# Key Principles in Performance Management

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Effective performance management systems are built on several important principles so that they can achieve the cardinal objective of ensuring that PERFORMANCE happens and the other ancillary goals of an effective system.

Organizational leaders and professionals in the human resources and strategy (planning) function as well as employees who are required to drive performance need to be cognizant of these principles and strive to ensure that their systems for performance management and their application/practice of performance management reflect these principles.

The first is STRATEGY ALIGNMENT. This is about ensuring that the strategy of the organization is owned and well understood by all employees; that the strategy is truly an organizational strategy – one that cuts across the entire organization and not just a handful of departments or silos within the organization; and that the strategy is translated into goals at the departmental, unit, team and individual level that actually reflect strategic priorities; and that each employee regardless of their level or function takes ownership for the strategy and can see the relationship between the work they do and the strategic priorities of the organization.

From our experience, achieving strategy alignment in this way will be enhanced when:

☐ Strategy development is carried out in a bottom-up, top-down approach that truly engages ALL employees.

- ☐ Strategy development is driven by thorough macro, industry and organizational analysis that identifies "pain points" and "sweet spots" as strategic themes.
- ☐ The strategy plan is all encompassing and focuses on all perspectives of the balanced scorecard rather than just focusing on the financial/sales targets.
- ☐ The process of translating strategy to goals is effective and involves building the internal capabilities of line managers and employees to create strategy-aligned goals by themselves.
- ☐ Leadership capability is high, and a greater proportion of employees and managers are "A Players".

In addition to strategy alignment, effective PM systems can MEASURE WHAT MATTERS. Goal setting is at the heart of an effective PM system. Our experience shows that when organizations pay attention to developing goals at the organizational, department, unit and the individual level that are reflective of the broader strategic priorities and are S.M.A.R.T., they can drive performance in the right direction.

Most organizations unfortunately still have a legacy of performance management systems that are built upon subjective goal statements or goal statements that do not meet the high standards of being S.M.A.R.T., or even goal statements that are S.M.A.R.T., but still are not aligned with the real priorities of the organization.

For example, we have seen organizations where for some absurd reason, line managers, strategy (planning) and human resources professionals allow employees to set key performance indicators (KPIs) that do not reflect the strategy of the organization. So, they spend the whole year measuring and monitoring performance goals that are business as usual (BAU) rather than being strategic and do not reflect the most important priorities of the organization.

At the end of the year, performance appraisals are carried out, employees are scored high marks for achieving their BAU goals and at the end, the strategic priorities of the organization are still NOT achieved. Sometimes, the organizational leaders who are focused on these priorities observe this and then MODERATE the outcomes of the BAU appraisals resulting in lower performance ratings and rewards for employees. When this happens, the employees are disillusioned about the PM system, and it leads to less productivity in the long run. All of these could have been avoided if the organization ensured in the first place that they only MEASURE WHAT MATTERS.

Also related to measuring what matters is recognizing that you cannot measure everything, and you shouldn't. Organizations must build the capacity of their planning/strategy, HR professionals and Line Managers to prioritize goals that they measure. You cannot measure every activity that you are responsible for, so you cannot have an unlimited number of KPIs. Rather, you should focus on a handful of KPIs that really matter and measure them. This way you focus on measuring the goals that really matter.

Another important principle in effective performance management is creating an effective system for PERFORMANCE MONITORING, EVALUATION, AND IMPROVEMENT. The monitoring and evaluation focus in PM is three-fold. Firstly, you need to have a system for tracking, reporting, and evaluating performance on and on-going basis that allows employees and leaders to obtain performance information and use it to make decisions all year round.

Secondly, it is about putting in place systems and processes to improve performance based on the on-going results that have been reported; and thirdly, it is about evaluating the efficacy of the performance management system itself and the extent to which the system is being implemented

The fourth principle that we believe is essential for an effective PM system is CREATING A CULTURE OF PERFORMANCE. This is about employees across the organization recognizing the importance of an effective PM and taking ownership for driving the success of the PM. If employees own the PM system and implement it with the rigour and passion that it deserves, then the goal of the PM system – to achieve RESULTS will happen, and employees will now be able to benefit from these RESULTS.

I always tell the story of how I became very interested in performance management. Sometime in 2007, the company where I worked was transitioning from a behaviour-based PM system to a results-based one. I had been a highly rated employee under the old system and was worried that I may not be able to sustain my high ratings in the new system that focused on S.M.A.R.T KPIs as opposed to largely subjective measures like "Adaptability", "Innovation" and "Integrity" that we had been used to.

I took this "personally" as we say in Nigeria, dug into all the books, articles and trainings I could find about performance management and the balanced score card, and like they say – the rest is history. I soon became

the in-house PM afficionado and here I am, almost fifteen years later still very excited about this subject.

Where a culture of performance has not taken root in an organization, employees will continue require pushing and prodding by a handful of committed leaders and planning/strategy and HR professionals. This will no doubt create some results – but nothing compared to an organization where everyone understands the performance imperative and lives it out.

Creating a culture of performance is largely dependent on three things – 1) The quality of employees to own the culture; 2) the commitment of leaders and line managers to exemplify this culture; and 3) the capacity of HR and strategy/planning professionals to drive and embed the culture.

The final principle that drives an effective PM system from our experience is about focusing on the bigger picture – THE OVERALL CULTURE OF THE ORGANIZATION. In the words of management guru Peter Drucker "Culture eats strategy for breakfast". No matter how novel a PM system that you put in place, the overall culture of the organization – in terms of people's beliefs and values and the attitudes and behaviours that are exemplified and incentivized will affect the PM system.

For example, if Executive Leaders are too busy to deliver on the expectations of the PM system, then you will find that employees will tend to do what the leaders do, rather than what the leaders say.

In the public service for example where tenureship and passing a promotions exam is considered more important in practical terms than performance (regardless of what the public service rules say), you will find that everyone scores 90% and above on their KPIs (which usually are not SMART) and then the focus is on the exam and moderation process which often suffer from the endemic twin cultures of corruption and nepotism that is widely prevalent in our public service. This type of culture certainly cannot create or sustain a healthy PM system. If we want PM systems to work, we must have the right culture that support effective performance management.

In developing and implementing a PM system, we urge you to pay attention to these five principles of strategy alignment; measuring what matters; performance monitoring, evaluation, and improvement; creating a culture of performance; and building a positive organizational culture.