

Performance Management

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DEFINITION

Is a strategic and integrated approach to **delivering sustained success to the organization by improving the contribution of the people who work in it and developing the capabilities of teams and individuals.**

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Performance Management

- The process by which executives, managers, and supervisors work to align employees performance with the firms goals
- The process has a precise definition of excellence, uses measures of performance and provides feedback to employees about their performance

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- It defines, measures, monitors and gives feedback.

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PERFORMANCE MANAGEMENT

- **STRATEGIC:** concern with broader issues facing the business and achievement of short term and long-term goals.
- **INTEGRATED:**
 - Vertical integration - aligning business, team and individual objectives.
 - Functional integration – linking functional strategies and activities.
 - HR integration – especially capacity development, productivity and reward.
 - Integration of corporate and individual objectives.

PERFORMANCE MANAGEMENT

- **Concern with:**
 - **OUTCOMES, OUTPUT, PROCESS AND INPUTS-** results, impact made on performance, how output is delivered and the competencies/resources needed to perform.
 - **PLANNING** - defining expectations through business plans expressed as objectives at unit and individual employee levels.
 - **MEASUREMENT AND REVIEW** - assessing results and reviewing progress.
 - **CONTINUOUS DEVELOPMENT/LEARNING AND IMPROVEMENT** - organizational and individual learning from successes and challenges inherent in the work experiences.
 - **COMMUNICATION** – culture of dialogue between employees and their supervisors.
 - **STAKEHOLDERS** – the needs of owners, employees, management, customers, suppliers and other interest groups are satisfied.

PERFORMANCE MANAGEMENT SYSTEM (PMS)

❖ A firm with an effective PMS:

- ❖ Communicates a vision of its objectives to all its staff.
- ❖ Sets unit and individual performance targets related to the corporate level objectives.
- ❖ Conducts formal review of progress towards the targets.
- ❖ Uses the review process to identify training needs, development and reward outcomes.

PERFORMANCE MANAGEMENT SYSTEM

❖ A firm with a PMS

- ❖ Express performance targets in terms of measurable outputs, accountabilities and training/learning targets.
- ❖ Use formal appraisal procedures.
- ❖ Link performance to compensation.
- ❖ Has a performance improvement process based on a joint problem solving approach
- ❖ Places emphasize on the organizations objectives and values with individual managers' objectives being formulated as part of the wider organization firm of objectives

PERFORMANCE MANAGEMENT SYSTEM (cont..)

❖ A firm with an effective PMS

- ❖ Measures performance in terms of quantitative and qualitative indicators – customers attitudes, employees opinion
- ❖ Places much emphasis on long term objectives
- ❖ Places emphasize not only on the results themselves but also how results were obtained - teamwork, leadership, motivation, delegation etc

PERFORMANCE MANAGEMENT SYSTEM (cont..)

❖ A firm with an effective PMS

- ❖ Emphasizes on interaction of managers and subordinates
- ❖ **Has** a two way process and is participatory – not top to bottom
- ❖ Has an integrated approach, balancing people factors (knowledge, attitude and skills) and process factors (procedures and methods)

