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MUNI  
ECON

# AGENDA

- HRM RECAP
- What is performance management
- Performance management processes
- Stages of performance management
- Performance and reward
- Seminar



# Human Resources Management



<https://leservicesinc.com/our-solutions/>

# Performance management - Analysis

Performance management analysis is defined as the systematic process of evaluating and improving **employee performance by aligning individual goals with organizational objectives, providing continuous feedback**, and identifying development needs to enhance productivity and engagement (Armstrong, 2021). This approach involves setting **clear expectations, monitoring progress, and using data** to make informed decisions that support both employee growth and organizational success (Kaplan & Norton, 1996).

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Why is it important for organisations to have performance management strategies



## **1. Align goals and Expectations:**

Helps leaders and employees set and meet SMART goals—Specific, Measurable, Achievable, Relevant, and Time-based—boosting alignment with company objectives.

## **2. Boosts Engagement and Productivity:**

Continuous feedback and clear communication keep teams engaged, motivated, and productive, improving outcomes and reducing workplace stress.

## **3. Enhances Transparency and Accountability:**

Clear goal-setting fosters transparency and accountability, enabling employees to understand their impact on broader organizational goals.

## **4. Empowers Improvement & Growth:**

Ongoing feedback allows employees to self-assess, adjust, and improve, supporting career growth and skill-building opportunities.



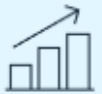

## **5. Recognizes and Rewards High Performers:**

Acknowledging top talent boosts morale and retention, inspiring excellence across the team.

## **6. Develops Leadership Skills:**

Promotes accountability, enabling managers to identify and nurture future leaders, supporting long-term organizational growth.

In designing an effective performance management system, company leaders face a defined set of choices.

		Design choice	Potential options		
 <b>Goal setting</b>	1	Degree of differentiation	<b>1 system</b> for all job families	<b>2 systems</b> (eg, sales and executives)	<b>Multiple systems</b> (eg, sales, R&D, executives, etc)
	2	The nucleus of performance	Priority focus on <b>individuals</b>	Priority focus on <b>teams</b>	
 <b>Performance reviews</b>	3	Performance formula: what vs how	<b>Priority focus</b> on business outcomes (eg, financial KPIs, objective key results)	<b>Shared focus</b> on business outcomes (the what) and employee behaviors (the how)	
	4	Review responsibility	<b>Committee-led review</b>	<b>Manager-led review</b>	<b>Integrated review</b>
 <b>Ongoing development</b>	5	Development levers	<b>Assessment and rating</b>	<b>Individual growth</b>	Combination of <b>both</b>
 <b>Rewards</b>	6	Incentives	<b>Holistic</b> (ie, compensation and benefits, career progression, development, recognition)	Strong focus on <b>nonmonetary incentives</b> (ie, career progression, development, recognition)	Strong focus on <b>compensation and benefits</b>

<https://www.youtube.com/watch?v=f60dheI4ARg> Steve Jobs

# The Five Stages of Performance Management



## Planning Phase

Work is outlined and expectations are set



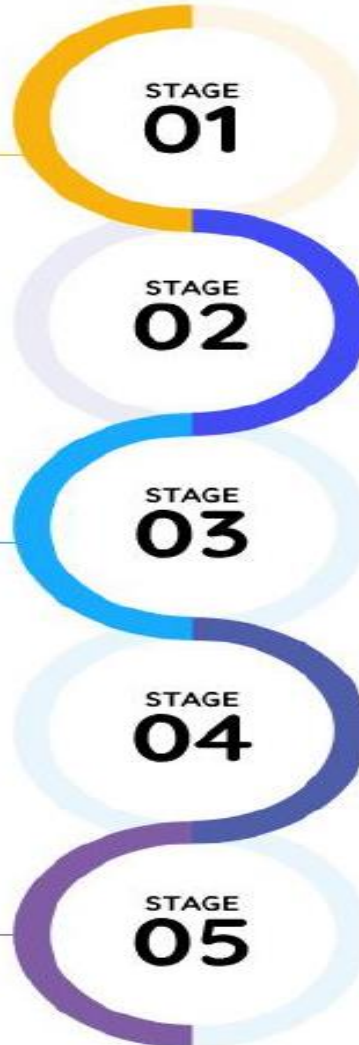
## Learning and Development Phase

Employees and managers fine-tune their knowledge & approach to better suit the project needs



