

How do you manage performance?



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To help you use this workbook for the benefit of your business we have provided exemplar proformas for you to adapt and use. You will find these throughout this workbook and in the appendices.

You will also find a glossary to help you with any terms which may be unclear or unfamiliar to you.

Introduction

Managing performance is a business critical activity and yet, when the term 'performance management' is used, people often say that they feel overwhelmed and do not know where to start.

This workbook, the fourth in a five part series, will help you to:

- think about how you currently manage your people's performance
- identify how you might improve that process
- recognise the steps involved in implementing a comprehensive and effective performance management system.

This workbook is a tool for you to use. You may wish to discuss issues which emerge with external advisers from learndirect scotland for business, the learning centre network, your local enterprise company or trade/training association.

Establishing the baseline

Most people come to work to do a good job. Most people spend more time at work than they do anywhere else. Most people want to know that what they do makes a positive difference, a contribution, to the business and its success.

To achieve the business goals and targets, people need to be pulling together with a shared purpose and clear view of the future. This does not happen by chance. It is the direct result of the way you manage and establish meaningful objectives throughout your business.

Checklist

	Yes	No
Do you have a current business plan?	<input type="checkbox"/>	<input type="checkbox"/>
Do you discuss it with all your people?	<input type="checkbox"/>	<input type="checkbox"/>
Do you know what you expect your people to contribute to help you to achieve the plan?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have regular conversations with your people to talk through how they are doing?	<input type="checkbox"/>	<input type="checkbox"/>
Do you set specific objectives for teams and individuals and involve them in monitoring their progress?	<input type="checkbox"/>	<input type="checkbox"/>
Do you make sure that all your people have the skills and capabilities they need to fulfil their roles?	<input type="checkbox"/>	<input type="checkbox"/>
Do you recognise the difference between completing a task and getting results?	<input type="checkbox"/>	<input type="checkbox"/>

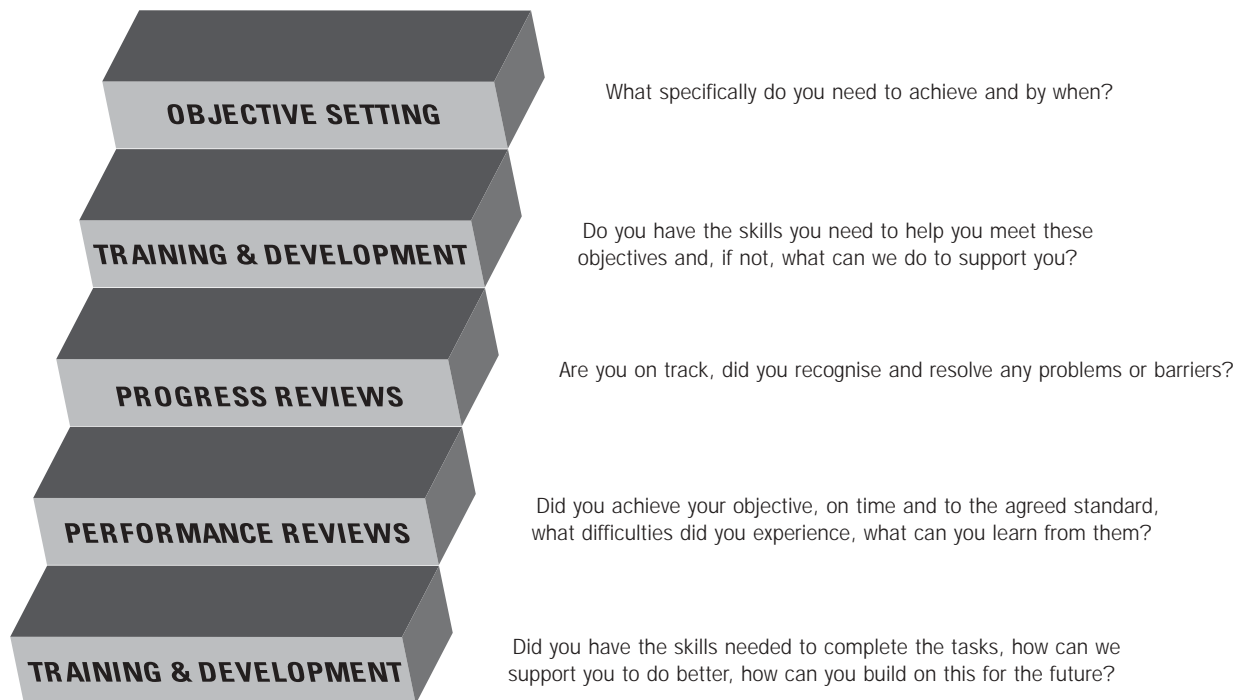
If you have answered 'No' to some of these questions, then read on. Using this workbook will help you to challenge and improve your current approach to managing the performance of your people.

