

Performance Management



A guide to help you explore some important considerations about performance measurement within your business

Performance management is a broad term and can be said to incorporate any activity that seeks to assess whether goals or objectives are being met, be that in relation to an individual, or with regard to business performance. Results management is a process not a one-off event because it should be ongoing in any business with a range of inter-linked activities taking place which are designed to capture how the business is performing from a variety of perspectives.

Performance Management

This guide is designed to highlight some important considerations about performance measurement within your business and covers the following content:

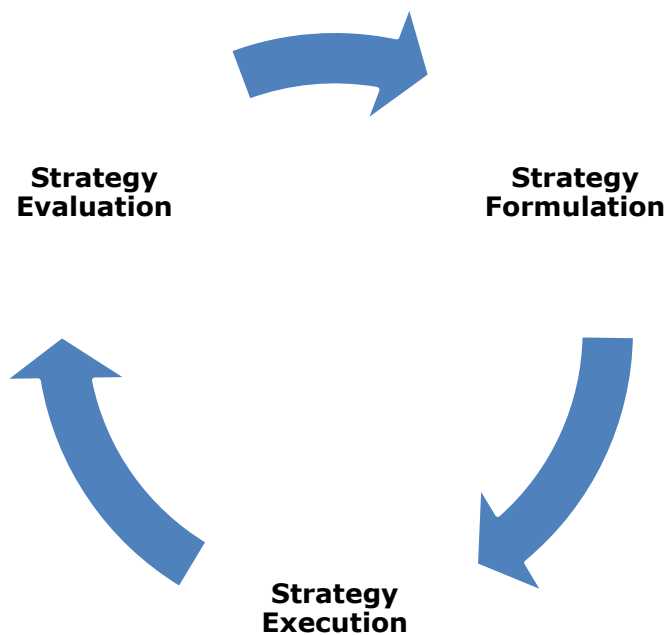
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1. Introduction

For some time, it has been recognised that no one performance measure can adequately meet all management feedback and analysis needs in a competitive environment, and as such, you need to adopt a measurement

approach which provides you with as holistic a view of business performance as possible. But what to measure? To answer that question it is useful to reflect again upon the broader strategic management process:



That's a fairly simplified strategic management model but it's helpful to inform the discussion as to what you want to measure:

Strategy Formulation and Evaluation – as a result of your strategic planning process, you will have defined your strategic goals, set strategies, and agreed plans to achieve them. Clearly, as part of any results/performance management model, you will want to know whether your plans are working and if you are heading towards your goals.

Strategy Execution – strategy in any business is executed through its people and the process deployed, so clearly you will want to know how productive and effective your people are, as well as how well your processes are performing.

As a result of this rudimentary review of the strategic management process, you can say that in any business there is need to measure the performance of your people, processes and results.

Across these three dimensions, it is possible to get very bogged down in trying to describe the different types of measures you can have within each, but in straightforward terms you will want to have both financial (e.g. revenue and costs) and non-financial (e.g. customer and employee satisfaction) and within these categories you will have both **outcome measures** - which tell

what the result was at the end of a given period and **tracking measures** or indicators - which tell you what is happening on an ongoing basis.

Of course, an additional question arises here and that is when to measure? The answer to that is all the time, as you need to keep an eye on the indicators to make sure you are on track, otherwise you will not achieve the desired outcomes. Your measurement intervals can consequently be said to be daily, weekly, monthly, quarterly and annually depending upon what measures you are talking about.

2. Measuring People Performance

Measuring people performance is not always easy as there is no 'one-size-fits-all' approach which can apply to all businesses. However, regardless of the nature or size of your enterprise a number of key activities apply to the measurement of people performance and these are addressed below.

Of course, carefully matching people to available positions as part of your recruitment process could be said to be the first step in this regard because if you select employees who represent the best fit with your business, then they will likely deliver better performance, and that will be positively reflected in the measures.

2.1 Clarify expectations

It is not possible to fairly or objectively measure someone's performance if they are not 100% certain as to what is expected of them in the first place. From an employee's perspective, this is partially achieved through providing them with a detailed Job Description, but you must ensure that on a continuous basis you, and your individual managers, provide your employees with clear and concise instructions. Where possible, you should also set specific individual targets for your employees so that there are concrete measures in place to help you gauge their performance.

