

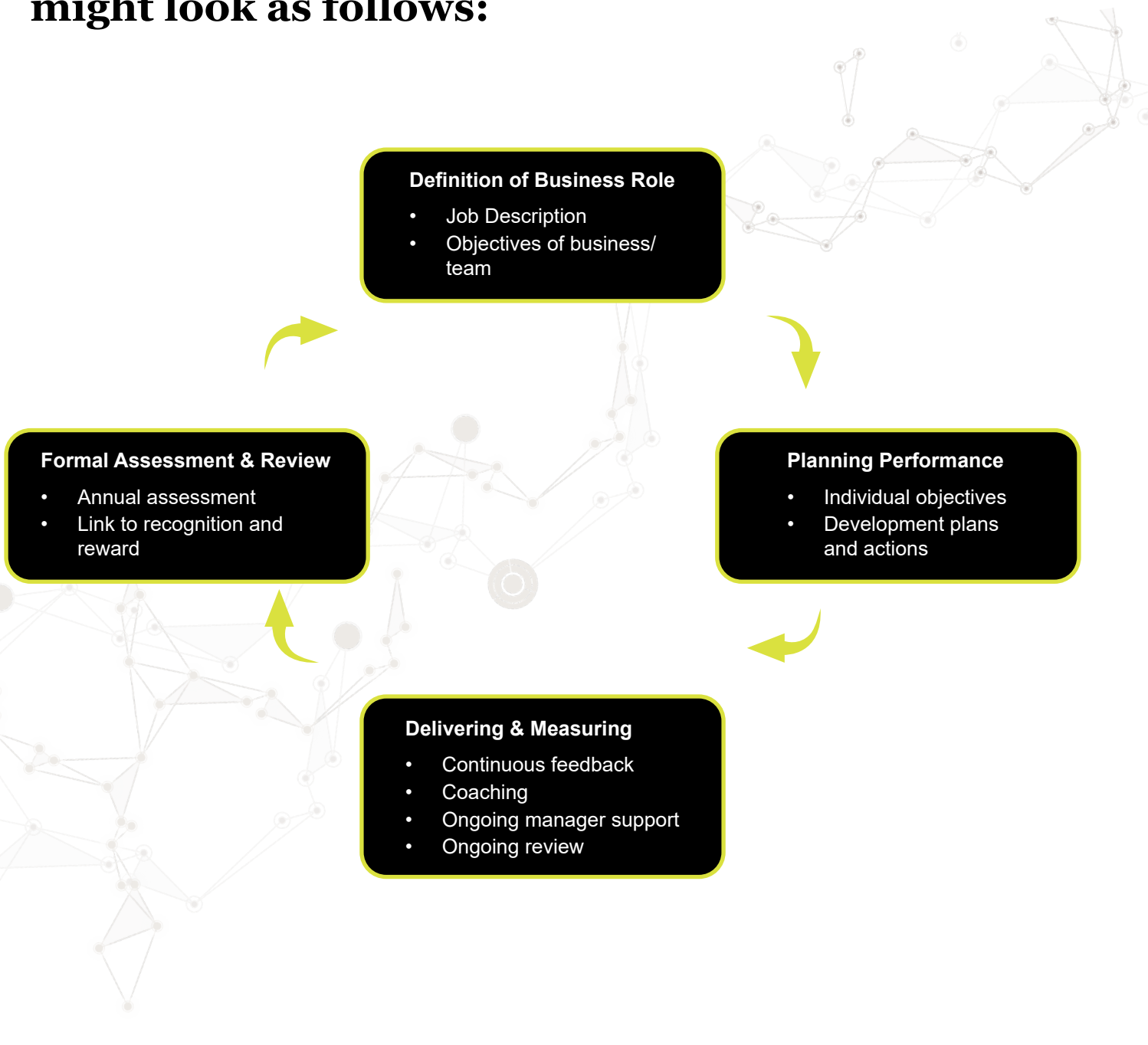
Performance Management Excellence

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:




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Element #1

Fostering fairness and transparency

Two key motivating factors for employees of any company are fairness and transparency. Even though performance management 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 recognition (through reward and/or changes to responsibility) then people will see the process as both fair and worthwhile.



