Manager Training**
- **Lack of Manager Fortitude**
  - Often linked to poor rating scale design
- **No Real Accountability for PM Results**

# Lessons from Client Experience
## - How to Deliver Real Improvements # 1

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- **Understand the Perceptions**
  - Appraisers and Appraisees
    - What they think and actually do
- **Understand the Practical Obstacles**
  - Recognise that perceived fairness is critical
- **Make clear the PM Connections**

  - Direct: Business Planning & Reward
  - Indirect: Learning & Development, Career Planning
- **Develop a Communications Plan at Outset**

# Lessons from Client Experience
## - How to Deliver Real Improvements # 2

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- **Involve affected People**
  - Identifying problems and potential solutions
  - Writing documents (guidelines, etc) to support effective PM in operation

- **Provide Support to Managers**
  - Training in effective PM
    - Maintaining continuous performance dialogue

- **Effective technology tools**

- **Set up Review Group to Monitor Progress**
  - Clear and measurable improvement targets

**05**

How to Enhance PM

# How to Enhance PM
## - Guidelines

- Design

- Process

- Programme Management

- Links to Reward

# How to Enhance PM
## - Design

- KISS - Make it Simple and Focused
- Employ Management by Fact
- Focus on Critical Business Results
- Ensure Clarity

    Goals and performance measures

- Facilitate Real Differentiation
- Separate PM from Development

# How to Enhance PM
## - Process

- Maximum Simplicity & Transparency
- Minimum Time and Effort

  Using technology tools

- Focus on Performance Conversations
- Insist on Accountability

    - Top management buy-in & commitment

- Adequate Support from HR

# How to Enhance PM
## - Programme Management

- Build a Strong Culture of "Dialogue"

  - Maximise employee engagement
  - Regular performance feedback

- Invest in Training

  - Performance coaching

- Clear and Consistent Communications
  - Adherence to performance standards

# How to Enhance PM
## - Links to Reward

- **Facilitate Differentiation**
  - Effective rating scale design
    - Clear measurement points
    - Appropriate distribution of ratings