In addition, setting team-based performance targets (perhaps related to their process) can be useful to help you monitor how the team is performing as a unit.

At a management level you should specify in great detail what you require from your managers and one way of doing so is through the development of a Leadership Competence Framework which defines not only what they must do, but what they must achieve in terms of specific targets and results. You can find further information on this in the [Leading your Organisation online guide](#).

Other ways of clarifying expectations for all employees are through communication tools such as your codes of conduct, policies and procedures, and standards of performance.

2.2 Training and Support

Of course, you cannot expect individuals to perform to the optimum if you do not invest in training and development so that they continuously enhance the skills and competences necessary to achieve the targets set for them. A section in the [Getting the Most from your Employees online guide](#) is devoted to this issue.

In addition to developing your managers and employees, you must also provide them with the necessary support, and where appropriate, resources, in order to help them deliver on expectations.

2.3 Ongoing Supervision and Feedback

An important element in measuring performance as it applies to your people has to do with ongoing supervision. When an employee, at any level, underperforms then this must be addressed because a failure to do so sends out the wrong signal to them and to others. Naturally, this does not mean

responding in an aggressive manner, but it does mean confronting issues when they arise in the appropriate manner relevant to the problem and the person involved. As part of this ongoing monitoring of employee performance, individually and collectively, they should receive constructive feedback on a regular basis and platforms such as job chats and team briefings are designed to facilitate this process.

At a management level, apart from keeping an eye on their general performance, this ongoing monitoring will of course also be based on the specific targets you have set for them personally, as well as those targets established for the process they own.

2.4 Formal Performance Reviews

This activity is at the heart of measuring individual performance and all employees in your business should receive a structured and comprehensive appraisal at least once, if not twice annually. For employees, this should be based on defined criteria relevant to their job description as well as on measuring how they performed against any individual targets or objectives agreed for them. For managers, the appraisal should be centred upon the leadership competence framework and the personal and process-related targets established for them. The performance review system tells you how each individual employee in the business is performing against expectations.

You can of course measure the effectiveness of teams as a whole by setting team-based targets and reviewing measures relevant to the process for which they are responsible. This of course is something you do anyway, but will grow in importance in terms of managing processes for best effect.

2.5 People Measures

To measure the performance of the 'people' function overall you need to track results such as Employee Turnover (overall and by department) and Employee Satisfaction levels (overall and by department). For the latter, this means having a structured employee survey in place which allows you to define overall satisfaction ratings for the business, generate departmental breakdowns as well as to analyse specific components such as leadership, communication and so on.

Measuring people performance involves a combination of common sense.

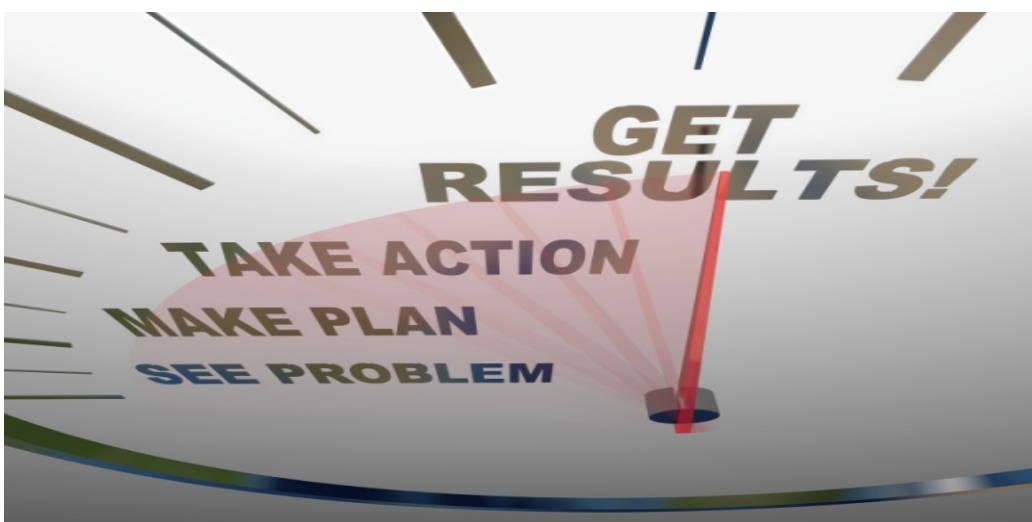
sensitivity and good management practices and the key activities highlighted above will ensure that you have a strong handle on how your employees are performing, individually and in teams, as well as the trends in the people function overall.