What is performance management?

Performance management is a disciplined approach which helps you to translate your business objectives into team and individual levels and then review progress on a regular basis.

Books, magazines and qualifications are dedicated to the topic. It is central to the effective management of any organisation, no matter how large or how small. It does **not** need to be a bureaucratic, form-filling nightmare. It **does** need to be thought through, and lived and breathed by all who work with and for you. If this is not the case, you have to ask yourself: "Does performance matter?" A look at the competitive world in which we live will answer that question.

It is for each business to decide the formality and frequency of its performance management activities. However the approach will be built on the following model:



Much has been said about how appraisal fits in this framework. This depends upon the size and formality of your business. Appraisal is usually an annual, formal, documented opportunity for your people and their line managers to:

- review the year's performance and achievements
- agree objectives for the year ahead
- agree the support that the individual or team will need to enable them to achieve their objectives.

In many senses, appraisal mirrors the annual business planning and review process and is monitored through regular progress and performance monitoring sessions. The best people to involve in this process are the teams and individuals who have agreed the objectives.

Why have performance management?

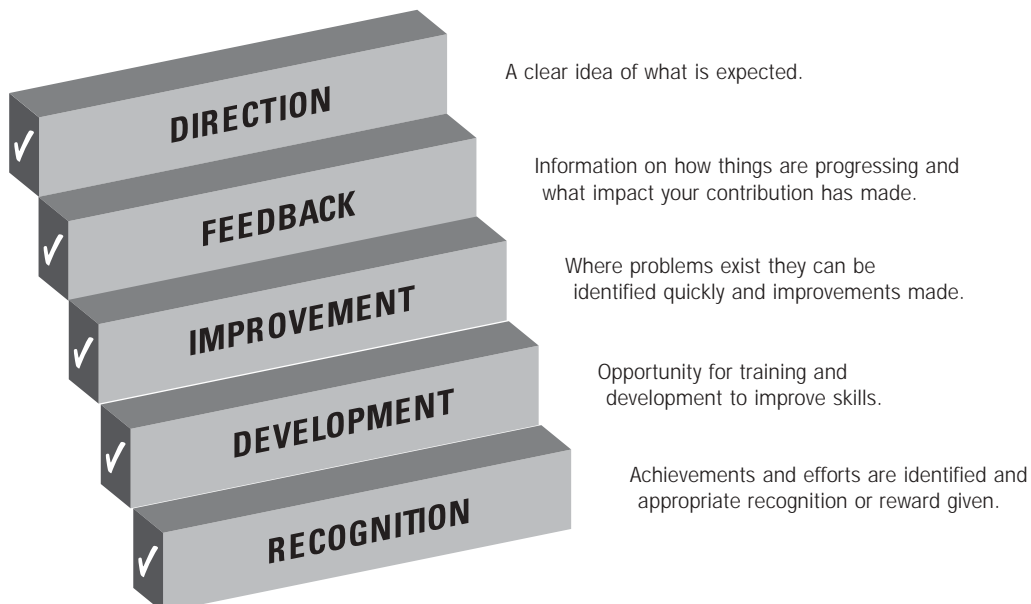
As we have already stated, your business exists to deliver a product or service. It has stated goals and objectives. Its survival and success depend on the performance of all those who work with you and for you. Increasingly employees expect to know:

- the business' goals
- the contribution they are expected to make to the business and its success
- how well they and the company are performing
- how they compare with other businesses.

People like to be involved and to take a sense of pride in what they do and the results they achieve. Without a culture and discipline of performance management, people rely on their own values and judgements, which may **not** align with your business' needs.

What are the benefits to managers and employees?

The model shown below reinforces the comments we have made in this workbook so far. It also demonstrates the way in which a performance management approach can feed your company's drive for continuous improvement.



Managing business performance

Business performance is all too often considered in financial terms alone.

