

# PERFORMANCE MANAGEMENT- WHY INTRODUCE IT



## THE BUSINESS CONTEXT

In business today, there is only one certainty and that is that tomorrow will be at least as challenging as today. Constant change is a fact that organisations are having to learn to live with, together with the fact that change is increasingly fast and erratic. Change is being driven by external challenges which include:

- Mature markets making an organisation's products/services extremely price sensitive
- Slow growth and low inflation economies making it difficult to grow businesses/sustain market share
- Changes in customer buying patterns requiring enormous flexibility and responsiveness by suppliers
- The increasing power of customers putting pressure on suppliers in the areas of cost reduction, quality, and providing 'added value' advice
- The ever increasing technology threat constantly putting pressure on the ability of organisations to achieve and maintain competitive advantage.

These and other pressures have reinforced the imperative for organisations to optimise the development and management of the people they employ. It is now recognised that products and services alone cannot deliver corporate success; people and their skills are key to the long term success of any business.

As increased results become expected of fewer people, issues of performance management are pushed to the fore. For many organisations, they can be summarised as:

- The need for everyone within the organisation to be focused on key imperatives
- The requirement for greater accountability from managers and their staff
- The broadening of skills (technical and interpersonal) across the organisation
- The emphasis on teamwork versus individualism
- The need to manage performance for subjective, behavioural aspects of an individual's role as well as the easier to define end results

- The requirement for employees to take more responsibility for their own personal growth and development
- The move towards the manager as coach/counsellor versus checker/controller.

For managers and their staff, employability and marketability have now replaced promotability as the key issue. As never before everyone is aware that corporate success increasingly depends on the performance of **everyone** within an organisation; and their performance is no longer driven by loyalty or job security but by personal goals.

Corporate success internally is essential to underpin corporate success externally. Success is ultimately about agreeing challenging goals (with everyone) and achieving them. Given the large variety of jobs undertaken in an organisation, and the frequent changes in people's roles and responsibilities, this is not always an easy task. To leave objective setting as a statement of good intent is therefore dangerous; it simply will not happen. Managers need a process to do it, a performance management process.

## BACKGROUND TO PERFORMANCE MANAGEMENT

What you measure and reward is what you get!

Every organisation has its measures of what matters to it for success in today's competitive market-place. These measures of success will revolve around being able to not only survive but also to prosper and grow. Organisations must have strategies to achieve short term performance; they must also have strategies to achieve improvements in longer term competitiveness and performance (however this is measured). These strategies must impact and involve every employee to become a reality.

To stand any chance of success an organisation needs to identify its overall purpose and vision, and then translate these into an overall business strategy. Questions such as 'what business are we in?', 'what are our markets?' and 'why do we exist?' need to be answered before examining what the company needs to do to succeed. The answers to these questions then need to be set down in the company's strategic plan. This plan typically looks a minimum of 3 years ahead and details the company's markets, its customers, its products and services, financial projections and resourcing needs. It identifies

the company's strengths, weaknesses, opportunities, and threats, and the strategies to be employed to gain future success.

The final step should be to communicate the objectives and supporting plan to its managers so that they can tackle the issue of how the plan is to be translated into individual responsibilities.

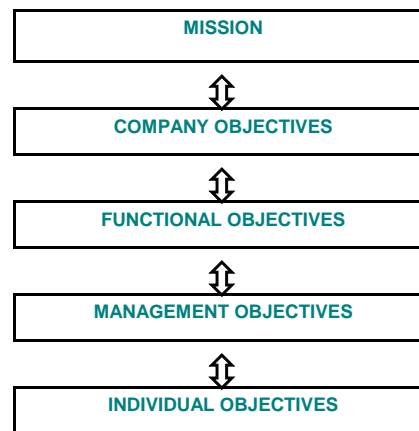
The overall process is shown in the following diagram.



A performance management process focuses all of an organisation's people resource on achieving the desired results that will drive the achievement of business success, both in the short and longer term.

In most organisations this process starts with the setting and communication of their strategic objectives.

These provide the focal point for objectives and performance measures throughout the business.



Individual performance objectives and measures need to focus on key imperatives-both for the business and for the individual. Key imperatives for the business are those which have maximum impact on business results.

Key imperatives for individual staff are those over which they have real personal influence and control.

Any performance management scheme should therefore be designed to identify those performance objectives which combine high impact on the business results with high personal influence. Any scheme should help direct individuals' energies into the most productive areas.

Performance management schemes only achieve these results when all employees are clear on how they can best impact the business through personal actions. Managers and their employees need to decide this together.

