

PERFORMANCE MANAGEMENT

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By the end of the day the participant will be able to:

- Understand the principles of modern performance management and why they are important in the 2000s
- Apply objective-setting, coaching and evaluation techniques
- Develop plans to implement the process

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Questions this course will help managers answer

- What steps do we take to ensure increased corporate results through corporate performance management?
- What steps can I, as a manager/supervisor, take to make the performance management process more relevant and more acceptable to those who will be affected by it?

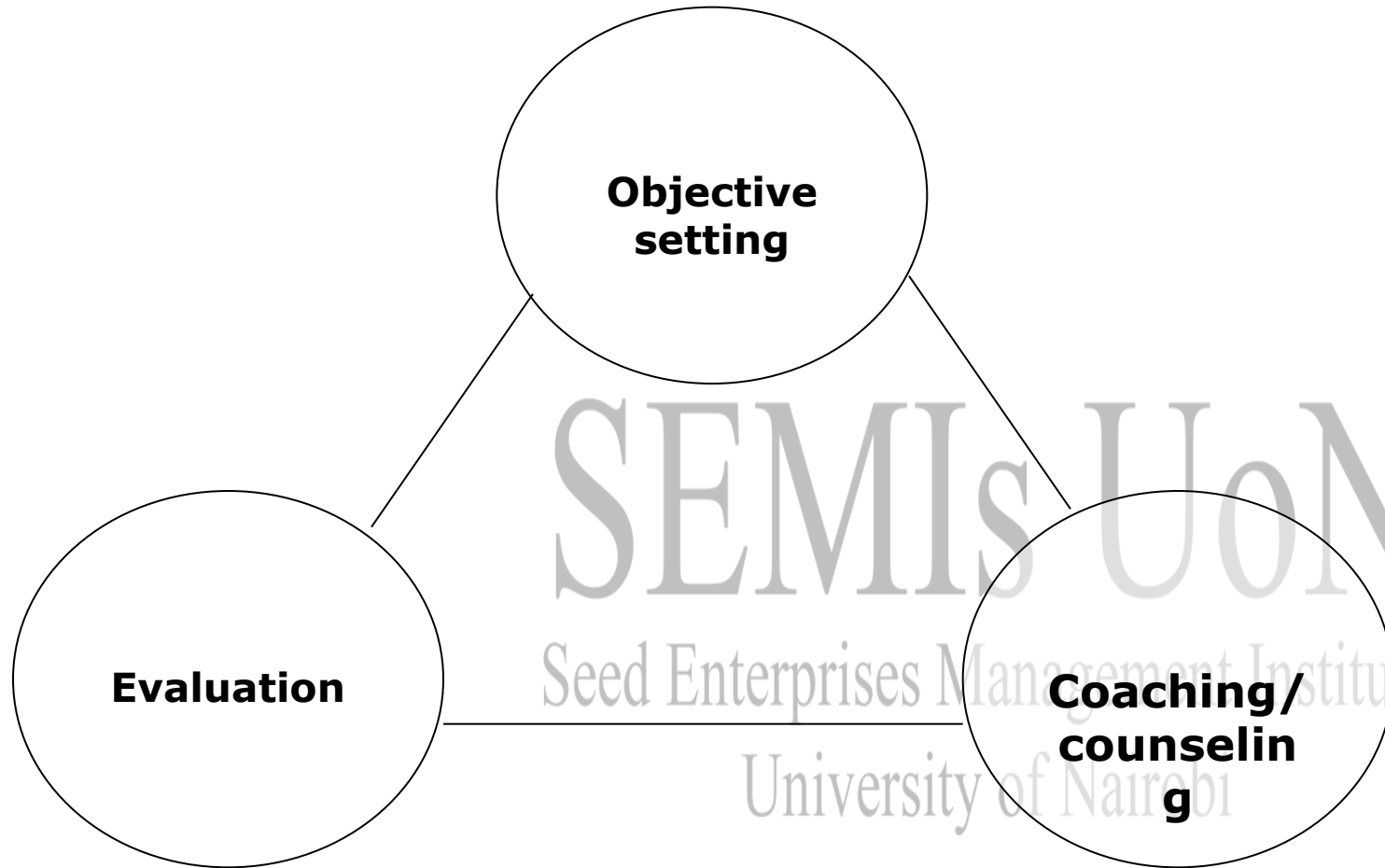
- How can we best fit our approach to performance management with the strategic direction of our department and business?
- Should managers and non managers be appraised from multiple perspectives – for example, by those above, by those below, by coequals, and by customers?