Your business plan may have financial targets for the company, but it could also have set targets for:

- customer retention
- the development of new products and processes
- the creation of new business
- the development of new partnerships
- the retention of skilled workers through the introduction of new ways of working for the 60 plus age group.

The list is endless. It will be unique to your business, and what you have recognised are your key business drivers. These should be broken down to key performance indicators and should be monitored and managed.

Activity

From your business plan, write your main business goals, using the headings provided for guidance. Make sure your goals are:

- **Specific** (detail clearly what has to be achieved)
- **Measurable** (give clear measures so that you can monitor progress)
- **Agreed** (have you discussed them with your team?)
- **Realistic** (are they stretching, but possible given the resources and time?)
- **Time bound** (when must they be achieved, how often will you review?)

Financial (what income, profit, savings do we need?):

e.g. increase turnover by 20% by year end

Activity *continued*

Products and services (what new developments, how many do we need to sell or make?):
e.g. introduce product X by June 20XX
Customers (how many new ones do we need, what service standards must we provide, how many existing customers do we need to keep?):
e.g. respond to customer enquiries within 48 hours
Quality (what improvements do we need to make to delivery, rework, scrap, waste?):
e.g. reduce rework by 40%
Other (what innovations do we want to introduce?):
e.g. enter into partnership with suppliers and become their sole agent by November generating an x% increase in turnover of their product to mutual benefit

Case Study

A building company had a history of success, winning government and overseas contract work. It recognised that the competition was increasing and that there were much smaller margins on contracts.

They knew that, if they were to stay competitive, there were major cost savings which had to be made and improvements to the way in which projects were handled.

Savings could not be achieved by simply cutting overheads or reducing the headcount. It needed something that would impact on the way work was organised, resources were used and decisions were made.

The management team reviewed the business plan and created a clear set of business objectives:

- to win x% of tender bids during the next twelve months
- to increase the turnaround time of design project work by y% through enhanced use of new design software
- to retain z% of key clients through effective relationship management
- to reduce rework by n% through improved project review with key clients.

The management team was then able to discuss these objectives with its people and agree the team and individual objectives necessary to achieve these outcomes.

For the first time its people felt that they were involved in objective setting and review, a practice that would enable the company to be increasingly innovative, competitive and attractive.

Managing team performance

Business results are only achieved through the efforts of yourself and your people. Most people work in teams. Some teams are permanent, some are occasional. Some people contribute to the efforts of several teams, others to only one.

All teams, whether the senior management team or the part time cleaning team, need clear objectives, which derive from the business plan and can be monitored and reviewed. This gives responsibility and accountability. This promotes a sense of ownership. It also paves the way to identifying the individual performance contributions you expect of all your people.

Teams, however, should be able to agree with you the appropriate performance indicators (milestones). These will help them to see how likely they are to achieve their targets and what corrective action they may need to take if they are falling behind in any way. The team has the responsibility to manage its own performance and to deliver the results that it has agreed. This may involve teams in challenging conversations about access to appropriate resources and support arrangements should their team composition change, or additional demands be made on them.

Activity

Revisit your business plan and using the template below to specify the team and section objectives you have in place:	
Team:	
Team Leader:	
Date objectives agreed:	Date objectives to be reviewed:
Financial:	
Products and services:	
Customers:	
Quality:	
Other:	

By taking the time to tease out the objectives and targets that you require of your teams you, are also creating the opportunity to ensure that everything you have stated in your business plan is achievable. Some team, somewhere, should be working on specific objectives. Only by allocating specific responsibility can you make sure that you leave nothing to chance.

You will have created an open culture where your business targets are now owned by your business teams.

Case study

An engineering company was under some pressure to improve its financial performance. It had always reviewed its figures at the end of each month and then worried about the results.

It realised that it was not in control of its own destiny and that it was not tackling the root cause of its problems – the lack of sales.

The company tended to react to phone calls and orders from existing customers rather than actively creating new business.

By setting out exactly what sales targets the company needed to achieve to meet its financial objectives, the company was able to set explicit targets for its sales teams.

It was able to monitor progress on a daily and weekly basis. It could now see patterns and trends emerging and could focus activity on areas where it could predict that it was likely to generate positive results.

As the MD said, **“It’s as if I’m back in the driving seat, creating the business opportunities and not waiting for the crumbs to fall our way. We can plan better, allocate resources better and our people can see the results of their efforts. It’s even made me think about reintroducing the bonus scheme.”**

Managing individual performance

The role of the manager/team leaders

The manager/team leaders may or may not have involved their people in determining the team’s objectives. That will depend on the style of management in your business.