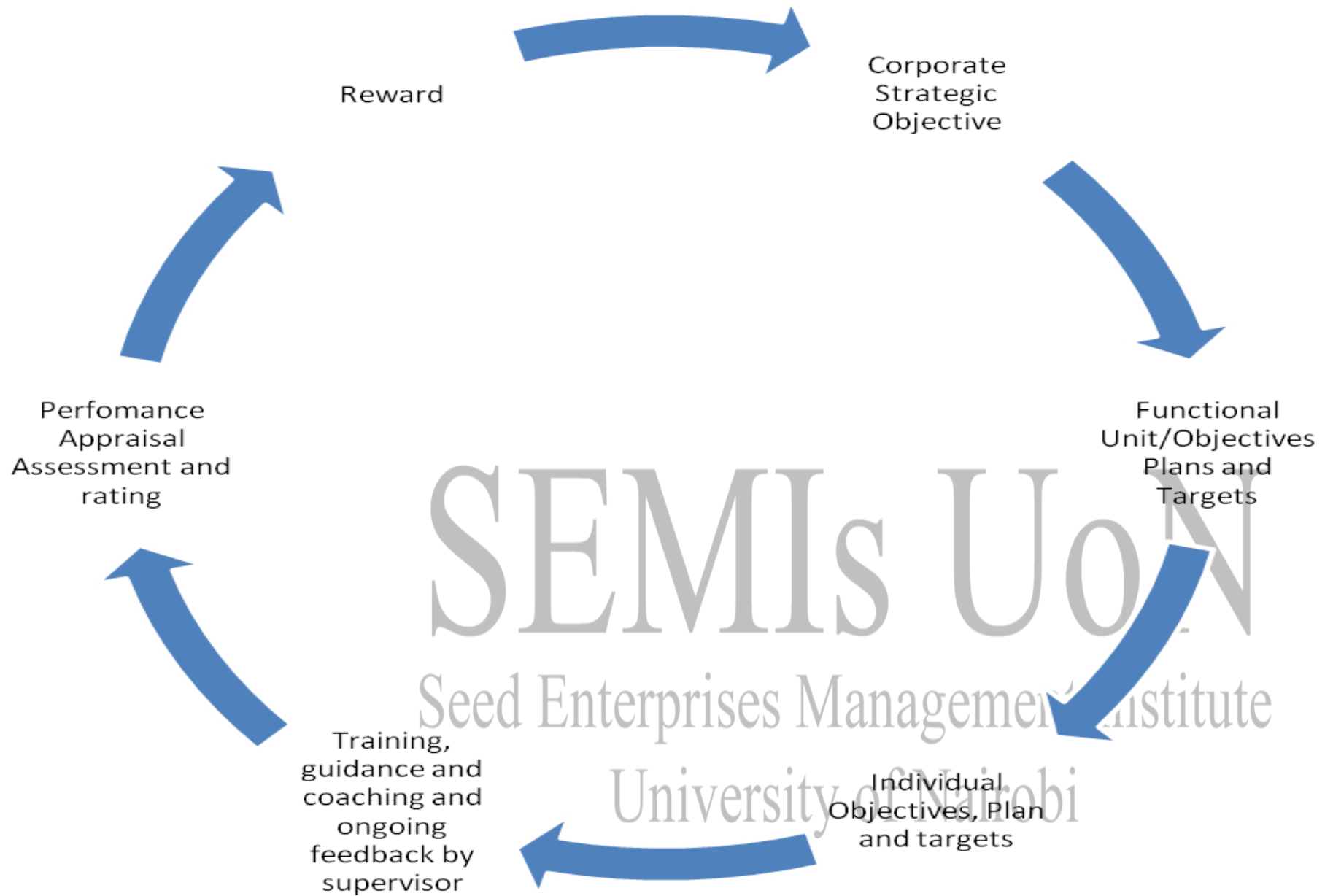
PERFORMANCE MANAGEMENT CYCLE

- **CORPORATE STRATEGIC OBJECTIVES**
- **FUNCTIONAL UNIT TARGETS**
- **INDIVIDUAL/GROUP PERFORMANCE TARGETS**
- **PERFORMANCE INDICATORS**
- **PERFORMANCE MEASUREMENT**
- **REINFORCEMENT OF PERFORMANCE**

PERFORMANCE MANAGEMENT SEQUENCE

- **CORPORATE MISSION AND STRATEGIC GOALS**
- **BUSINESS OBJECTIVES**
- **PERFORMANCE AND DEVELOPMENT AGREEMENT**
 - **PERFORMANCE STANDARDS & COMPETENCY REQUIREMENTS**
- **PERFORMANCE AND DEVELOPMENT PLAN**
 - **COMPETENCY EVIDENCE & PERFORMANCE MEASUREMENT**
- **ACTION-WORK AND DEVELOPMENT**
- **CONTINUOUS MONITORING AND FEEDBACK**
- **FORMAL REVIEW, FEEDBACK AND JOINT ASSESSMENT**
- **RATING**
- **REWARDS**