Cont'd

- What strategy should we use to train raters at all levels in the mechanics of performance management and in the art of giving feedback?
- What would an effective performance management process look like?

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Performance management: an integrated, continuous process



The 2000s environmental issues requiring performance management

- Increasing competition
- Standards, globalization, restructuring, downsizing
- Need for measuring performance – MBR
- Management based on control

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- Changing demographics
- Empowerment of employees
- Flatter organizational hierarchy
- Management based on commitment and performance contracts

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Performance management is different from traditional Management By Results (MBR) schemes

- Based on joint problem-solving approach
- Emphasis on corporate vision, mission, objectives, targets, measures and values
- Qualitative not quantitative

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- Method of obtaining results important
- Two-way, participatory
- Process-oriented
- Owned by line management/ supervisors
- Balances people and process factors

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Principles of performance management

- The culture must recognize human resource management as one of its values – there must be a genuine people orientation.
- There must be a commitment to increase the time given by management to personnel matters on a day-to-day as opposed to once-a-year basis.

Cont'd

- The emphasis must be on future-oriented objectives and coaching, not reviews of past mistakes or short-term results alone
- Long-term, team-oriented objectives that are consistent with the continuous improvement of the organization as a whole should balance short-term, specific objectives.

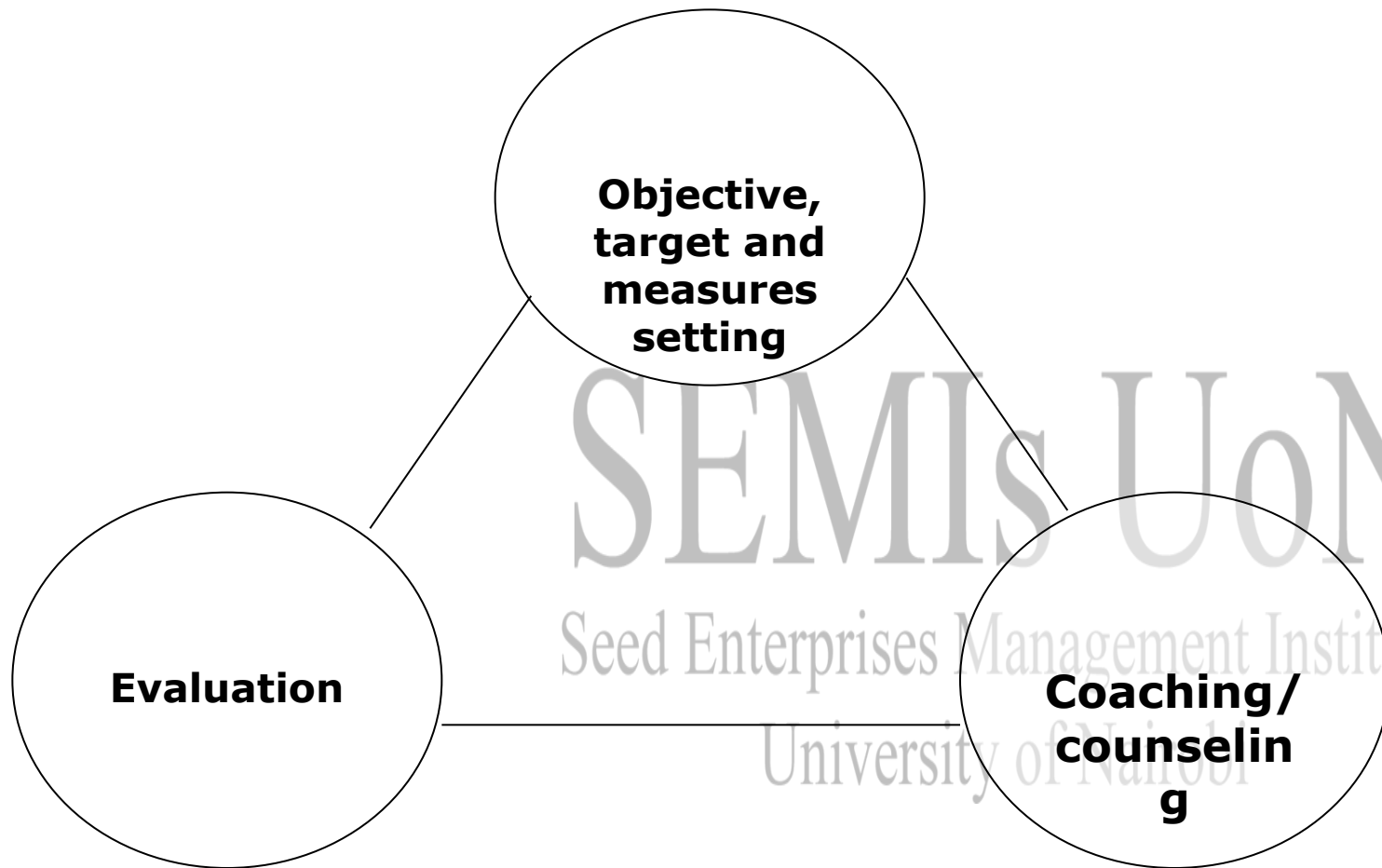
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- Communication with each employee must be honest and timely, aimed at performance improvement, increased mutual involvement in goal setting and definition of performance standards.
- Management skills must be at a level to make the performance improvement process operate effectively.

