



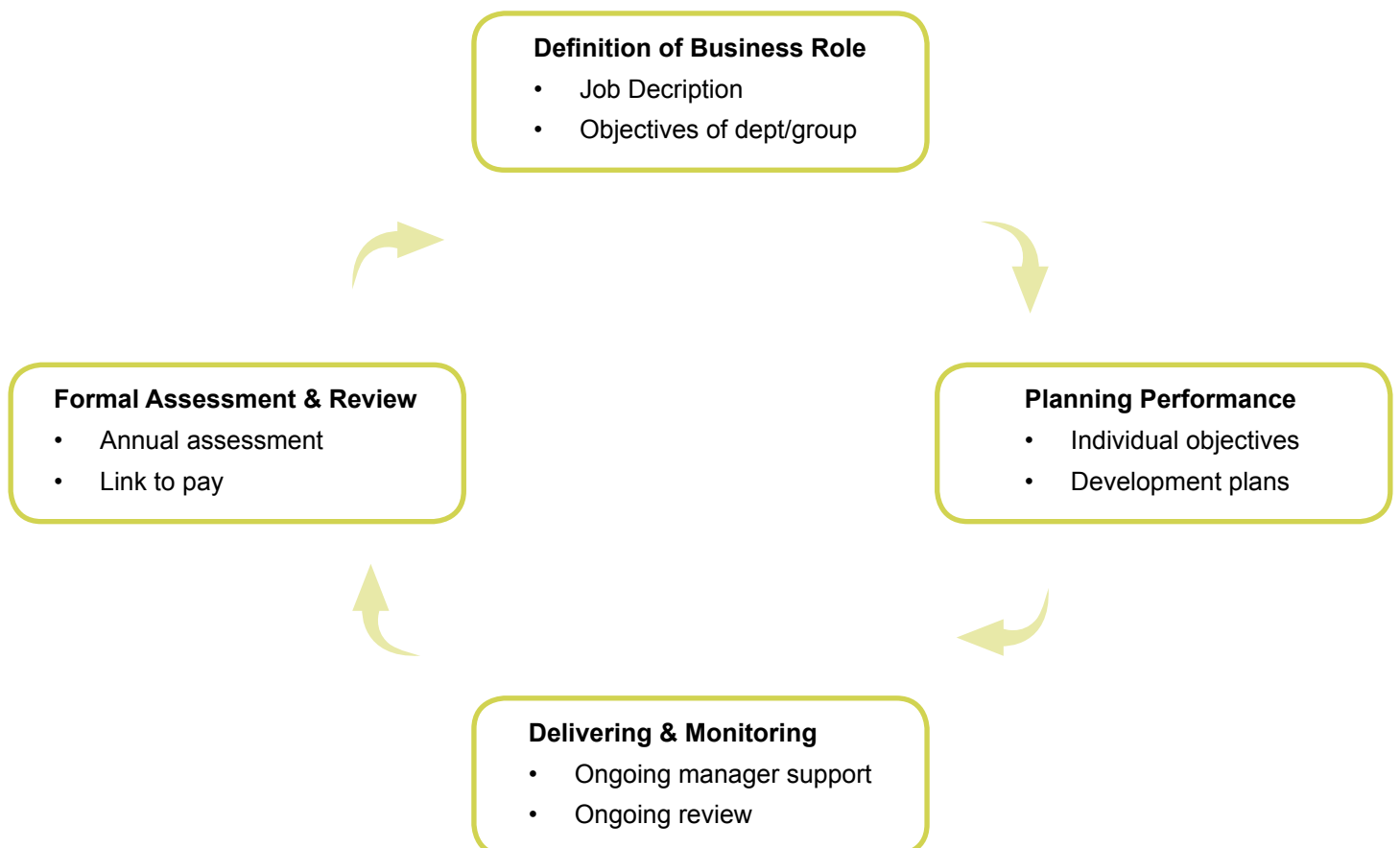
Performance Management Excellence

This toolkit includes:

- What a typical performance management system looks like
- Three important elements to achieving performance management excellence

Effective Performance Management

A typical performance management system might look as follows:



Element #1

Fostering fairness and transparency

Two key motivating factors for employees of any company are **fairness** and **transparency**. Even though performance appraisal processes are not public, a well-run process will be evident to everyone, building confidence that everyone is experiencing the same process. If there is a strong connection between achieving clearly set performance expectations and progression (salary, bonus and responsibility) then people will see the process as fair. Transparency comes from seeing that everyone undergoes the same process, and the details do not need to be made public. The alternative is that leaders are seen to make ad hoc decisions based on informal interactions, or worse personal relationships, and fairness suffers (management debt).