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CONTEMPORARY APPROACH TO PERFORMANCE MANAGEMENT

- **THE BALANCED SCORE CARD**
 - **FINANCIAL**
 - **CUSTOMER**
 - **INTERNAL BUSINESS PROCESSES**
 - **LEARNING & GROWTH**

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BALANCED SCORE CARD – Financial

- **Emphasizes cost efficiency, that is, ability to deliver maximum value to the customer at minimum cost and sustained stakeholder value.**

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BALANCED SCORE CARD – Customer

- **Ability to provide quality services, effectiveness of delivery of the services, overall customer satisfaction. This results from price, quality, availability, selection, functionality, service, partnerships and brand value propositions which lead to increased customer acquisition and retention.**

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BALANCED SCORE CARD – Internal Business Processes

- **Focuses on internal business processes that lead to financial success and customer satisfaction.**
- **Key business processes must produce excellent outcomes and output.**
- **These include operational efficiency, timeliness in delivery, quick response to customer concerns, convenience to use and other characteristics.**

BALANCED SCORE CARD – Learning and Growth

- **Ability of employees (Skills, Talent, Knowledge and Training),**
- **Quality of information systems (Systems, Databases and Networks)**
- **The effects of organization alignment (Culture, Leadership, Alignment and Teamwork), in supporting the accomplishment of organizational objectives.**

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Learning and Growth perspective cont...

- **Processes only succeed if there are adequately skilled and motivated employees, supplied with complete, timely, accurate information under effective leadership.**
- **The results are quality service delivery and financial performance.**

Mapping the strategy

Performance

(What have we accomplished?)



Stakeholders Perspectives

(How do they see us?)



Internal Process Perspectives

(What must we excel at?)