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- Employees should have increasing responsibility for planning their own careers.
- Managers, as appraisers, should be prepared to canvass the opinions of others in the organization rather than rely solely on their own assessment of subordinates.

Performance management comprises three essential elements



Performance and appraisal elements

- Progress towards key objectives and targets
- Human resources management and teamwork
- Achievement of key responsibilities
- The role of other departments/ units in achievement of objectives
- Availability of resources

The last two are not always within the control of the appraisee

CORPORATE BALANCE SCORE CARD

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Balance scorecard- What is it?

- Is a strategic performance management system for establishing and communicating an organization's vision, mission and strategy to stakeholders and employees, and for aligning day to day work to the strategy
- It provides a framework for planning, measuring and managing strategy as viewed from different perspectives of organization performance
- It uses performance measures to monitor strategic success and guide the selection of strategic initiatives.
- The measurements provide guidance in budgeting and allow the organization to learn what works

How it differs from other performance frameworks

- Very flexible, adaptable
- People use it and support it
- It derives change in organizational behaviour / performance
- Provides comprehensive view of the whole organization
- It ties strategy to spending
- It captures the value of the business
- It allows communication in the whole organization
- It deals with much more than quality and finance

Others Perspectives

- Process efficiency,
- productivity,
- operational capacity,
- Organizational capacity,
- people and tools etc

