

PERFORMANCE MANAGEMENT / APPRAISAL SYSTEM DESIGN

Convert your business plans and strategies into a framework of balanced performance indicators (KPI's) -- indicators that focus you and your people on what makes your business tick.

Performance Management is the essence of managing, and the primary "vehicle" for getting the desired results through employees at all levels in the organisation. In the absence of such a system, staff members are unclear as to the employer's expectations regarding performance objectives and standards/targets, leading to low productivity, costly mistakes, stress, de-motivation, and conflict. A sound Performance Management System subscribes to the crucial Principle: "*What gets measured gets done*".

The days of having a "*one-set-of-measures-fits-all*" Performance Management System are long gone and inherently flawed. Performance objectives and measures need to be specific to job categories and individual roles. They should also clearly link to Organisational Strategic Goals. We subscribe to the **Balanced Scorecard** technology to ensure a proper balance in the types of measures (based on four perspectives of the business) used at corporate level, and cascaded down to the lowest position. This ensures vertical and horizontal alignment and integration of the key performance measures throughout the organisation to ensure optimal productivity and bottom-line results.

The Performance Management Cycle Involves Four Stages:

1. PLANNING PERFORMANCE:

Formulating Objectives, Key Performance Indicators (Input and Output-based), and Performance Standards (Quantitative, Qualitative, Behavioural) and Targets for each position/employee, using a suitably designed **Performance Agreement Form**.

2. MANAGING PERFORMANCE:

Performance observation, measurement, recording, feedback and coaching, as well as managing the performance environment. This stage includes Performance Coaching and Counselling (PCC) whenever employee performance or behaviour is not up to standard/expectation. (Enquire about our popular PCC workshop.)

3. APPRAISING (REVIEWING) PERFORMANCE:

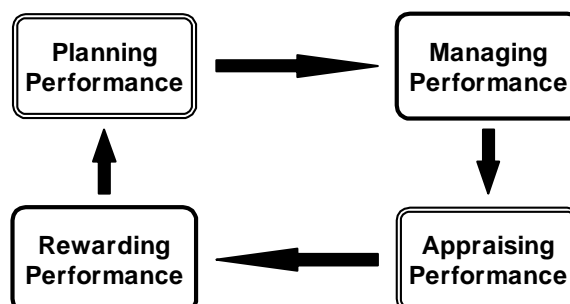
Using a suitably designed **Performance Appraisal Form** that facilitates the smooth running of appraisal interviews. (Enquire about our Constructive Performance Appraisals Workshop).

4. REWARDING PERFORMANCE:

Linking actual performance to suitable rewards to reinforce excellence in performance. (We assist organisations in designing suitable reward/incentive systems or schemes for their employees.)

GOAL SETTING THEORY SAYS:
Specific Goals/Objectives increase performance, and challenging goals, when accepted by jobholders, result in higher performance than easy goals

Performance Mgmt Cycle



Merit Pay/Bonuses

While probably the most widely used approach to reward employees for excellent performance, merit pay is also fraught with dangers if not applied properly.

Specific problems include perceived inequity, lack of fairness and transparency, bias, stereotyping, subjective judgements, rating errors, favouritism, etc.

Reasons for this typically include poorly identified and formulated performance measures, poor performance tracking and reporting, lack of performance feedback and coaching, poor timing of merit rewards, poor linkage between merit pay and actual performance, and a host of other factors.

The result is frequently conflict during Performance Appraisals. No small wonder that both line managers and staff members generally hate Performance Appraisal time!

One thing managers will always tell you they need is to have a Performance Appraisal System where the subjectivity regarding actual performance is largely removed. HR and line also crave to have a system where the calculation of merit bonuses for all staff is easily understood, perceived as being fair, and devoid of potential unhappiness and conflict.

The "Reward-Behaviour-Performance" Link

Organisations have to be very careful in deciding what performance or behaviour they reward, and be acutely aware of potential unintended consequences. Behavioural psychology says that you will get what you reward, even that which you did not foresee at the time (e.g. negative behaviour of some sort). The timing of rewards also forms part of this equation, as do many other performance-related factors that affect human behaviour.

We have many years experience working with these Performance Management and Human Behaviour principles, and can assist you in the design of a Performance Management System that addresses all the issues mentioned above – reinstating its main purpose, namely to increase staff performance and motivation, and to impact on the organisation's bottom line.