## Rewards Phase

Happens after project completion



## Monitoring phase

Managers track employee performance and progress

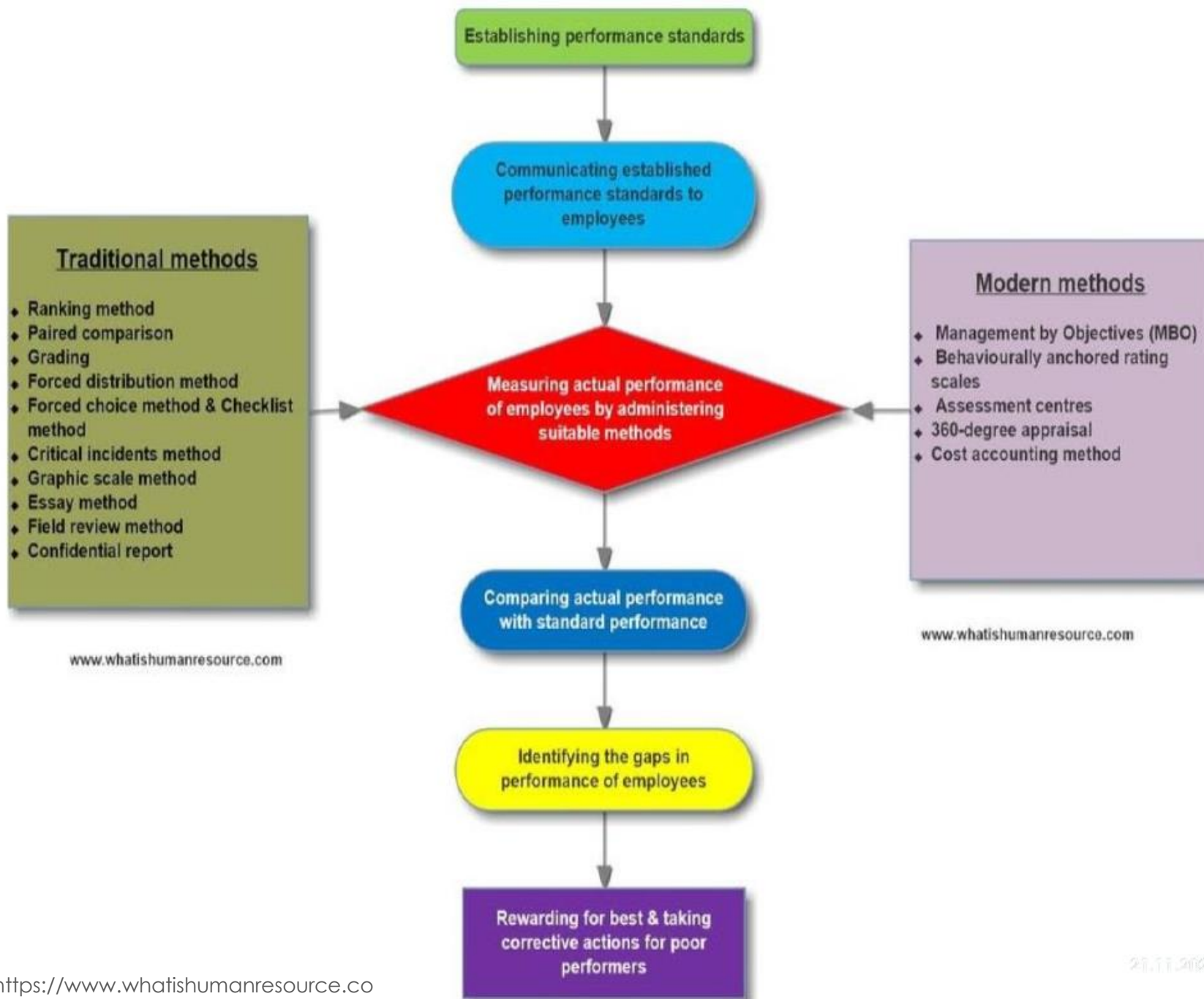


## Feedback Phase

Happens parallelly with the monitoring/learning phase



# Performance Appraisal Process



# Intrinsic vs Extrinsic Rewards

## The Differences

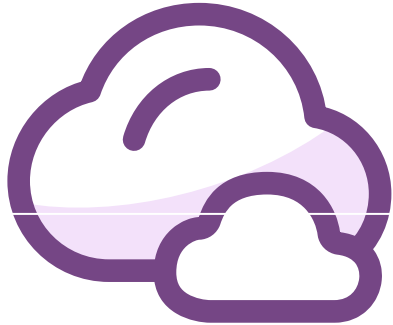


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What do you is the difference between Intrinsic and extrinsic rewards



# Guiding Principles of Effective Reward Systems



Rewards should support behaviors directly aligned with accomplishing strategic goals.