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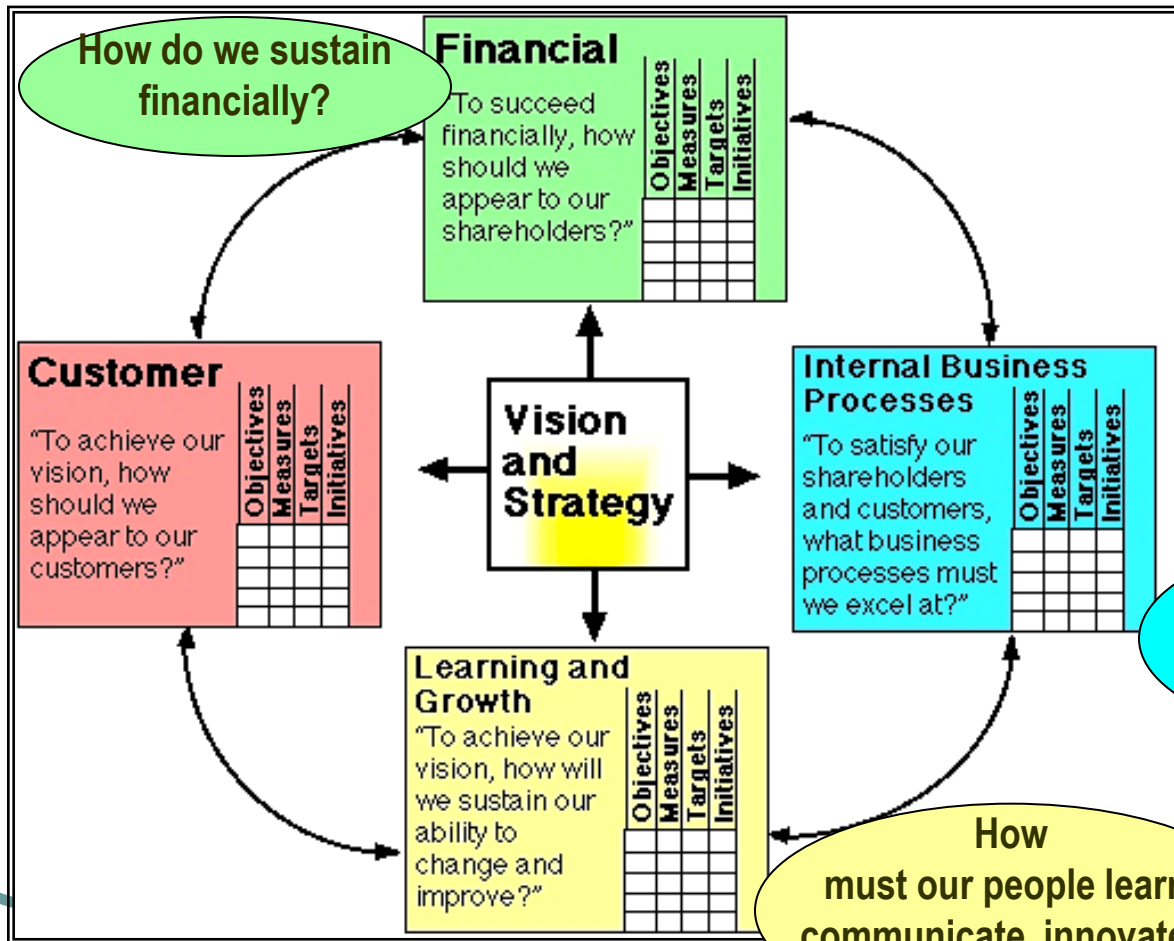
BSC Perspectives

- A perspective is a view of an organization from a specific vantage point.
- Common perspectives are:
 - financial,
 - customer,
 - internal process,
 - and learning & growth

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Four Perspectives of the BSC

The BSC offers managers a complete set of needed performance measures



How do we sustain financially?

People deliver what's inspected

NOT what's expected

What internal processes do we need to put in place?

How must our people learn, communicate, innovate & work together

BSC is....

Is:

- A unique strategic management system
- A communication tool for the organization
- A journey – change hearts and minds
- Strategic and operational – requires critical thinking
- A change initiative
- Balancing customer, efficiency, capacity building and financial views of performance
- Increased accountability
- Aligning vision with operations

BSC is not...

- just about performance measures
- Business as usual
- Putting existing metrics into perspectives
- Tighter individual control
- About current projects only

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Developing BSC

STEP 1

- Mission, vision, values, organization pain and customer needs

STEP 2

- Perspectives, objectives, strategic results

STEP 3

- Performance measures, targets

STEP 4

- Strategic initiatives, new directions

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BSC performance measures

Financial

Return on investment,
profitability, shareholder
value

Customer/stakeholder

Customer
satisfaction/retention

Internal business
process

Changes in process
efficiency (quality, quantity,
timeliness, efficiency)

Organization
capacity

Changes in employee
knowledge, skills, attitudes,
abilities, changes in
organization capacity

What are BSC Initiatives?

