

# Information Pack- Introduction to Performance Management



## INTRODUCTION

Performance management is one of the most hotly debated areas of management thought, more importantly how to achieve an effective performance management programme. This is largely because employee performance is recognised as the backbone of organisational success. A well-executed performance management framework can encourage the development of a high-performance culture and provide a clear link between individual goals and organisational objectives. This information pack outlines the evolution of contemporary performance management and examines some of its most influential models and concepts. It also considers the critical link between individual and organisational performance and looks at how different performance management tools can be combined to create an effective performance management system.

People have differing expectations about what they want in terms of development and what support they expect from their workplace. This is fine when an individual's expectations and those of the organisation are congruent. Difficulties may arise however, if there is an imbalance. For example, if funding for training and development is limited people may not be able to undertake the training and development they might like. Alternatively, if an individual does not want additional training but the organisation wants that individual to undergo further training then similarly this could cause conflict. The management challenge is to balance the requirement of both the organisation and the individual, whilst being equitable and fair in distribution of opportunities for development. Further complexities arise when consideration needs to be taken to career progression within the organisation and selecting people for development in preparation for career progression.

Performance management is vital to the success of all organisations, regardless of their size, industry sector or internal culture. Each organisation should design a performance management system to suit its specific needs. Above all, the approach should aim to align strategic, department and individual objectives. Furthermore, performance management should be as simple as possible, command visible, involvement from senior management and be implemented consistently across the organisation.

## GUIDANCE

This document is prepared to break the unit material down into bite size chunks. You will see the learning outcomes above treated in their own sections. Therein you will encounter the following structures;

### Purpose

Explains *why* you need to study the current section of material. Quite often learners are put off by material which does not initially seem to be relevant to a topic or profession. Once you understand the importance of new learning or theory you will embrace the concepts more readily.

### Theory

Conveys new material to you in a straightforward fashion. To support the treatments in this section you are strongly advised to follow the given hyperlinks, which may be useful documents or applications on the web.

### Example

The examples/worked examples are presented in a knowledge-building order. Make sure you follow them all through. If you are feeling confident then you might like to treat an example as a question, in which case cover it up and have a go yourself. Many of the examples given resemble assignment questions which will come your way, so follow them through diligently.

### Question

Questions should not be avoided if you are determined to learn. Please do take the time to tackle each of the given questions, in the order in which they are presented. The order is important, as further knowledge and confidence is built upon previous knowledge and confidence. As an Online Learner it is important that the answers to questions are immediately available to you. Contact your Unit Tutor if you need help.

### Challenge

You can really cement your new knowledge by undertaking the challenges. A challenge could be to download software and perform an exercise. An alternative challenge might involve a practical activity or other form of research.

### Video

Videos on the web can be very useful supplements to your distance learning efforts. Wherever an online video(s) will help you then it will be hyperlinked at the appropriate point.

steps or actions you take to reach your goal. Both goals and objectives should be specific and measurable. Goals can involve areas such as profitability, growth and customer service, with a range of objectives that can be used to meet those goals.

While recognising and understanding that organisations develop appropriate structures to meet the needs of their business, or, in the public sector, to deliver the required level of public services that are the responsibility of Government, most organisations have a vision and/or mission statement that defines its purpose.

Vision and Mission statements are the inspiring words chosen by successful leaders to clearly and concisely convey the strategic direction of the organisation, communicating the intentions of the organisation to those people who have an interest in the organisation. The term commonly used for people with an interest in an organisation is 'stakeholder'.

Both types of statement are slightly different in their intent, although both typically convey the direction of the organisation. Vision Statements define the organisation's purpose, reflecting the values of the organisation rather than bottom line measures of success. For employees, it gives direction about how they are expected to behave and inspires them to give their best. Shared with customers, it shapes customers' understanding of why they should work with the organisation.

Example

For example, look at the Vision Statement of the largest fast-food company in the World, MacDonald's:

'McDonald's vision is to be the world's best quick service restaurant experience. Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile'

A Mission Statement typically defines the organisation's purpose and primary objectives. Its prime function is internal - to define the key measure or measures of the organisation's success - and its prime audience is the leadership team and stockholders. The Mission Statement therefore focuses on what constitutes success for the business.

Example

For example, consider the Mission Statement for The Walt Disney Company:

'The Walt Disney Company's objective is to be one of the world's leading producers and providers of entertainment and information, using its portfolio of brands to differentiate it's content, services and consumer products. The company's primary financial goals are to maximize earnings and cash flow, and to allocate capital profitability toward growth initiatives that will drive long-term shareholder value.'

A very popular way of setting objectives like this is the S.M.A.R.T model. Using this approach will help ensure that goals are clearly understood and successfully achieved:

- **Specific.** Objectives should specify exactly what the individual/organisation should be able to achieve. There should be no vague or ambiguous language.
- **Measurable.** It should be possible to measure objectively the extent to which objectives have been met.
- **Achievable.** People should be able to achieve their objectives. Setting unrealistic targets merely demotivates. However, this does not mean that they should be simple; they should be challenging and stimulating.
- **Relevant.** Objectives should have a clear purpose or benefit and should be relevant to the individual's work role or learning aims.
- **Time-bound.** People should know how long they must complete their objectives.

A common business goal is to run a profitable operation, which typically means increasing revenue while limiting expenses. To reach this goal, objectives could consist of increasing annual sales by 10 percent or landing three new accounts each month. Expense objectives could involve finding a new operating facility that decreases your rent by £200 a month or cutting monthly utility bills by 15 percent.

Customer service goals could include reducing complaints by 50 percent over one year or to improve resolution times to customer complaints to a minimum of one business day. To meet customer service goals, objectives could include increasing your customer service staff from one to three workers by the end of the year or implementing a policy where customers are guaranteed to receive a return phone call before the end of the business day.

If you have experienced a problem with employee turnover, your overall goal could be to improve retention. To make this goal specific, you could measure the current turnover rate, like one employee in five leaves after three months, and decide to double this figure to six months. Objectives to meet this goal could include implementing a training program that details new-hire activities for the first 90 days on the job. You also could implement one-on-one bi-weekly meetings with your employees to build rapport and find out what is on their mind.

Another goal could be to become more efficient in your business operation to increase productivity. To improve efficiency, you could set a goal of increasing shipping times from three days to two days. Objectives to meet this goal could include finding a new shipper or improving production times to have units ready to ship before 10 a.m. each morning.

Perhaps your goal is to grow your business operation. If you own a franchise unit, for example, your goal might be to open three more units within a five-year period. If this were the case, your objectives could include scouting a new city once each quarter or reducing your franchise fees by 25 percent for the next six months.

An organisation will also have a **vision** and a **mission statement**. A company's vision statement will be reflective of their desired future state or the aspiration of that organisation. Whilst the mission is the overriding purpose in line with the values or expectations of stakeholder.