Rewards should be tied to passion and purpose, not to pressure and fear.



Workers should be able to clearly associate the reward to their accomplishments.



Rewards should occur shortly after the behaviors they are intended to reinforce.

A regular performance-review cadence allows issues to be identified and resolved in an appropriate time frame.



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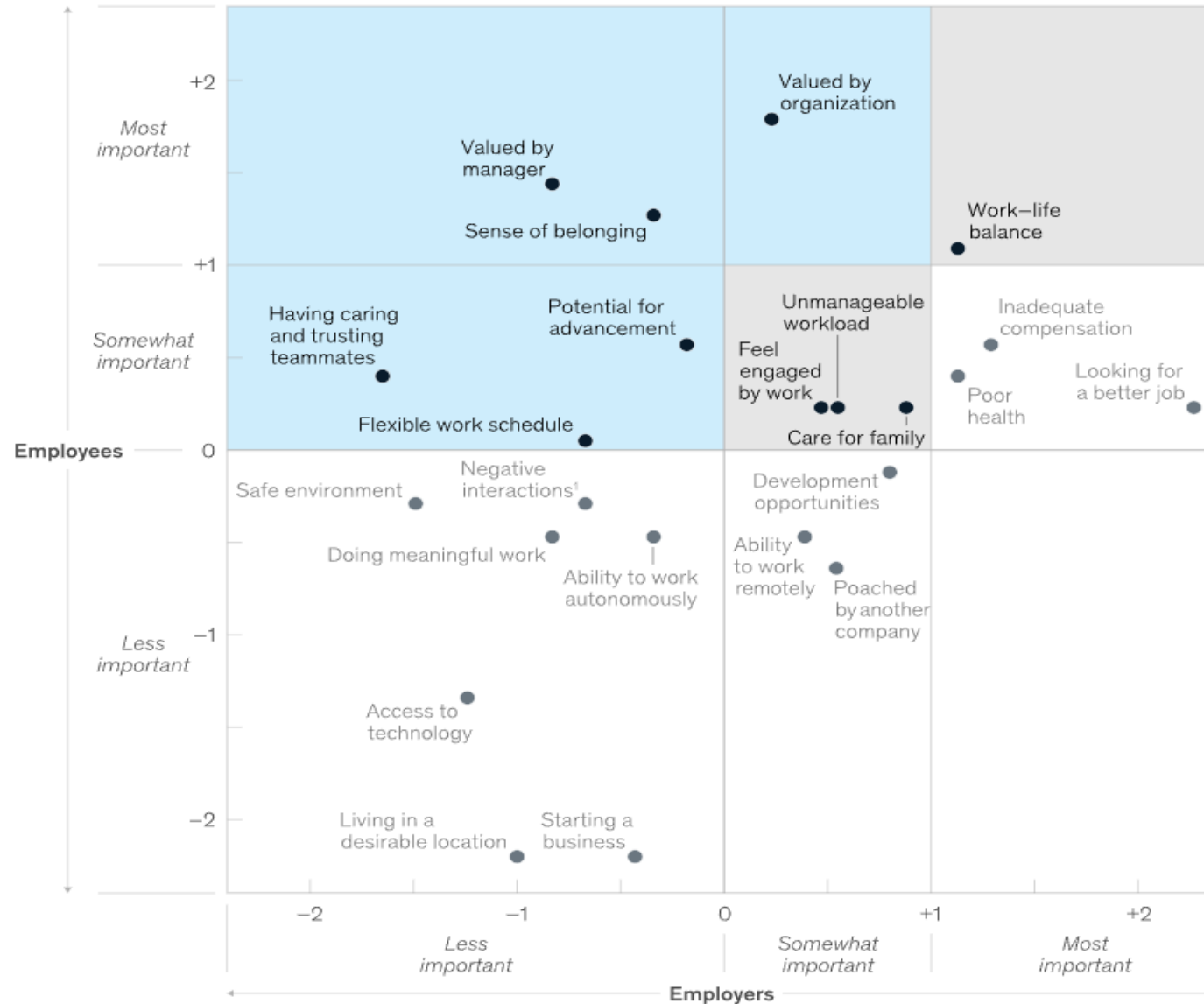
# Employers do not fully understand why employees are leaving.