Learning and Growth Perspectives

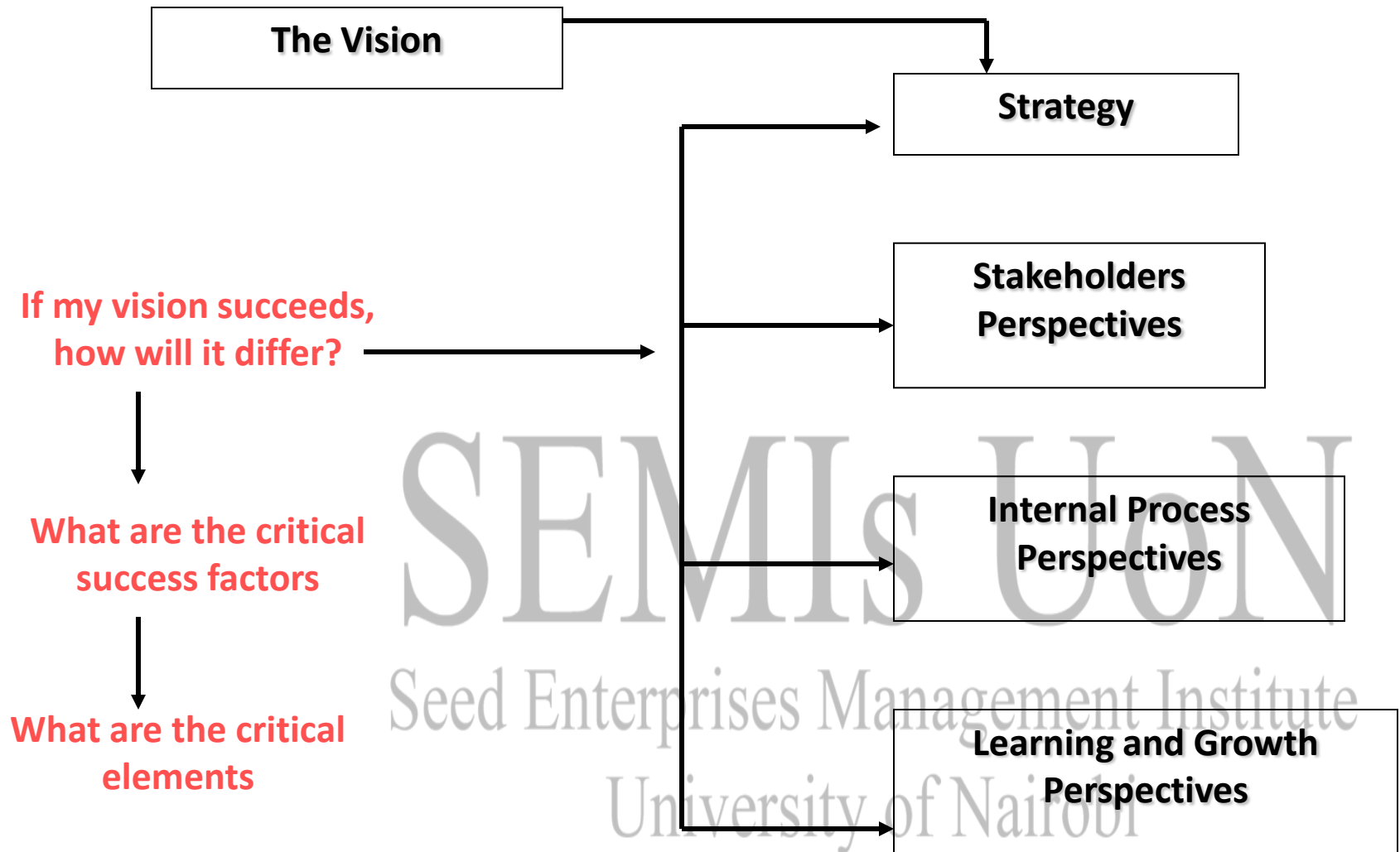
(Can we continue to improve and create value for our stakeholders?)

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Developing Balanced Scorecard



IMPLEMENTING THE BALANCED SCORE CARD

- **Developing organizational strategy from the VISION, MISSION, VALUES AND OBJECTIVES and ensuring full understanding of them at all levels of the firm.**
- **Offer training of the BSC to all staff.**
- **Establish reward system to foster performance.**
- **Breakdown organizational barriers to success and eliminate resistance to change.**
- **Develop BSC at all levels of the firm.**
- **Review performance and develop new strategies for performance improvement.**

PERFORMANCE APPRAISSAL

The process through which an organisation gets information on how well an employee is doing his/her job.

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Why appraise performance

- Appraisal provides information upon which you make promotions and salary decisions
- Provides an opportunity for you and your subordinates to review his or her work related behavior
- Lets both of you develop a plan for correcting any deficiencies that the appraisal might have unearthed, and for reinforcing things done right

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Why appraise performance (cont..)

- The appraisal is part of the firms career planning process because it provides an opportunity to review a persons career plans in light of his or her strengths and weakness
- Finally, appraisal s help you better manage and improve your firm's performance

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Why appraise performance (cont..)

- Assignment of duties and responsibilities to staff.
- Allocation of rewards.
- Identification of training and development needs.
- Setting performance targets.
- Continuation of employment.

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Appraisal methods

- Managers usually conduct appraisal using a predetermined and formal method . It is predetermined insofar as most firms do decide ahead of time what tools and processes they are going to use.
- Processes would include specific decisions like what time of the year the appraisals are done, and who will review the completed appraisals

Appraisal methods (cont..)