More importantly, if the connection between good performance and the expectation of fair rewards is broken then motivation will suffer.

Many scale-up CEOs make the mistake of thinking that the grand gesture of an unexpected promotion or reward is justified by the fantastic response of the recipient. What they do not see so quickly is the lingering feeling of injustice if it is not clear to other people what justified this outcome. This feeling of injustice is equally likely if underperformers are not dealt with because they have been with the business for a long time.

Element #2

Why process drives better outcomes for all

Inexperienced managers can easily fall into the trap of focusing on the supportive, encouraging, motivating part of performance management. They will tend to skip the harder performance appraisal elements of identifying and communicating weaknesses and development needs, and ultimately will avoid making tough decisions if there is no commitment to effective change.

In the long term, this is doing both the company and the individual a disservice as the chances of improvement are slim without acknowledgement of the issue and direction on rectification. This type of poor communication might even mislead an individual in terms of their expectations meaning they may be demotivated or leave when their unrealistic expectations are not realised. It is inexcusable (not to mention, inconsiderate, incompetent, and often costly) for someone to be dismissed for poor performance, but not see it coming. They should have known, in advance, what they needed to do to turn things around, even if they didn't manage it.

The CEO will normally set the tone for what people perceive as acceptable within a company, especially in a scale-up business, but these individuals do not necessarily get open, honest feedback on their own actions. Without good company processes, it is entirely possible for a workforce to be generally motivated but also dissatisfied.

The CEO will get the feedback on positive motivation and think they are doing all the right things. But without a good HR function or someone who plays a similar listening role (e.g. a longstanding employee not in management but with a good open relationship with the CEO), they might not hear about the minor but consistent complaints that indicate growing dissatisfaction. The CEO's motivational aura may protect him or her from personal criticism about how people are managed, but the negative impact on company performance may persist nonetheless.

Element #3

Set the standard and live by it

As CEO of a growth-stage company, you need to set a good example to the senior managers, and indeed the whole company, in being accountable, open to feedback and committed to addressing development needs (both your own and those of the company). This is perhaps demonstrating a degree of vulnerability that many founders and CEOs would not naturally want to show, perhaps because the scale-up phase is so much about strong self-belief, and less about being self-aware and open to personal feedback.

An essential development that CEOs in the scale-up phase experience is losing the feeling that you need to have all the answers. This is a journey that any founder who wishes to remain as CEO in the long term needs to go through. Almost certainly, a good mentor or coach will be needed to get them there. Identifying the appropriate development approach required for each individual is a fundamental part of the asset management programme for your greatest asset. This sets the tone in terms of fairness and transparency throughout the company.

Performance management doesn't need to be bureaucratic and hierarchical, but it does need to provide a structure for the ongoing interaction between leaders and colleagues linking organisation and personal goals. It also needs to adapt to changing goals. Research on millennials shows clear differences to previous generations, especially in regard to flexible working and more relaxed or informal working environments. They also expect recognition from their bosses, meaningful work and to be challenged. A good performance management process should be perfect to meet all of these expectations.

Ten years ago, the outcome of a task was 80% due to individual efforts. Now, it is more likely to be 50%. Relying on simple performance metrics is no longer effective enough and, certainly in service industries, going beyond the obvious KPIs is critical. Describing good and bad behaviours within the performance management system is essential to genuinely improving organisational performance not just ticking boxes on a dashboard. Job satisfaction will also benefit by building staff confidence in what the right thing to do is and will allow greater freedom of action.

To summarise:

What works best in Performance Management is

- **The CEO leading by example.**
- **A CEO who gets honest feedback**, and is informed of underlying issues by trusted team members.
- **A senior management team with the maturity and honesty to be transparent about personal underperformance issues**, and who will develop the paths to address it.
- **A clear link between the company's goals and an individual's goals.**
- **A documented process.** This must be regularly followed up and form part of a continuous interaction between company, leader and individual. It should provide direct, transparent, connections between expectations, outcomes and progression.

See more at www.frogcapital.com/scale-up-methodology

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