They will, however, need to actively discuss and agree with all their people the individual contribution that they will make to the achievement of these objectives.

We can all hear the plea for the time to do this. However, the primary role of the manager/team leader is to manage people. You cannot do this without regular conversations about workloads, objectives, development needs and other people-related issues. Performance management is simply the name we give to this structured approach. It requires regular, focused conversations and feeds into the annual appraisal and annual business planning process.

These conversations not only help you to make sure that you are getting things right, they also help you to identify ways to do things even better.

Case study

A small independent hotel was bought by an ambitious small hotel chain. The group took over the entire staff complement but suddenly realised how vulnerable they were.

Nothing was written down. There were no practices, procedures, the staff turnover was excessive and posts were usually filled 'on the nod'... somebody knew somebody who would do! But the location was superb, the décor stunning... something had to be done.

The group performance and quality manager visited the hotel and agreed a set of objectives for the hotel with the young general manager (GM).

These included:

- bed occupancy figures per month
- event targets per quarter
- gross margins for the restaurant
- staffing levels
- staff retention targets.

He then agreed a development programme with the GM to help him to develop and start to really manage the performance of his hotel, his teams and all of his people.

There was no quick fix. It took 2 years but, as the hotel went into its third year of trading within the group, the results were there for all to see. They included:

- a stable, multi skilled and informed workforce
- a high level of repeat business
- a wedding request list that went into the next decade.

This was proof indeed of the benefits of sustained performance management. The GM became the mentor for new managers and his hotel a flagship for the group.

Getting it right

If the process is so logical, straightforward and beneficial, then why do so many people do it so badly? The answer is simple.

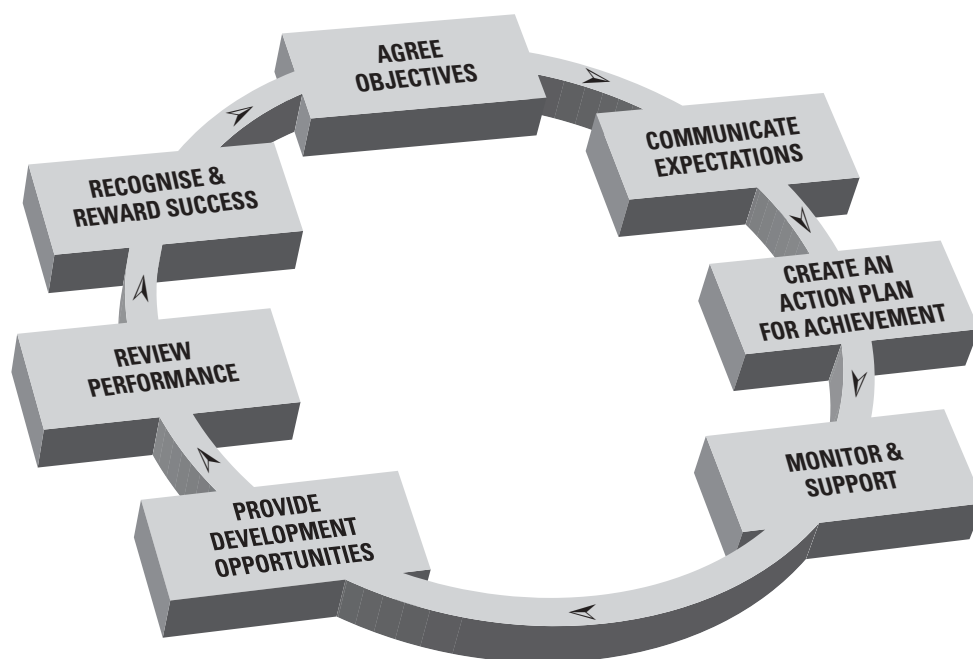
Managing performance takes time:

- thinking time
- time agreeing objectives
- time reviewing
- time to learn and improve.

Many SMEs rely on the abilities of their people, their contacts and their reputation. But instead of managing the business and its success, they are stumbling from one situation to the next – reacting, **not** creating their own future. Rather they are depending on someone, somewhere, wanting what they do.

We would suggest that there are better ways to manage a 21st century business and effective, inclusive performance management is part of the approach.