- Graphic rating scale method
- Alternation ranking method
- Paired comparison method
- Forced distribution method
- Critical incident method
- Narrative forms
- Behavior anchored rating scale

- Management by Objectives
- Computerized and Web-Based performance appraisal
- Mixing the methods

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Graphic Rating Scale Method

- This method lists traits (such as quality and reliability) and a range of performance values (from unsatisfactory to outstanding) for each trait.
- You rate each subordinate by circling or checking the score that describes his or her performance for each trait
- You then total assigned values for each trait.

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- Instead of appraising generality factors (such a quality and quantity) that apply to all or most jobs, you may focus on the jobs actual duties (based on job description and annual performance targets)

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Alternation Ranking Method

- Involves ranking employees from best to worst on a trait or traits
- First list all subordinates to be rated, and then cross out the names of any not known well enough to rank
- Then in a form, indicate who is the highest on the characteristics being measured and also the one who is lowest.
- Then choose the next highest and the next lowest, alternating between highest and lowest until all employees have been ranked

Paired Comparison

- The paired comparison helps make the ranking method more precise.
- For every trait (quality of work, quantity of work and so on), you pair and compare every subordinate with every other subordinate.
- Make a chart of all possible pairs of employees for each trait, indicate (with a + or -) who is better employee of the pair
- Next add up the number of +s for each employee

Forced Distribution method

- Similar to grading on a curve
- You place predetermined percentages of rates into performance categories.
- For example, the distribution of employees can be as follows:
 - 15% high performers, 20% high-average performers, 30% average performers, 20% low average, and 15 % low performers

- The proportion in each category need not be symmetrical (not necessarily a normal curve)
- Forced distribution means not everyone can get an A and ones performance is always rated relative to ones peers.
- White down each employees name on a separate index card for each trait
- Then for each trait, place employees card in the appropriate performance category

Critical Incident Method

- The supervisor keeps a log of positive and negative examples (critical incidents) of subordinate's work related behaviors
- Every six months or so, supervisor and subordinates meet to discuss the latter's performance using the incidents as examples

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- This method has several advantages:
- It provides actual examples of good and poor performance the supervisor can use to explain the persons rating
- It ensures that the managers or supervisors think about the subordinates appraisal all during the ear
- The rating does not just reflect on the employees most recent performance

- The rating hopefully provides examples of what specifically the subordinate can do to eliminate any deficiencies
- However, without some numerical rating, this method is not too useful for comparing employees or making salary decisions
- It is useful to accumulate incidents that are tied to the employees goals

Narrative Forms

- The final appraisal is often in narrative form
- The supervisor is asked:
 - To rate the employees performance for each factor or skill
 - And write down the examples
 - And improvement plan

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Behaviorally Anchored Rating Scale (BARS)

- This combines the benefits of narratives, critical incidents and quantified (graphic rating type) scales, by anchoring a rating scale with specific behavior examples of good or bad performance.
- Its proponents say it provides better, more equitable appraisal than the other tools so far discussed

Developing a BARS typically requires five steps

- *Generate critical incidents* – ask persons who know the job (job holders and/or supervisor) to describe specific illustration (critical incidents) for effective and ineffective performance
- *Develop performance dimensions* – have these people cluster the incidents into smaller set of (5 or 100 performance dimensions, and define each dimension such as “conscientiousness”

- *Reallocate incidents*
- Another group of people who also know the job then reallocate the original critical incidents.
- They get the cluster definitions and the critical incidents, and must reassign each incident to the cluster they think it fits best
- Retain a critical incident if some percentage (usually 50% to 80%) of this second group assigns it to the same cluster as did the first group

- *Scale the incidents*
- This second group then rates the behaviour described by the incident as to how effectively or ineffectively it represents performance dimension (7 – to 9 – point scales are typical)
- *Develop a final instrument*
- Choose about six or seven of the incidents as the dimensions behaviour anchors

advantages

1. *A more accurate gauge.* People who know the job and its requirements better than anyone develops the BARS. This should produce a good gauge of a job performance