- **Ensure Rating Consistency**
  - Within & across units/departments

- **Clear links to Reward Outcomes**
  - Reward outstanding performance

# Our Approach to Enhancing PM - 4 Phases
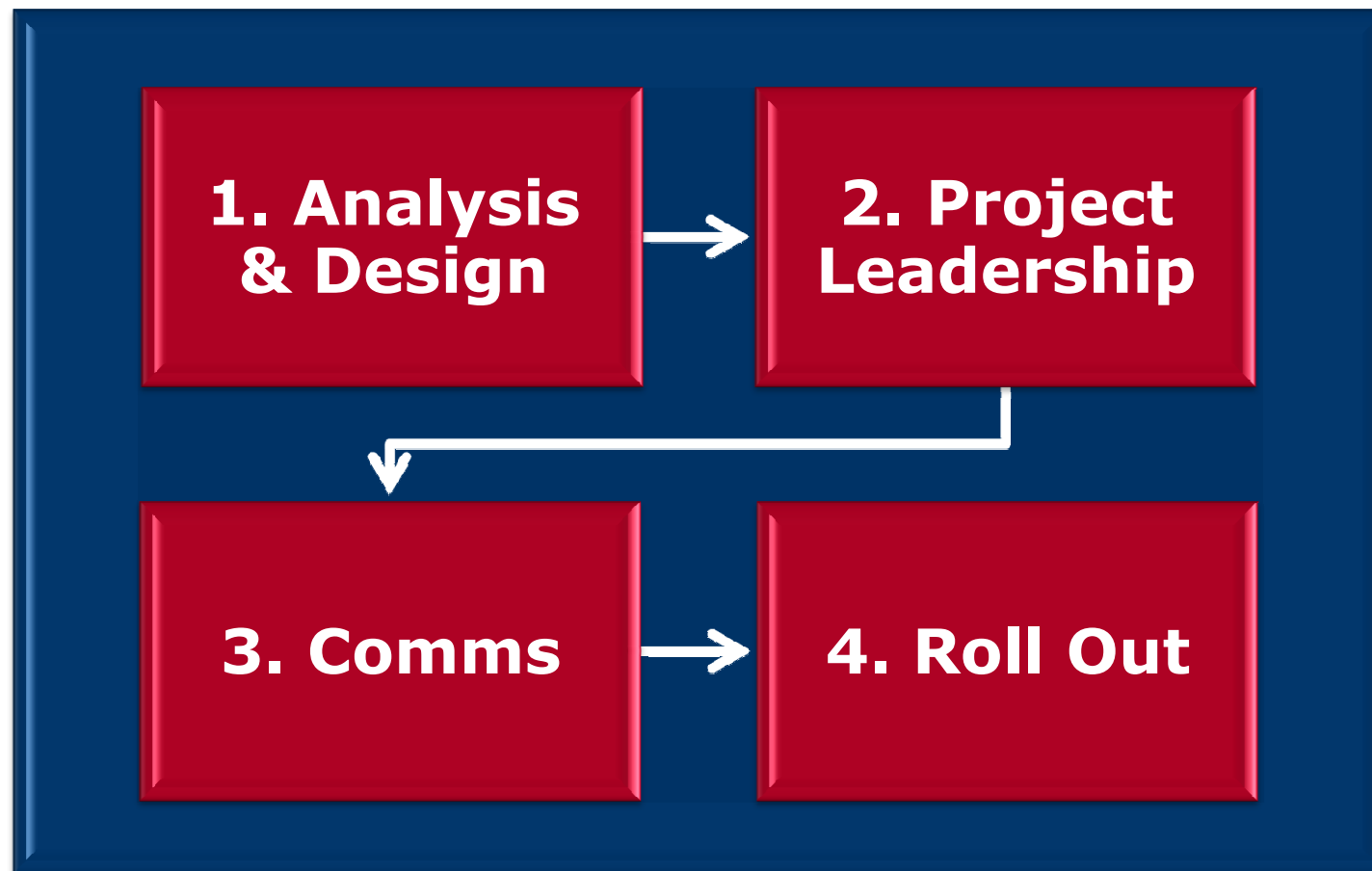
# A: Analysis & Design
## - Six Step Approach

1. **Establish Foundations for Effective PM**
   - Key success factors; changes required; links to primary HR processes

2. **Understand Perceptions**

   - Appraisers & Appraisees
   - Including obstacles and potential improvement

3. **Identify Improvement Options**

   - Check against external best practice

4. **Design & Test Options for Improvement**

5. **Select Best Option**

   - Build out

6. **Create Implementation Plan**

# B: Project Leadership

- Approval of PPD&O
    - "Project Plan Definition & Objectives"

- Leading Progress Reviews
    - Milestone review and approvals

- Guide Design & Implementation
    - To meet improvement objectives

- Support Successful Launch
    - Help in building support and buy-in

# C: Communication

- Comms Planning & Control
  - Deliver project communications to ensure commitment

- Design and Deliver Media
  - To support successful launch

- Metrics & Feedback
  - Tracking progress against objectives

# D: Roll Out

- Complete Testing & Modeling
- Close and Sign-off
  - Complete detailed design
- Identify Support Processes Req'd
  - HR admin, HRMS, Payroll, PM tools, etc.
- Communicate to Managers & Staff
  - Provide training, as required
- Design Post-Launch Evaluation
- Launch Programme