The formality of the approach you take will depend upon the size and complexity of your business. The framework, however, is always the same as the diagram below shows.



Agree objectives and communicate expectations

It is essential that all your people know what you expect of them in their job roles. A working job description and person specification should be in place. If this is not the case, you may find that working through the fifth workbook in the series **“How do you create and recognise competence and capability in your business?”** will be of value to you.

Your people all need to know their personal contribution to the company and how it will be measured and recognised.

Activity

To help you to develop this approach, select one job role or function and complete the proforma below:

Job Role:

Primary purpose of job:

Key areas of responsibility:

Activities:

Key outputs:

Measures of performance:

Not only do you need to develop this minimum level of detail for each post, you also need to ensure that all of your people are aware of and have the necessary competence and capability to meet the requirements of their posts.

If you are serious about managing the performance of your business through managing the efforts of your people, then you need this level of information about all roles in your company. This and a robust, current business plan. You can then start to agree objectives competently and confidently.

To do this, you need to sit down with your people, discuss what you need and why, listen to them and together agree **SMART** objectives. Then you can confirm the support that they will be able to access so that they can be successful.

Create an action plan

Not only have you agreed objectives with your people and recognised that they may have development needs, your conversation should also have enabled you to agree an action plan.

This will identify resource and support requirements. It will also clarify who else needs to be briefed, informed and involved. Every action plan has implications beyond itself. Nothing should be a closed system.

Monitor and support

It is the mutual responsibility of the line manager, team leader and the individual concerned to monitor progress against the plan and give or request support. Daily dialogue reinforces the importance of the plan. It eases the way into the regular reviews and creates a culture in your business where people's performance and performance improvement issues are discussed on a regular basis.

Provide development opportunities

If you have identified a need for development you **must** make sure that it happens. Otherwise, you alienate and disadvantage your people. Workbook Two of this series helps you to look at the various sources of learning and development activity. Fitness for purpose is what matters and that includes finding the right delivery method for the learner.

If you are seen to delay, cancel or fail to plan their development then your people will assume that you are not committed to the objectives and performance targets that you have jointly agreed.

Review performance

Regular reviews are essential if you want to keep your people motivated, involved and informed. The discipline of individual and team reviews should mirror the approach that you have in place to help you review your business and its performance. Indeed, there should be a regular feed of information between these reviews to inform and enable appropriate revision of objectives and support arrangements as required.

Recognise and reward

It is important that people's efforts are recognised. When performance targets have been set, visible acknowledgement of success feeds future efforts.

Some companies use financial incentives, recognition in newsletters, employee of the month and other incentive schemes. Some have share options and bonuses. Others rely on open performance information, so that everyone can see the impact of their performance and how this has helped the company to achieve its business objectives.

What skills are needed by managers?

Managers require **no** unique skills. Performance management is one of the key responsibilities of all managers and team leaders. It needs an effective mix of leadership and management skills.

Checklist

This checklist can be used to help all those with line management responsibility to assess themselves. This could be a useful addition to your appraisal framework and could be extended by inviting those who are line managed to comment on the effectiveness of their leaders.

Do you:	Please score out of 10
1. Provide a clear direction and lead by example?	<input type="checkbox"/>
2. Communicate clearly and regularly on where the business is going and current performance?	<input type="checkbox"/>
3. Focus on results rather than status or tasks?	<input type="checkbox"/>
4. Provide constructive criticism and feedback?	<input type="checkbox"/>
5. Avoid blame and look for solutions?	<input type="checkbox"/>
6. Know enough about the jobs your people do?	<input type="checkbox"/>
7. Plan and organise team development?	<input type="checkbox"/>
8. Set personal goals and keep to them?	<input type="checkbox"/>
9. Have your own personal goals and achieve them?	<input type="checkbox"/>
10. Use open questioning to find out what is really happening – not just what you want to hear?	<input type="checkbox"/>
11. Listen actively to what is being said and not jump to conclusions?	<input type="checkbox"/>
12. Observe situations and interpret visual signals of stress, anxiety and conflict?	<input type="checkbox"/>
13. Work through problem solving systematically and avoid leaping to decisions?	<input type="checkbox"/>
14. Coach and counsel to develop people and help them learn for themselves rather than always tell them what to do?	<input type="checkbox"/>
15. Prepare and conduct meetings effectively, with clear agendas, times and actions?	<input type="checkbox"/>
16. Encourage teamwork and innovation where people value each other and the contribution they make?	<input type="checkbox"/>

- if you have a score of 100 or more you perceive yourself to be an effective performance manager. Why not check this out with your peers and direct reports?
- if you have a score of 50 to 100, you would probably benefit from some mentoring support to help improve the performance focus of your day to day management practices
- if you scored less than 50, we would ask you to seriously think about your approach to people and performance management. Perhaps some formal management development might be appropriate, supported by in-house coaching and mentoring support.