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3. *clear standards.* The critical incident along the scale make clear what to look for in terms of superior performance, average performance and so on
4. *Feed back.* The critical incidents make it easier to explain the rating to appraisees

5. *Independent dimensions.* Systematically clustering the critical incidents into five or six performance dimensions (such as “knowledge and judgment” should help to make the dimensions more independence of one another. For example, a rater should be less likely to rate an employee high on all dimensions simply because he or she was rated high in “conscientiousness”

6. Consistency

- BARS evaluations also seem to be relatively consistent and reliable, in that different raters' appraisals of the same person tend to be similar”

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Performance objectives

Characteristics:

- Clarity – simply, clear and easily understood
- Relevance – drawn from the overall business objectives, department, unit and personal objectives
- Quantifiable – quantity, quality, cost completion date

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Characteristics of performance objectives (cont..)

- Realistic - enhances employees strength and enables him to overcome his/her weaknesses
- Responsibility – within limits of employee responsibility
- Involvement -employee should propose his/her work objectives and then discuss with supervisor

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Competencies for performance

1. Technical competencies
2. People management competencies
3. Communication/interpersonal competencies
4. Personal organization and work methods
5. Marketing skills
6. Personal skills

Competencies

Technical competencies:

- Possess the required skills
- Exercises the requisite skills

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Guide to competencies (cont..)

People management skills:

- Support the work of colleagues to create a team spirit
- Ability to delegate and appropriately supervise
- Effective interpersonal relationship
- Monitors and evaluates
- Provide positive and negative feedback

Guide to competencies (cont..)

Communication/interpersonal skills:

- Second language
- Oral communication
- Writing skills

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Guide to competencies (cont..)

Personal organization and work methods:

- Takes initiative
- Meets deadlines
- Assumes responsibility
- Is able to work independently
- Plans, organizes and prioritizes work effectively

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Guide to competencies (cont..)

Marketing skills:

- Actively seeks new business
- Systematically tracks clients and beneficiaries
- Reports regularly on the status of ,market initiatives

Guide to competencies (cont..)

Personal skills:

- Confident and assertive
- Punctuality
- Creative and innovative
- Tolerant
- Responsible
- Flexible

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Guide to competencies (cont..)

Personal skills:

- Manages stress
- Receptive
- Respects others

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Steps in planning and implementing an appraisal system

- There are three steps in planning and implementing a staff appraisal system
 1. Planning meeting at the beginning of the year
 2. During implementation of job duties and activities
 3. At the end of two work period (6 months and 12 months respectively)

1. Planning meeting at the beginning of the year

- Supervisor (appraiser) and the supervisee (appraisee) agree on a standards, performance targets, and other job expectations, using tools such as job descriptions, work plans and project documents

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2. During implementation of the job duties and activities

- Interaction between the supervisor and supervisees continue to reinforce staff and the team

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3. At the end of two work periods (6 months and 12 months respectively)

- Appraiser and appraisee meet in an appraisal interview session
- Appraiser and appraisee engage in interactive discussions

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Appraisal cont

- After review and discussions, appraiser and appraisee jointly set operational or performance objectives, target and standards for the succeeding period
- Annually, a written analysis of the appraisee's performance identifying areas for improvement is prepared

Tools a Manager can use for Effective Appraisal

- Job Description
- Performance Standards
 - These state conditions which will exist when a job is well done. In using this tool, the manager and subordinate should determine what is to be done and how results can be measured

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- Specific Objectives and Targets
 - Short-term levels of achievements which are specific, measurable and achievable.

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Tools a Manager can use for Effective Appraisal (cont..)