- Initiatives turn strategy into operational terms and actionable items
- Provide an analytical underpinning for decisions
- Yield prioritized projects that close the gaps among current levels of performance and target levels of performance
- Provides a structured way of eliminating projects that will not have major impact on initiatives
- Link spending and budgets to results

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Perspective	Objective	Measure	Target	Initiatives
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Financial	Profitability, business growth	Sales	20% increase	Training
Customer	Quality	Customer loyalty	80% increase	Customer loyalty programmes
Internal process	Improve factory quality	Timeliness	70% increase in year 1	Factory development plan
Learning & Growth	Train work force	% of strategic skills	Year 1 50%	Strategic plan

Typical performance measures

- Customer satisfaction
- Quality
- Employee development
- Timeliness of services
- Productivity – process efficiency
- Compliance
- costs

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Guidelines for developing measures

- Limit the number of measures-2-3
- Focus on most important programmes, benefits and values the critical measures
- Include at least one measure for each objective
- Use measures to track performance of objectives
- Check for balance among measures
- Set targets (performance expectations). Use bench marks or baselines
- Concentrate on customer perspective

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Financial	SHOW STRATEGY MAP
Customer	
Internal processes	
Learning and growth	

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‘What gets measured gets managed.’

G. Bennett Stewart III, Stern Stewart

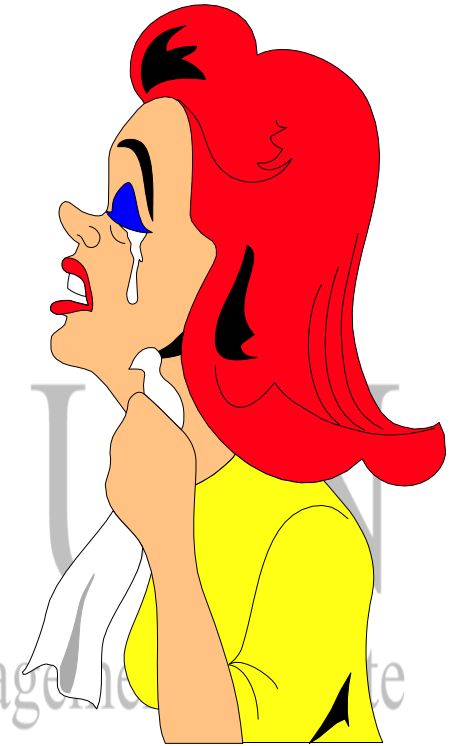
‘Measurement laggards will be shut out of eBusiness networks.’

The Forrester Report, Measuring Web Success, November 1999

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Remember:

**'If you can't review and
measure corporate strategy
you can't manage it**



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A Period of Transition

From

- Traditional board
- Stability
- Physical Assets
- Products/services
- Financial data
- Cost Reduction



To

- Networked Economy
- Speed of Change
- Use of Technology
- Stakeholders/Customers / Markets
- Future Value
- New strategy
- Change in approach to the board business

Old Economy



New Economy

Translating Strategy Into Action-implementation

The balance scorecard can be a cornerstone in implementing KBS strategy. Key success factors include:

- Clarify and update strategy
- Communicate strategy throughout the organization
- Align departmental and personal goals to the strategy
- Identify and align strategy initiatives
- Link strategy objectives to long-term targets and annual budgets.

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- **PERFORMANCE CONTRACT**

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PERFORMANCE OBJECTIVES

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Key objectives – definition

- A key objective is a clear statement of what the jobholder wants to achieve at some point in the future. It is a statement of intent – a firm commitment that some observable end result will be accomplished or contributed to in a certain period of time.

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Key objectives/ targets – principles

- People work more effectively if they know what is expected of them and know how well they have done it
- People are more likely to achieve key objectives and targets if they have been involved in establishing them
- People improve their performance most readily when they receive regular feedback and guidance.

Key objectives – characteristics

- Should be limited to 3-5 objectives and number of targets
- Should be mutually agreed on
- Represent stretch and continuous improvement beyond routine responsibilities
- Can be very specific and quantifiable or more general and qualitative depending on the level of an employee

Cont'd

- Can be short-term but should support long-term objectives
- Must be consistent with the long-term aims of the company and with its vision, mission and values
- Can be an individual or team objective. Evaluation should reflect the individual's contribution to the objective.