Conducting effective performance reviews and appraisal

As we have already mentioned, effective performance reviews and formal appraisals are all part of a robust approach to performance management.

The success of these people-focused activities depends upon how well you conduct these review conversations. We present some guidelines that you may find helpful as you plan and prepare to get the best out of your own and your people's time.

Notification:

- whether regular performance review or annual appraisal, you need to agree and set aside sufficient time to enable you to conduct the conversation effectively
- not only do you need to allocate sufficient time, you also need to agree the dates well in advance to enable you both (or you and the team) to prepare.

Preparation:

- you both need to collect the relevant documentation and information to help inform your discussion. This may include:
 - role description
 - performance data
 - feedback reports
 - the business plan
 - the action plan
- you both need to analyse the data and prepare for either the review or the appraisal and have a clear agenda for discussion
- you need to discuss and agree whether you will exchange paperwork before the conversation
- you need to have a clear idea of the outcomes you want to achieve from these conversations
- you need to ensure that you have found the right place for these conversations: private, quiet, comfortable, with access to tea/coffee and free of interruptions.

Conduct:

Do –

- put the person at ease and explain the purpose of the meeting
- be calm, patient and neutral. Make allowances for nervous staff
- make sure your body language is in keeping with your message
- review performance and praise success before moving on to issues of contention
- control direction and pace and summarise appropriately at each stage
- focus on future and agree actions. Don't forget to be SMART!
- close the review on a positive, encouraging note and thank them for their input
- write up necessary paperwork as soon as possible and get agreement to actions.

Don't –

- get into arguments. If tensions rise call a break and then restart when tensions have subsided
- make personal observations and evaluations, unless based on factual or supported evidence (if in doubt – leave it out!)
- make promises you cannot keep
- interrupt, unless their contribution is irrelevant or off track
- cancel/postpone review meetings. What does this say about their value?
- allow interruptions from telephones or others
- discuss irrelevant topics, hearsay or gossip. If there are personal issues, note them down and discuss elsewhere (this is not a counselling/grievance session – the focus is performance)
- use ambiguous, leading or theoretical questions which mislead or confuse the appraisee
- allow personal history or previous relationships/events to cloud judgement or compromise your neutral, objective approach.

Performance management is business management. It is driven by your business objectives and applies to all of your people including yourself.

It asks:

- What do we need you to do?
- Why? How will this help business performance?
- What support do you need?
- How will we measure and monitor your performance?
- How will we review and revise the objectives?
- How will we share new approaches in company?

Performance management, to be effective, is an open and inclusive management practice. It cannot be **done** to people. That is managing by dictat and rarely leads to high performance behaviours.

Given the changing environment in which we all live and work, people need encouragement and support. They need feedback and focus to help them to achieve their potential and contribute fully to business success. They need to feel that performance review and appraisal are conversations to which they have as much to contribute as their line manager.

Implementing your system

As you have worked through this workbook you will have:

- accessed and revisited your business goals and objectives
- differentiated and recognised the contribution your teams and your people make to enable you to achieve your stated business targets
- reviewed how you set objectives and review progress against these objectives (at team and individual level)
- reviewed the skills and capabilities managers and team leaders need to effectively manage the performance of your people.

If you have addressed these themes you are ready to either implement a revised or a new approach to performance management in your company. The next steps require you to:

- set out your implementation plan
- sell the approach to all of your people
- test out the approach on your management team
- extend the approach to include all of your people
- review and revise the timing and the feedback you get from your people
- produce relevant visible performance information for all of your people
- instigate the second phase.

Summary

As with the other workbooks in this series, we have included in the appendices proformas, which you may wish to adopt and adapt for your business.

The first extends the approach to objective setting for individuals. The second offers a performance review record for individual and team reviews. We hope that they prove useful to you.

One workbook remains in this series **“How do you create and recognise competence and capability in your business?”** We commend it to you and trust that these workbooks have contributed to the way in which you think about and manage your business and its people.