- Incident files
 - Aids in the recall of good or bad performance, discussed and recorded at the time it happened
- Appraisal forms
 - Contains all elements of the job be appraised and recorded. Two sample formats are provided. Incident files

Approaches to performance appraisal

- ✓ Boss----- subordinate (downward feedback)
- ➡ Employee -----boss (upward feedback)
- ✓ Boss---subordinate/ Subordinates ---boss (up and downward feedback)
- ✓ Employee---- peers ----boss
- ✓ Employee ---peer ----subordinates ----boss (360-degree appraisal)
- ✓ Customers

Roles and Tasks of Supervisors and Employees

TASKS	Roles and Tasks of Supervisor	Roles and Tasks of Employee
Interpersonal Contact	Clarify performance, standards, job duties and expectations	Clarify expectations with respect to job and supervisor
Helping Relationship	Provide coaching and feedback	Perform job and develop personal strengths
Appraisal Interview	Plan and conduct performance review	Appraise own job performance
Goal Setting	Assist in development and approval of subordinates' plans for self-development	Establish goals and plans for self-development, propose job objectives, timetables and measurement

Errors in PA

1. Halo error

- Occurs when the rater uses one dimensions rating to determine the rating in other dimensions.
- The rater fails to discriminate between the persons weak and strong points hence the “halo” is carried over from one dimension to another

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2. Leniency/strictness

- Some manager tends to give relatively high or low rating to virtually every one under their supervision..
- The problem with both instances is that the rater is not able to adequately discriminate between good and poor performers

3. Central tendency error

- Occurs when manager lumps everyone together around the “average” or “middle” category. This gives the impression that there are no very good or very poor performers on the dimension being rated.

4. Recency errors

- Occurs when the rater allow the recent events to influence a performance rating over earlier events - an employee who has not met targets in the earlier periods of the appraisal and then as the appraisal period gets nearer, the employee is meeting all the targets.

5. Personal bias error/stereo typing

- This occurs when the rater allows specific personal biases to enter into performance evaluation. Influenced by gender, age, education etc

6. Cultural bias error

- Where the managers are aware of cultural background which they bring with them in performance appraisal. E.g. If his culture does not allow young people to talk anything negative to the old, then a young manager will find it difficult to put anything negative about an employee who is older than him.

7. Attribution error

- This occurs when the rater tends to see poor performance more within control of the individual and superior performance as more of an influence of external factors

8. Contrast effect or unfair comparison

- This occurs here the rater contrasting one employee's accomplishments against another who are not at the same level

9. First impression error

- Occurs where the rater uses the first impression he/she had of the employee to determine their performance rating. E.g. where on the first time your impression is that the employee is hard working and then deteriorates to being lazy, yet the rater does not notice the deteriorating and continues rating this person highly

How to reduce errors and improve PA

1. Train the raters so that they understand the evaluation process rationale and to recognize the sources of measurement errors
2. Make sure that the raters observe rates on an ongoing regular basis and that they do not try to limit all their evaluations to the formally designed evaluation period like annually or bi annually
3. Do not have the rater rate too many ratees. The ability to identify performance differences drops and fatigue set in when the evaluation of large number of people is involved

4. Make sure that the performance standards and dimensions are clearly spelt out.
5. Avoid terms such as “averages” because evaluators tend to react differently to different terms
6. Performance management is a daily supervisory responsibility and integral to management. If proper goal setting, coaching and feedback are done periodically, then the results of the performance evaluation will not be a surprise.

7. Supervisors understand and communicate how the goals of the organization directly impact the employee's job and performance.
8. Supervisors see performance appraisal, training and development and career path as interrelated and essential for the organization's success.
9. High performance is rewarded appropriately. Mediocre performance is not rewarded.

10. Good managers are honest, fair and caring with all employees. They remember to listen and promote 2-way communications.
11. Good managers know that turnover costs are high. They know that to retain employees, development and training are essential.
12. Supervisors understand that following the policies and guidelines for performance management is critical for successful defense in a legal setting.

13. Supervisors use the same process for all employees.
14. Job content is used in developing goals and evaluating performance.
15. Evaluations are behavior oriented and not personality trait oriented.
16. Employees are given the right to respond to the evaluation in writing and both the supervisor and employee sign the final copy.
17. Confidentiality is respected.