### MANAGERS' RESPONSIBILITIES

Ask most organisations what they require of their managers and you will receive some bewildering and extremely challenging responses. Typical of these are:

- Maximise efficiency and productivity on a day to day basis and create longer term opportunities for continued success
- Get everything right, to the highest quality, all of the time, but take some risks, experiment, be innovative and creative to find new and better ways of doing things

- Meet your short term financial objectives but not to the neglect of building relationships with customers and of staying in touch with your competitors' activities and market trends
- Be a manager, leader, coach, trainer and counsellor to your staff and find the time to give to thinking strategically, business planning and making recommendations for continuous improvement
- Become broadly educated in all aspects of modern business practices-IT, management information, marketing, sales, finance, personnel, legal-and provide technical or a specialist input to the business.

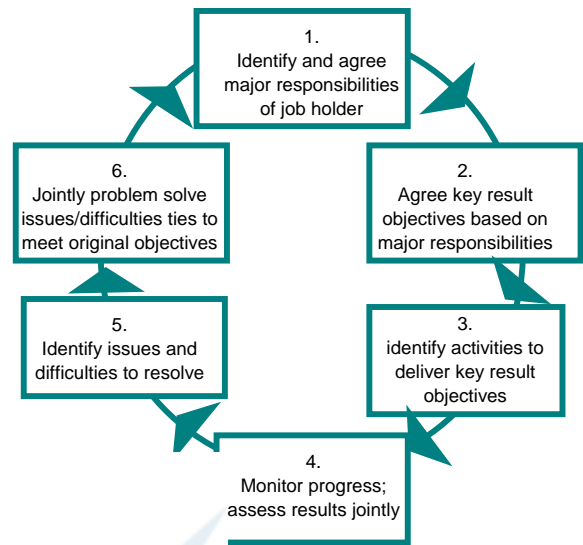
As one manager put it "this is the era of schizophrenic management!"

To meet these organisational demands, and to stay sane, managers need to act fast. They need to:

- Obtain a set of clear overall objectives from their managers
- Work out what these objectives will mean to them in the management of their teams
- Formulate objectives for them and their direct reports to make the overall objectives happen
- Allocate and agree objectives with each of their direct reports
- Have their direct reports do likewise with their own staff.

Once this has been done with the consultation and participation of all involved, their task is then to plan and organise the necessary resources, put in place appropriate controls, implement the required actions of all involved, and make regular assessments to check on progress.

Any performance management scheme should therefore be designed to make this process relevant and meaningful to every employee. It can achieve this through a simple six step process in the need for such a process in which the employee, together with his/her management process.



## THE EMPLOYEE'S RESPONSIBILITIES

Every organisation which is succeeding today is doing so through the active involvement of all its staff.

Organisations will win through their people when they:

- Are excited about the future of the organisation
- See personal gain in that future
- Enjoy being a part of a team in which they play a unique and valuable role
- Are motivated by their managers, and the environment in which they work
- Can succeed in their jobs, and that success is recognised.

Their responsibilities in these areas are to be both proactive and reactive. There is a need for them to be responsive to the organisation's needs but there is also a need for them to express clearly what they are seeking in terms of their own personal needs and motivation agendas.

In any good performance management scheme these personal 'wins' should always be introduced into the dialogue between employees and their managers.

Managers, in the course of working through the performance management process, should constantly encourage feedback from employees on:

- How they currently see the organisation, their team, their job
- How they feel about the changes being introduced
- How they are being affected by events outside of their Control
- How they are being managed
- How they see any relationship problems or difficulties at work
- How they view the quality and level of resourcing.

Employees can forgive their organisations for not always being able to provide all that they are looking for, they seldom forgive them for not asking or showing any interest in their opinions.

An employee's responsibility is ultimately to deliver the results sought, and at the same time, to take care of his/her own needs, future career and personal development. Employees therefore need to be held accountable for these responsibilities but with the active input, help and support of the organisation through their managers.

## THE BENEFITS OF PERFORMANCE MANAGEMENT

It has been said that the best performances are willingly given. Certainly there is a strong link between people's self-motivation and desire to contribute, and the results they achieve. A performance management scheme seeks to bring about this alignment of high performance for the organisation and high satisfaction for the individual in the job.

When this balance is struck, the organisation gains a momentum which is externally focused and which makes it a very powerful force in its market-place.

A performance management scheme should also contribute to profitability by:

- Having everyone concentrate on activities which make the maximum impact on the customer and the organisation
- Defining clear measurements of success for those activities so that everyone focuses on the key imperatives
- Identifying problems and finding solutions fast before they impact on the bottom line
- Producing an internal culture of individual and joint accountability for the success of the organisation
- Providing measurements of success and accompanying rewards for everyone involved.

One of the biggest motivators for individuals is achievement. By providing clear objectives, and equipping and supporting people in their individual efforts to achieve, an organisation can begin to meet its primary objective-'to achieve results through its people'.

Performance management is designed to express this requirement slightly differently-'to achieve results willingly given by people'. The difference is the will of the individual, their discretionary effort, the key to long term commercial success.