Glossary

Words can mean different things to different people. This glossary explains what certain words mean within the context of this series of workbooks.

Benchmarking: An approach which enables you to compare your company's strategies and practices with those of your competitors or other similar organisations.

Business Plan: The plan that sets out the company's objectives.

Capability: The knowledge, skills and behaviours needed amongst the company's people.

Capacity: The skills and abilities a company needs to enable it to respond to current and future business needs.

Coaching: A planned process that, through the use of effective questioning and feedback, aims to improve the performance, learning and development of an individual or work team.

Competence: The knowledge, skills and understanding to enable you to consistently perform the whole work role, in the working environment, to deliver prescribed business results.

Contribution: The ideas, time and effort people give to the company to help it achieve its objectives.

CPD: Continuing Professional Development.

Critical incident analysis: The process of recognising and learning from real life, workplace based, critical incidents to inform the company's practices.

Evaluation: The review of the results of learning and development activities to discover whether the objectives have been satisfied and the impact on performance has been achieved.

IIP: Investors in People, a national standard of business practice.

Impact: The results achieved from an intervention and the effect this has had on performance.

Innovative: New or improved ways of thinking and doing things.

Intervention: A planned activity with anticipated specific outcomes which benefit the workplace.

ISO 9001/2000: A recognised quality assurance system which is externally audited.

Job description: A regularly updated document which outlines the key roles and responsibilities of post holders.

Learning and development: Any activity that develops the knowledge, skills and behaviours that the company needs to meet its objectives.

Learning styles: The way people prefer to learn.

Mentoring: Advice and guidance offered by a more experienced person to help develop an individual's potential. Mentoring tends to focus on long term career goals and is *not* usually provided by the direct line manager.

Near miss analysis: The process of recognising and learning from real life, workplace based, near misses to inform the company's practices.

Person specification: The regularly updated description of the personal qualities, attitudes, behaviours, qualifications and experience required of post holders and team members.

Personal development: Any planned activity that develops an individual's knowledge, skills and behaviour. This need not be specific to the current job role or the current employer.

Profile: A structured representation of the company's needs for skills, knowledge and behaviour across the various job roles and categories.

QA: Quality Assurance system, either internally or externally validated.

Return on Investment (ROI): Demonstrable performance improvement as a result of investment in people development.

Role model: A person who acts in a way that is valued by the company and creates a positive example for others.

Sector Skills Councils (SSCs): Employer-led, independent organisations with responsibility to improve learning supply including apprenticeships, higher education and National Occupational Standards.

Self review: An evaluation practice that uses an agreed and structured approach.

SMART objectives: The results the company aims for, if it is to achieve its vision. They need to be **s**pecific, **m**easurable, **a**chievable, **r**ealistic, **t**ime bound and testing.

Succession planning: An aspect of workforce planning and development. It acknowledges the age profile of the workforce and usual turnover, and develops the potential in people to allow them to be eligible to progress to next level posts.

The Excellence Model: A model developed to help businesses in Europe become more competitive and sustainable. It focuses on enablers (how you do things) and results.

Values: The principles that underpin how the company works, such as – ‘safety comes first’ or ‘our people matter’.

Virtual or complete cycle: The process of involving people and teams in the definition of needs and the review of the effectiveness of the ways in which those needs have been met.

Vision: Where the company wants to be in the future, and how it wants to be perceived by its people and its customers.

Appendix I

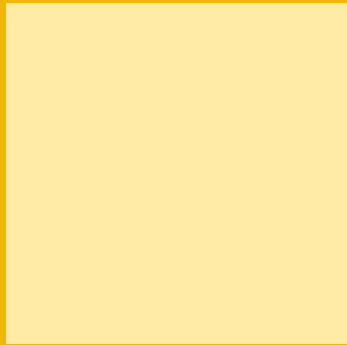
Individual objectives

Name:	
Team/Department:	
Manager/Team Leader:	
Date objectives agreed:	Date objectives to be reviewed:
Financial:	
Products and services:	
Customers:	
Quality:	
Other:	

Personal performance agreement and review form

Name:	Job Title: Department:		Job Purpose:	
Job Outline	Performance Agreement		Results Achieved	Comments
Key area of responsibility (1 to 3 words)	Performance Goal	Action to be taken		
Signed by employee:	Signed by manager:		Date:	





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