

Improving Company Results with Performance Management

What action could you take that would most reliably improve the performance of your business? Performance management may not be as fundamental as market position or leadership and it doesn't change the attractiveness of your markets. Performance management does reliably change how you plan and achieve results and get the best from your workforce. And that's pretty fundamental to any organization.

As we discuss performance management, you will see that we are referring to the process by which you plan and manage the company's goals through aligning and managing the activities of groups and individuals more rigorously.

First Thoughts on Performance Management

You can define performance management in any terms meaningful to you as an owner or leader. What's important is that you instinctively understand that you get better performance when you manage performance through a system and that you as a leader, go after this performance. Secondly, you should introduce performance management at early stages of your business, tie it to your culture, and absolutely expect improved results. In our work, we see that the best-run companies implemented performance management early in their development and that this contributes to their success. How good are you at performance management?

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Why Owners want to manage Performance

Owners should embrace performance management because:

- It improves performance for the benefit of owners, employees and customers.
- It directs effort to the priorities by 1) crystallizing and communicating corporate priorities and 2) aligning individual goals with these priorities.
- It flushes out organizational issues, including unclear priorities, languishing opportunities, competing objectives, and lack of capacity.
- It reduces wasted effort and draws out full effort on the part of employees.
- It objectively shows individual or group performance—be it strong or not.
- It makes managing easier due to clarity, metrics, and established review points.

So why wouldn't you get good at performance management?

How employees benefit from Performance Management

Employees also benefit from performance management because a well-performing company ultimately rewards the employees as well as the shareholders. More specifically, performance management can:

- Eliminate wasted effort. When we assist small and medium-sized organizations to implement performance management we routinely flush out activities that have no value to the organization. Amazing but true. These wasted activities are simply distractions that hamper people's progress on more important goals.
- Help people keep sight of the goals and the plan to achieve these goals. Performance

management plans are designed to keep people on track and overcome chaos, competing objectives and low impact activities.

- Create coaching and intervention opportunities (performance management) around an employee's plan that are helpful to achieving the necessary results.
- Assist individuals and teams to focus on outcomes.

All of the above factors are necessary for people to achieve their true potential. So, in essence, performance management helps all of your people operate closer to their potential which is rewarding for most people.

Necessary Ingredients to begin Performance Management

It is easy to assess whether you are ready to make progress in managing performance. There are a few necessary ingredients including:

- A clearly understood, documented and supported company plan. A clear plan is a non-trivial task, but without it, what would you be aligning to and why do you think that would improve performance?
- A culture of success and accountability. Reasonable company relationships, morale, and reasonable underlying human resource functions.
- Reasonable management of your people, partners and initiatives.
- A willingness to accept accountability particularly at the senior levels. In our work with companies, we see performance management fail when senior people don't fully buy in and accept accountability.

Without this backdrop, performance management may turn out to be a missile blown off course by the winds – potentially powerful, but likely not effective.

Any executive who is accountable for improved corporate performance will expect accountability on down the line. Thus, performance management grows and improves company performance.

Tips for implementing Performance Management

Performance management should be led by the leader of the organization and necessarily trickles down throughout the organization. Any executive who is accountable for improved corporate performance will in turn expect accountability on down the line. Thus performance management grows and improves company performance.

As you manage and improve your performance we would suggest the following:

- Be able to visualize the entire performance improvement process in order to reliably lead the process. You may need the assistance of a systematic thinker who has experience implementing performance management.
- Involve people in developing the performance management process so that it is a positive part of your culture.
- Do not approach performance management as a “command and control” technique. Nobody appreciates that style of leadership in this day and age.
- Start simple and build the system over time. Use performance management for key objectives of the management team and let it grow from there.
- Don't swamp your people with more initiatives than they can handle.

This article is part of a Next Stage Consulting series focused on building shareholder value through growing human capital. Larry Smith, B.Sc., MBA, CMC is the President of Next Stage Consulting based in Kelowna, Canada. Comments or Questions? Contact lsmith@nxtstage.com

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- Do follow through on the critical initiatives and important commitments.
- Establish a rhythm for this follow-through. You have a rhythm when you know when you make key decisions and review initiatives and you are consistent.
- Consider how you will compensate performance. However, performance management can usually improve results without any major compensation changes.
- Measurement is necessary to improve performance and may be the first step for many initiatives. For example clients often want to “improve customer satisfaction” but this is a hollow initiative without some measurement of baseline satisfaction.
- Don’t stop at performance “measurement”. Performance “management” is ultimately coaching, encouraging, supporting and expecting higher results.
- It is the “ahahs” gained from the performance reviews and the coaching coupled with the team alignment that is most valuable.
- Reward the top performers as evidenced by the performance management system—not other subjective assessment systems.
- Do deal with performance problems in the organization and remedy these.
- Leave no significant problem untouched even if it requires some short-term and long-term interventions.

Where to Start with Performance Management

From our work with companies, we believe there are a few key points to work on:

1. Develop a short (1-2 page) plan for the company including priorities for the year.
2. Ensure that individuals are responsible for each piece of the corporate plan and that accountability is firmly established.
3. Ensure that each individual has a personal plan to achieve the goals for which they are accountable and the ability to succeed.
4. Make sure that there is an active performance management process (review and coaching process) lead or sponsored by the organization’s leader. This process should assess results, assist proactively, and maintain accountability.
5. Ensure that as the leader, you are accountable for all the above.

Finally, think of performance management as a predictable way to improve results. The upside is very strong with negligible downside. It is your opportunity to seize.

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