Naturally, the issue of rewards and recognition is important in the context of performance management but you should be careful that, unless your pay structures are totally performance-related such as for a salesperson, that you ensure that your employees do what is expected of them (i.e. what you pay them to do) and then your rewards relate to above-the-line performance.

Activity 1 – Reflect upon your current approach to measuring people performance

Consider the following questions:

- Have you prioritised the issue of measuring people performance in your business as a key driver of business success?
- Is your present approach to measuring people performance comprehensive, i.e. containing multiple components which address individual and group performance on a continuous basis as well as at defined intervals?
- Are simple and transparent measures defined and used to measure the performance of all employees, but especially your management team?
- Are employees measured on the contribution they make in areas such as delivering quality and building customer satisfaction?
- Is the level of training and development sufficient at present to ensure that your managers and employees can do what you need them to do?
- How effective are your managers at monitoring ongoing employee performance and identifying, then dealing with problems in a constructive manner?
- Do all your managers and employees receive at least one formal annual appraisal per year? Have all your managers received training on how to manage these appraisals for best effect? What difference have these appraisals made to date to people performance?
- Do you currently measure the overall effectiveness of the people function in your business as a whole and by department?



3. Measuring Business Performance

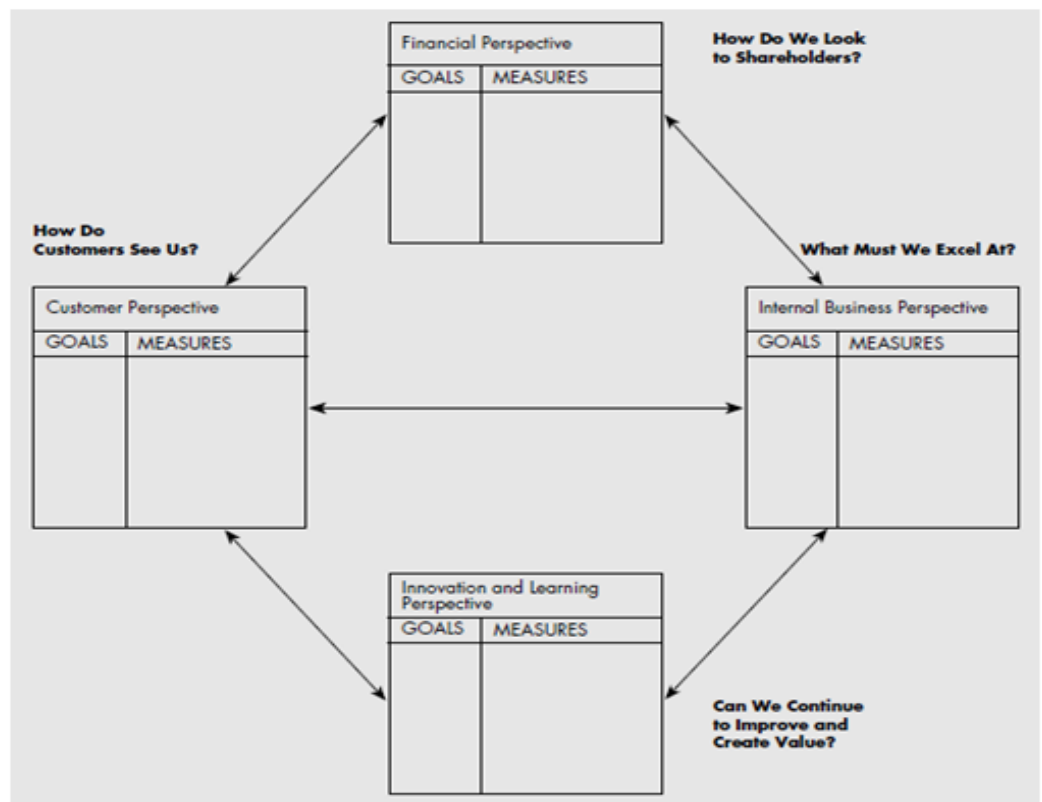
Every business measures its performance to some extent but the focus over recent decades has been on the scope and breadth of the measurement process and in fact many would argue that there has been a revolution in the way business performance is measured today compared with the past. This section of the guide focuses on one widely applied measurement model known as The Balanced Scorecard.

