



## **Performance Management**

Performance Management is not about scheduling annual performance reviews with employees that often either do not happen, have no defined outcome and/or follow no specific process. It is also not about inventing control mechanisms for employees that prevent them from using creativity and innovation to achieve outstanding results for the company.

Successful Performance Management is an on-going process of the alignment of individual objectives to organizational objectives to ensure the optimum performance of the company in regards to its chosen strategy. These objectives are not day-to-day tasks that an employee has to perform. It's the big picture of how the employee's role fits in the organization and it gives the employee the chance to get a better understanding of the company. This paper outlines the ingredients to implement a meaningful Performance.

### ***Strategic Plan***

The first thing that is needed is a strategic plan. Every company needs to have a business plan where clear strategies are defined, communicated and documented, in order to succeed. Some companies use outside help to facilitate the creation of such a plan. The plan should be sound and clearly articulate what the company wants to achieve for example in six months from now, a year from now, three years from now and five years from now. These objectives that the company sets in the strategic plan can for example be of financial nature, describe the market position the company wants to achieve, the product spectrum it wants to offer, etc. It also describes on a high level how these objectives can be achieved, e.g. Development of product line X. It's about



defining both what results to achieve and how to achieve results of the strategic plan.

The development of a strategic plan is a recurring process. A strategic plan is not simply a plan that is developed today and valid for the next five years. Today's ever changing business environment demands regular adaptation of the strategic plan. This does not mean the objectives change constantly, but it is important to recognize that they could, and more importantly, how to achieve the objective can certainly change based on market and economic conditions. This demands a clear understanding and active contribution of everybody in the company. Not only of the executive management or, even worse, a strategy development group detached from the business.

### ***Aligning individual objectives to organizational objectives***

After creating the strategic plan with the overall definition of what objectives and how they can be achieved, these objectives have to be broken down to the individual level. Objectives on the individual level can mean that they are assigned to a single person or a team. However, only one person should be solely responsible for achieving the objective. When defining these objectives it has to be ensured to define what will be measured with this objective and how it will be measured.

The basic questions to be asked are:

- What do we have to do?
- How do we achieve these objectives?
- What is the measurement for the objective?
- How can this objective be measured?



These objectives are defined from the top and go down in the organization level by level until the desired granularity is reached. The result of this should be a detailed strategic plan that clearly shows the dependencies and the alignment of the different objectives that add up to the overall corporate objectives.

Be aware, the result of this plan is not a detailed tactical plan like a project plan. It is an aligned collection of objectives that have clear measurements defined and clearly state an owner. These objectives support the overall corporate strategic objectives and thus are strategic in nature. This means they do not reflect the plan of how to develop or implement a new enterprise-wide information system. However, there might be an objective assigned to an individual person stating that it has to be implemented!

A very critical, and the most challenging part, is to measure the correct things. If the wrong things are measured the wrong results will be achieved. It is not a single measurement that will enable a good performance management system. It is the netting and combination of different measurements. The measurements that are agreed on in the end also have to be communicated clearly to the employees to get their understanding and buy-in for them.

### ***Aligning the rewards***

One of the major elements of a successful introduction and execution of Performance Management is the alignment of the existing rewards system to the organizational and individual objectives, as defined in the strategic plan and measurements. If the performance of employees is measured against the results they achieved on executing their objectives then they have to be rewarded accordingly. Often a Performance Management process fails because this part is not implemented. The rewards, which are defined in the compensation plan,



recognition and career advancement offered, have to be based on the performance against the individual objectives. These individual objectives, as mentioned before, can and should include team objectives. A certain part of the overall rewards system should also be a reflection of how the company in itself performed compared to the organizational objectives defined in the strategy plan.

### ***Executing and re-aligning the plan***

Executing the plan and by that establishing a performance oriented culture is the single area most companies fail when introducing a Performance Management environment. The hard part is to stick to the plan outline and measure the progress against it in a predictable manner with clearly outlined processes. Most of these processes result in team and organization wide review sessions that are executed on a regular basis. In addition one-on-one review sessions between the manager and the employee or the team are held. The content of each of these review sessions should be to concentrate on the objectives and tasks that are not on track and try to find ways to get these objectives and tasks back on track and again to define tasks that will ensure this happens. With review processes like these it can be ensured that all the individual and organizational objectives and their supporting tactical tasks do not deviate from the overall strategic plan and reduce the risk to fail in fulfilling the agreed upon objectives in the strategic plan. These activities have to be done with speed and precision to avoid any deviation from the plan outline or to keep the deviation at a minimum.

As mentioned before, the strategic plan is always adapting to the changes in the business environment and adapt to the market needs of the company. These changes are relatively frequently but certainly should not happen on a daily basis. However, the team and individual tasks that are defined to support and fulfill the team and individual objectives will change at a much higher frequency.



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A flexible and just performance management system will allow for these changes to happen. The processes to be set up will have to allow the employees closest to the market to define these tasks themselves. By giving them the transparency of and visibility into the strategy plan, they are capable of doing exactly that while increasing motivation and innovation, speed and precision at the company.

### ***About gekima Solutions LLC***

gekima Solutions LLC specializes in delivering solutions for the optimization and automation of administrative business processes. gekima offers consulting and implementation services to help achieve a rapid ROI on your IS Implementation Initiatives.