The MOST IMPORTANT OBJECTIVES of a well-designed Performance Management System:

- To serve as the primary vehicle for implementing organisational goals and strategies (cascaded from top to bottom throughout the organisation)
- To align and integrate the objectives and key performance measures (KPI's) of the organisation vertically and horizontally through all job categories and levels, including management. In this way the entire system works together in pointing towards the critical bottom line MEASURES, with bottom line RESULTS following as a matter of course ("*What gets measured gets done*")
- To facilitate continuous performance improvement, organisation development and culture change
- To achieve quality and efficiency, i.e. to meet the customer's needs as precisely, quickly and cheaply as possible
- To ensure clarity regarding work expectations and standards, reducing job holder anxiety/stress, resource wastage and conflict
- To continually enhance employee competence through the identification of output-related training and development needs and strategies
- To reduce Line Manager reluctance and fear to do Performance Appraisals with their staff
- To facilitate performance-based remuneration and rewards, so employees can see and experience a clear link between their performance and the rewards they receive.

Not only is the existence of a sound Performance Management and Appraisal System an OPERATIONAL PREREQUISITE for achieving organisational goals, but also a LEGAL REQUIREMENT to prove that proper/due process was followed (backed by sound documentation) when eventually disciplining, and especially dismissing, a staff member for persistent poor performance.

New Zealand Herald, 4 October 2003

ON WORKPLACE STRESS:

"Industrial Psychologist Steward Forsyth pointed out that eliminating role ambiguity - giving workers clear instructions about what was expected of them - would rid the workplace of major sources of stress"

Designing Performance Management Systems from scratch

We are specialists in designing Performance Management Systems customised to the specific operational needs and requirements of organisations. It is done through an in-house task force (3-6 key decision makers and specialist contributors) who are facilitated through a needs assessment and design process to produce the eventual system.

Upgrading existing systems

Your present Performance Management System may just need to be assessed and adapted to optimise the results you wish to achieve.

Contact us for a FREE ASSESSMENT of your present system, and a NO OBLIGATION QUOTATION in respect of upgrading it if necessary.

Client Comments

"I would like to express my appreciation on behalf of the Regency Duty Free management team for all the work and effort you have put in to develop a Performance Management and Appraisal System for us. It is great to have a system that has been specifically designed for our company. Our managers have found the KPIs and sales tracking system easy to use, and sales staff has commented that the monthly "on-track" coaching meetings enable them to get regular feedback on their performance and progress, which is very positive. Our goal to create a culture of performance within Regency has been greatly enhanced by your efforts!"

Lesley Beacham - HR Manager - Regency Duty Free Stores Ltd

The Performance Measurement/Management and Appraisal System you have designed for us is the best I have seen in all my years in retail.

Lynette Richards - National Retail Manager - Just Kids Ltd

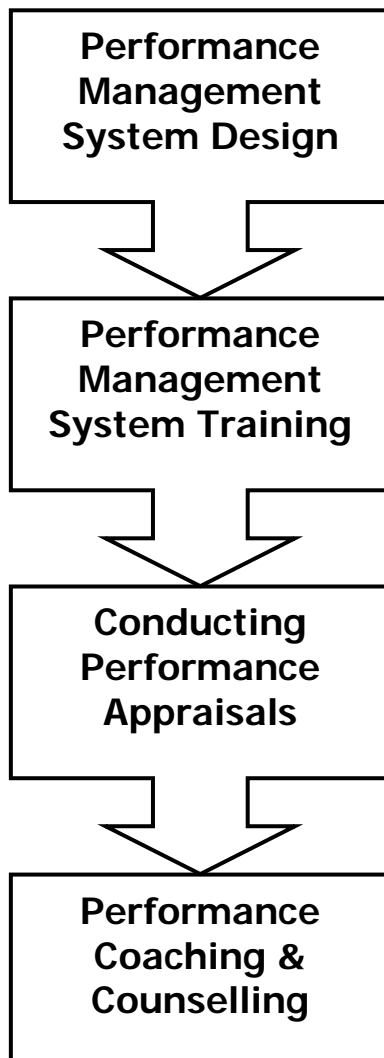
It is highly recommended that line management and general staff be trained in the correct "technical" application of their newly designed/upgraded Performance Management/Appraisal System (e.g. in the organisation's Performance Management policy & procedures, formulating Objectives/KPIs & Performance Standards, Performance Appraisal documentation, etc – i.e. the "HARD" part of the system). Three to four-hour sessions are normally sufficient for this purpose.

Also, once a Performance Management System has been designed, it will not automatically provide line managers with the "SOFT" interaction skills to conduct the Performance Appraisals/Reviews effectively, or to address poor Performance or Behaviour throughout the year. Our following training programmes address these needs:

- 1. Constructive Performance Appraisals**
- 2. Performance Coaching and Counselling**

SEE MODEL NEXT PAGE

Comprehensive Performance Management Implementation Model



This Consultation Service Web Page URL:

http://www.performanceassociates.co.nz/performance_management_appraisals.html

Performance Associates Ltd Website: www.performanceassociates.co.nz

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