Key objectives – benefits

- Objectives provide focus, priorities and effective time utilization
- Objectives give you a reason for being – they justify your existence
- Objectives help to clarify what needs to be done to make things happen

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Cont'd

- Objectives help you to learn and develop – you know how successful you have been and therefore how you can improve
- Objectives help you to organize yourself and your resources
- Objectives help you to communicate to others what you want to achieve and how they can help

- **Key objectives – important points**

- Must be related to organizational strategy (mission)
- Must be distinguished from routine responsibilities

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Steps for participative objective and target setting

- Relate individual objectives to work unit and to wider company objectives
- Ask for subordinates' input
- Outline objectives for discussion
- Discuss and mutually agree the outline objectives – seek congruence
- Summarize, clarify and get commitment
- Express your confidence – assure them of your support

Guidelines for writing objectives/ targets

- Review principal accountabilities – where will key objectives produce the best results?
- Identify the performance indicators – what constitutes a job well done?
 - Quantitative
 - Qualitative

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Targets

- What is target?
- Write the targets SMART
 - **S**pecific
 - **M**easurable
 - **A**ttainable
 - **R**elevant
 - **T**rackable

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Performance management process

JOB DEFINITION AND JOB CLARIFICATION

What is the work?

How do you want it to be done?



PERFORMANCE REVIEW

How am I doing?



COACHING

Where and how can I improve?

What behaviours and tasks do I need to learn and to practice successfully?



REWARDS AND PENALTIES

What's in it for me?

Key principles

- Continual process – do it soon – vital tasks
- Help colleagues succeed
- Practical advice and assistance
- Focus on behaviour NOT the person – describe not evaluate
- Be specific and clear

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Cont'd

- Encourage the person – be positive
- Encourage self-assessment (How did you think you did?)
- Deal with one or two priorities
- Emphasize mutual responsibility – partnership
- Build on strengths as well as improving weaknesses

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Performance review – objectives, targets and measures

- Regularly evaluate the performance of individuals
- Assist the employee in building on existing strengths, overcoming weaknesses and improving performance.
- Assist the individual and the company in achieving superior results through focused objectives

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- Assist the company in meeting its manpower needs by identifying potential throughout the organization
- Provide a fair and equitable system of compensation that rewards excellent performance

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What to be measured?

1. Scope of work/ responsibilities

- Meeting job performance objectives and requirements
- Quality of work and meeting performance standards of the position
- Quantity of work – productivity – meeting or beating deadlines

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- Critical thinking/ making timely decisions – able to handle difficult situations
- Innovation and creativity – identifying opportunities and challenges
- Job and organisation knowledge – understanding the work, and requirements up to date

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2. Self Management

- Planning and organizing of work - prioritizing
- Attending to details, anticipating problems
- Timely responsiveness to issues and requests – urgency
- Initiative – taking action without being asked
- Offering solutions - conceptualizing

Cont'd

- Emotional control handling of crisis
- Training/ learning/ skills/ knowledge/ attitude
- Personal image – dressing – clear working area
- Ethical behaviour – honesty and integrity
- Delegation – giving clear instructions – give authority

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3. Working relationship

- Relationship with supervisors – cooperating and supporting
- Relationship with co-workers – respect, getting along – team worker
- Relationship with subordinates (officers only) given support, developing staff – role model

Cont'd

- Conflict resolution – resolving conflicts – able to discuss issues, criticize
- Customer service – giving service to both external and internal customers
- Leadership and administrative influence, skills

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- 4. Communication skills
 - Verbal communication: in meetings – explain issues – understand
 - Written communication: clear, concise, accurate, well organized
 - Document proofread: reflective appropriate personality

Cont'd

- Listening: gather accurate information, interested in what others are saying – people opening up to checks information
- Informing: timely – determining extent and scope of information
- Presentation: composed and confident, organized credible, getting desired results
- Ability to handle confidential information