Transparency comes from seeing that everyone is part of the same process including senior colleagues, and therefore the precise details do not need to be made public. Without a clear process leaders would be seen to make ad hoc decisions based on informal interactions, or worse personal relationships, and the sense of fairness would suffer.

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

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 whatever the reason.

03

Element #2

Why process and the capability of managers drives better outcomes for all

Regardless of the process or system in place excellence in performance management is not easy. It is critical that managers are capable and understand the breadth of the process.

The process ranges from the ongoing 'check-ins' creating an open culture where issues or challenges (in either direction) can be surfaced in the moment and increasingly where wellbeing type discussions can take place through to the formal review part which not only needs to 'look back' but should also build into setting new objectives and agreeing personal development actions.

Within the process the ability to provide honest and constructive feedback is a fundamental skill. Sometimes even the way in which you recognise exceptional performance requires careful thought to ensure continued engagement and motivation. It is especially important to ensure that the tougher elements of giving feedback on development needs and performance issues are not avoided. Ignoring these challenges 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, when they were unaware of their failings and how they needed to improve.

Investing in development for all people managers can be worthwhile in the long term. Ensuring that these managers are comfortable with the breadth of the process and have the skills to successfully implement and avoid the common pitfalls.

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Element #3

Set the standard and live by it

As the process must apply to all members of the team it will be important for the CEO to actively take part. This can be done through seeking feedback at all levels both formally and informally. Making sure you know how your employees feel in terms of their level of engagement can be very illuminating and as the business grows in scale it will be important to ensure there are ways for this to happen. This could include formal approaches plus the use of a 'critical friend' who can play a listening role e.g., a longstanding employee not in management but with a good open relationship with the CEO).



As CEOs often have a strong motivational aura which could protect them from personal criticism it will be important to find a way to get honest feedback about how people are managed to ensure this is understood and any potential negative impacts are dealt with promptly. As CEO of a growth-stage company, doing this is perhaps demonstrating a degree of vulnerability that many founders and CEOs would not naturally want to show, may be because the scale-up phase is so much about strong self-belief, and less about being self-aware and open to personal feedback.

However, 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 everyone is a fundamental part of the asset management programme for your greatest asset. This sets the tone and defines the culture throughout the company.

Set the standard and live by it (continued)

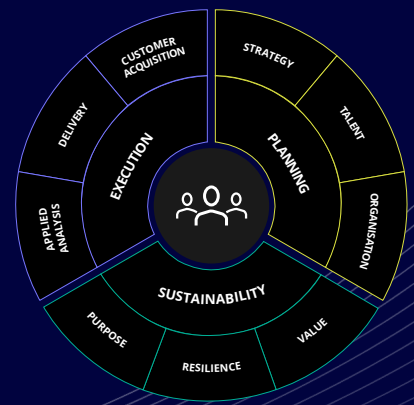
As you scale up you may not personally know everyone so you will need to identify a common language and understanding of what good or exceptional looks like. You can use this through discussion to assess your own team and then share more widely.

Performance management doesn't need to be bureaucratic and hierarchical, but it does need to provide an agile structure for the ongoing interaction between leaders and colleagues linking organisation and personal goals. It needs to be successful in the new world of work with the increase in flexible and hybrid working and more relaxed or informal working environments. Millennials also expect recognition from their bosses which also shows they care about them as people, meaningful and challenging work that delivers towards the vision and to be able to see a career path.

A good performance management process should be perfect to meet all 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. This clarity for all employees of what is expected both in terms of the 'what' and the 'how' along with the chance to contribute to continuously improving the process will enable the successful achievement of the vision of the business.

Summary



What works best in Performance Management is:

1

The CEO authentically leading by example

2

A CEO who gets honest feedback, and acts upon it

3

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.

4

A clear link between the company's goals and an individual's goals.

- Regular two-way 'check-ins' for feedback purposes
- Capable people managers

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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.



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