

Creating a High Performance Culture

The Importance of Performance Management

While it may seem like common sense, great performance management practices are not necessarily always in place in organisations. Too often, this is an area where organisations do not get it right and instead have partial or un-integrated practices. Fully capitalising on the alignment possible between people's efforts and desired organisational results can result in significantly improved results from their people.

Most of us wouldn't argue with the need for an organisation to have a business plan to ensure the organisation has a clear focus and direction that all stakeholders understand and which enables the organisation to grow. However we have worked with a number of organisations over the years, that don't have the same kind of building blocks in place for the development and alignment of their people.

They either don't have clear goals for their employees based on the business plan, or they lack understanding on how to align and develop their team members' capability through the use of competencies, feedback, and coaching and development planning.

A recent landmark study on high impact talent management conducted with over 750+ global organisations by Bersins and Associates identified the highest impact talent practices - "impact" referred to the average % improvement in 16 business measures for organisations that had implemented them versus those that hadn't. Of the top 22 highest impact talent practices, eight were related to performance management, demonstrating its critical nature as a foundation for managing and harnessing the talent within an organisation.

The table below shows their findings:

#	Top 22 High Impact Talent Practices	Impact	Area
1	Coaching: formal or well established coaching programs for employees.	48%	Performance Management
2	Consolidating staffing requirements across the organization	42%	Sourcing & Recruiting
3	Ability of current workforce planning process to identify current and future talent gaps	38%	Workforce Planning
4	Competencies maintained through annual maintenance process	34%	Competency Management
5	Staffing metrics: measuring time to hire, cost to hire, and quality of hire	33%	Sourcing & Recruiting
6	Cascading goals: aligning goals to manager or corporate goals	33%	Performance Management
7	Development planning: creating consistent development plans across the organization	33%	Performance Management
8	Establishing goals: establishing clear and measurable goals for all employees in the organization	32%	Performance Management
9	Job functional competencies well established and used throughout the organization	32%	Competency Management
10	Competencies used in recruiting process for assessment and interviewing	32%	Competency Management
11	Managed recruiting process: carefully monitoring and tracking interview process	31%	Sourcing & Recruiting
12	Assessing performance: delivering an annual performance appraisal and evaluation	30%	Performance Management
13	Internal sourcing: internal job postings, career planning, and promotion to recruit from within	29%	Sourcing & Recruiting
14	Leadership competencies well established and used across the organization	29%	Competency Management
15	Performance based compensation: consistently linking compensation to performance ratings	27%	Performance Management
16	Competencies used in performance management for assessment, review, and development	27%	Performance Management
17	Developmental training: training directly tied to developmental goals of individuals & organization	27%	Learning & Development
18	Competencies used in leadership development programs for training	24%	Competency Management
19	Pre-hire assessment: assessing candidates against competencies for a position	23%	Competency Management
20	Employer brand: using web, collateral, and marketing to position organization well for recruiting	22%	Sourcing & Recruiting
21	University recruiting: working closely with educational institutions to obtain qualified candidates	22%	Sourcing & Recruiting
22	Maturity level of leadership development: Strategic Leadership Development (level 4)	21%	Leadership Development

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The top ranking high impact practice is "well established coaching programmes are in place for all employees". It is certainly our experience that this makes a substantial difference to the engagement and development of all employees. All of the performance management practices highlighted here are part of what we refer to as the four cornerstones of effective performance management. We focus on these when working with organisations to review the effectiveness of their current performance management practices and redesigning their processes and implement improvements.

The four cornerstones are:

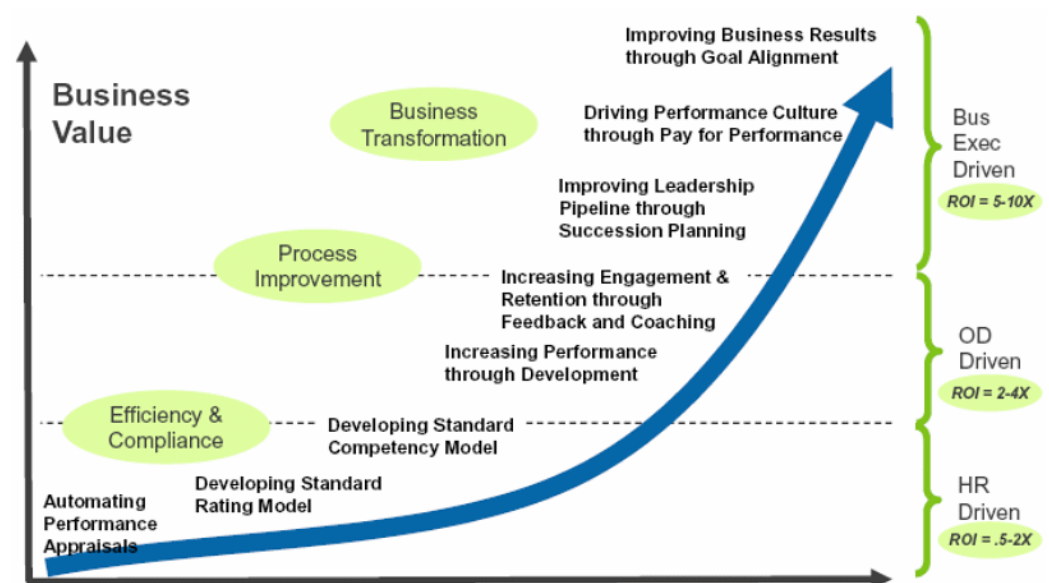
1. **Common understanding** - about the organisation's goals and priorities through the communication and understanding of the business plan and if relevant to the business unit or team plan.
2. **Clear expectations** - around what is expected of us via our performance plans, the role we play, through our job descriptions and accountabilities, what we're good at and what we need to improve through feedback and coaching.
3. **Commitment** - to our work and to the company based on a meaningful experience of being managed through regular coaching and feedback and a focus on growing and developing.
4. **Competencies** - which define what behaviours we need to exhibit to be successful in our roles - these are built through feedback and learning.

Additionally, there needs to be a link to remuneration based on:

- The consistent objective **measurement of performance** - via performance plans aligned to business goals
- The objective **measurement of competencies** - the skills and behaviours your employees need to exhibit to perform successfully in their roles

If any of these are missing, performance management is less than effective and the benefits will not be achieved. Implemented together they form the foundation for achieving the benefits associated with effective performance management.

The graph below demonstrates the level of business value and ROI that can be achieved by implementing all of the various performance management components. The benefits are indeed substantial - up to 5 to 10 times the investment when performance management is being used to drive business transformation.



Use this model to review your own performance management practices and think about where you can drive substantial business improvement by refining your practices.