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OBSTACLES

- The main obstacles to successful implementation of performance reviews are the attitudes and expectations of the parties involved – those objectives are often in conflict
- Many people anticipate the traditional judge-judged relationship in a performance review and this simply doesn't work.
- The key to effective performance appraisal lies in making the discussion **JOINT PROBLEM-SOLVING APPROACH**

Conducting an appraisal interview

- Start on the right foot:
 - Put the subordinate at ease
 - Set a constructive tone
 - Clearly state the objectives of the session

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Evaluate present performance:

- Listen to the subordinate's self-appraisal
- Present an evaluation of the subordinate's present job performance
- Discuss areas of difference about present performance and work towards reaching agreement
- Analyze the causes of inadequate present performance

Cont'd

- Use the last few minutes wisely:
 - Confirm agreements
 - Make feelings known
 - Decide whether another meeting is needed

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Steps for effective performance appraisal discussions

- Preparing
- Opening
- Evaluating performance
- Future planning
- Closing
- Follow-up

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PERFORMANCE APPRAISAL PROCESS

APPRAISEE'S NOTES (all staff)

- All appraisees to complete Part A and B of the review forms
- Retain a copy of completed form and give one copy to the appraiser prior to the meeting.

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APPRAISER'S NOTES (all staff)

(i) Preparation

- Prepare an assessment of the staff member's performance. You should receive the completed part A and B of Performance Review [PR] form from appraisee at least one week before the review interview. Read through the document and highlight areas for discussion during the review interview.

Cont'd

- Set the time and place for the review interview in advance. At least one week's notice should give both parties time to adequately prepare for the meeting. Allow 1hr to 1 ½ hours for the meeting. Make sure the location is private and interruptions are avoided.

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Cont'd

- Be clear on the objectives of the meeting. Decide whether or not there are achievements which should be recognized or performance areas which need improvement and which need to be discussed in more detail.

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Cont'd

- Anticipate and prepare for the staff member's perspective. The performance evaluation meeting is a unique opportunity for motivating staff to improve performance

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Cont'd

- Once you have completed the above sections of the form, please return the original to your appraiser.
- During the interview, the appraisee and their appraiser will discuss the appraisee's performance based on the rating and comments made by the appraiser in the form.

(ii) The review

- Review the objectives for the meeting with the staff member and how the results of the review will be used.
- Review the staff member's results against NHIF performance standards and expectations for the position:

Cont'd

- Ensure that the section A & B have been filled by the reviewee
- Discuss with the reviewee their achievement. Discuss the variances [if any, and agree on an action plan for improvement of performance]

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Cont'd

- Proceed through each performance standard and expectation, one at a time. Refer to the staff member's self evaluation
- Ask the staff member for their input. Listen carefully and be prepared to change your point of view if you learn something new

Cont'd

- Reinforce standards or expectations that were met or exceeded
- Discuss any improvements that are required and outline training options
- Be concise
- Focus on performance, not personality

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Cont'd

- Discuss the overall performance rating:
 - Advise the staff member of the overall performance rating and explain how the rating was determined
 - Explain that the overall performance rating is linked to training, development, and where necessary discipline.

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Cont'd

- Agree on action plan with target dates for follow-up
 - Conclude the meeting on a positive note.
 - Make sure the staff member agrees to sign
 - Thank the staff member
 - Record the performance evaluation meeting.

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Cont'd

- Head of Department's role
 - To review the appraisal results and make comments in No. 3 & 6 (*official use only section – both forms*).
- Personnel and Administration's role
 - To summarize the appraisal scores and records

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(iii) Performance evaluation committee

- A review committee shall sit as soon as the sections A to B1-4 have been completed in order to make the final assessment. The committee should recommend the future action based on the overall rating. This should be indicated in section B4.

Cont'd

- All cases of disagreement between the reviewer and reviewee shall be reviewed here and their recommendations and appropriate action taken. Where there is no consensus among the committee members the decision made by the immediate supervisor shall prevail

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(iv) Performance feedback

- The decision/ results of the review must be communicated to the reviewee and implemented by Personnel and Administration Department.

(v) Comments by the Chief Executive Officer

- The Chief Executive Officer is the immediate supervisor to counter sign staff in HOD's level.