3.1 The Balanced Scorecard

There are any number of models and frameworks out there which allow you to holistically measure business

performance and one of the most well-known and applied is the Balanced Scorecard which was developed by Robert Kaplan and David Norton as a performance measurement framework.

Although the scorecard is actually a strategic planning and management model and can be used to create linkages from strategies to execution and then to measurement - in other words it is both a management and a measurement system - in this context we will focus primarily on the scorecard itself which defines an approach to measuring the performance of your business across four key dimensions:



Sourced from *The Balanced Scorecard – Measures that Drive Performance* by Robert S Kaplan and David P. Norton

Under the balanced scorecard, financial measures (cash flow, profitability, margins, costs, ROI etc.) remain important but are added to by measures of internal performance (i.e. measures of how effective your key processes are), customers (i.e. measures which

tell you how your customers view you) and the Innovation and Learning Perspective (training spend, number of new ideas, product development spend etc.) which shows how well you are preparing for the future.



Using the Balanced Scorecard as a measurement framework is relatively straightforward and involves:

- ✓ **Defining a set of performance measures for each of the four perspectives** - you need to be conscious here of ensuring that measures are included which directly link to your strategic goals so that you can gauge how well you are executing your strategies.
- ✓ **Set performance targets for each measure** - once you know what it is you want to use as a measure, you then need to set targets for each. Targets are essential as they focus minds and guide behaviour and, as said earlier, can help to monitor individual as well as business performance.
- ✓ **Take action** - if you want to realise the targets, you naturally have to do something to make that happen which involves planning and execution.
- ✓ **Ensure that you have the necessary systems in place** - naturally, you need to ensure that you have the appropriate information systems in place to give you the data you need when you need it.
- ✓ **Analyse results and continuously improve** - based on the results you get from your various measures you will know whether things are getting better, or not as the case may be, and you obviously need to act accordingly.
- ✓ **Externally benchmark your results** - without external benchmarking of your results you cannot verify that your business is operating as effectively as it might. For example, you may be showing year on year improvements in your results, but if industry norms show a larger increase, then you are actually underperforming.

The benefits of adopting a Balanced Scorecard approach to performance management can be summarised as:

- ❑ It creates a more strategic view of performance measurement as it contains 'here and now' measures as well as those that directly drive the achievement of strategic goals.
- ❑ It considers all important aspects of business performance and particularly, it includes a strong focus on the customer which is especially helpful in a tourism context.
- ❑ It simplifies the communication of how the business is doing as a 'dashboard' of the key measures across the four perspectives can be easily assembled.

Activity 2 – Review your current approach to measuring business performance

Consider the following questions:

- Have you implemented a business performance measurement approach which goes beyond financial data? Is the scope of your measurement system sufficient to enable you to get a holistic and accurate sense of business performance? Is your current approach providing you with the data you need to measure the effectiveness of your strategy execution efforts?
- How efficient are your information systems in terms of generating the measurement data you need, when you need it? Is the data you receive generally accurate and reliable? Can you identify trends in your key result areas? Does your analysis of your results enable you to show cause-and-effect linkages?
- In general would you say your measurement system at present focuses more on compliance and control, or on continuous improvement?
- Would you describe yourself and your management team as bring results-driven?

4. Conclusion

Performance measurement of people, processes and results is fundamental to your success and particularly in tourism the importance of performance measurement has increased with the realisation that in order to deliver results for the business, you must deliver for the customer, and for that you need to maximise the contribution from all your employees and ensure that your processes are as effective as possible. This interdependency between outcomes in turn requires you to measure all these dimensions: people, processes, customers and results and to do so in a way that reflects the short-term as well as tracking progress towards the strategic goals. It is of course difficult to put a precise value on the contribution that effective and comprehensive performance measurement makes to your business but one thing is sure that without it you will definitely underperform – and you probably won't realise it until it's too late.



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