**06**

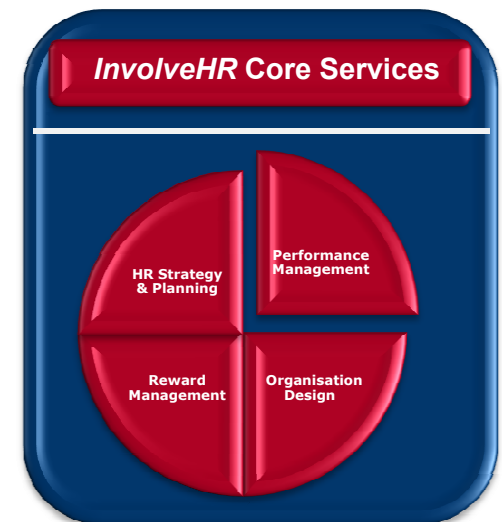Critical Success Factors
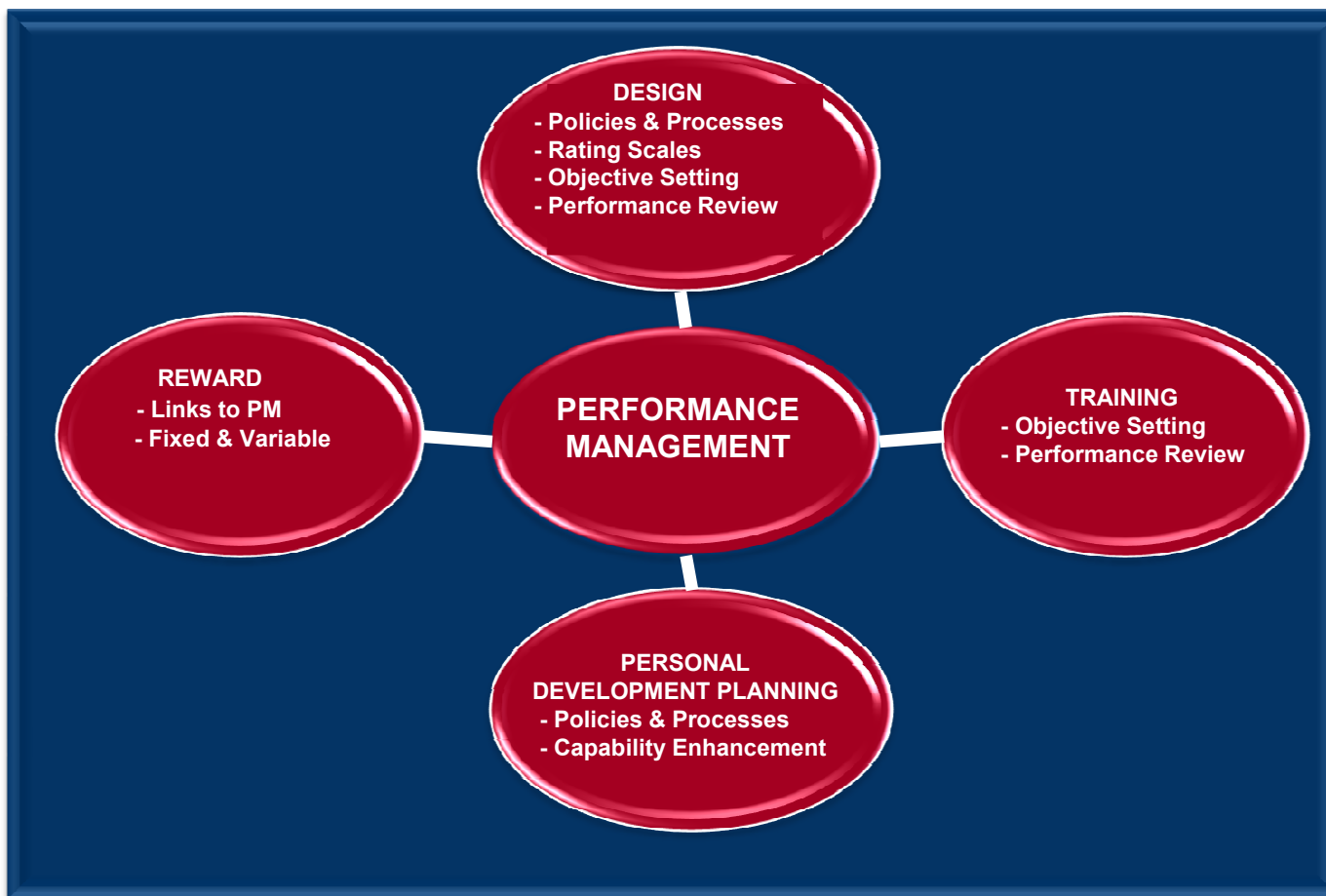
# Critical Success Factors

- Clearly defined objectives & expectations

- Adequate planning and analysis

- Communication and training

- Process simplicity and transparency

- Clear accountability, with consequences

    Rewards for accomplishment

    Sanctions for failure

- Monitoring and metrics

**07**

# How Can We Help?

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