## Factors that are important to employees versus what employers think is important

► **Employers seem to overlook the relational elements** that are key drivers for why employees are leaving, such as lack of belonging or feeling valued at work.

More important to employees than employers appreciate

As important to employees as employers think



Note: Standardized scores are reported for both employee and employer perspectives. Employees were asked to respond to the following question: To what extent did the following factors impact your decision to leave your last job? (Not at all, slightly, moderately, very much, extremely); employers were asked to

# Best Practices for Rewarding and Recognising Employees



## Customer Feedback as Reward

- Reward employees by sharing positive customer feedback.
- Reinforce how employees' actions benefit customers directly.



## Board Member Appreciation

- Occasionally invite a Board member to thank employees at meetings.
- Board recognition is highly valued by employees, nearly as much as customer feedback.

## Understand Individual Motivators

- Use a checklist to identify each employee's unique motivators.
- Benefit: Allows employees to communicate what motivates them, fostering better support.



## Monthly Meeting Recognition

- Begin monthly staff meetings by highlighting major employee accomplishments.
- Recognize employees' contributions to boost morale.



## Gift Certificate Rewards

- Award gift certificates for major accomplishments, with clear criteria in place.
- Ensure fairness by explaining reward guidelines and allowing peer nominations.

Leaders adapt and cascade performance indicators to all staff levels.

Level	Performance indicator	Action
CEO	• EBITDA <sup>1</sup>	“Our key value driver is production.”
General manager	• Annual production	“We must identify bottlenecks and recurring equipment problems.”
Operations manager	• Daily production • Compressor OEE <sup>2</sup>	“Compressor trip is a major recurring problem. We need to resolve root causes.”
Supervisor	• Shift production • Shift training	“Root cause identified. We need to train operators to follow cleaning procedures.”
Operator	• SOP <sup>3</sup> adherence	“OK, we will follow these procedures.”

Everyone understands and does something

Targets must be tailored to each level to be meaningful

Targets must be tailored to each level for meaning and impact



## Metrics that can be used to evaluate employee performance

- **Productivity:** measures how quickly and efficiently an employee can complete their work.
- **Work quality:** measures how well an employee's work is done, including accuracy, creativity, and the ability to meet set goals.
- **Attendance:** tracks how often an employee shows up to work on time and how often they are absent.
- **Team collaboration:** evaluates how well an employee can contribute to team projects and what value they bring to the team as a whole.
- **Problem-solving ability:** measures how effectively an employee can solve problems and overcome obstacles that arise in their work.“

# Performance management - Analysis

Component	Contents	Considerations
Performance planning and agreement	<ul style="list-style-type: none"> <li>• Agreeing role profiles</li> <li>• Agreeing objectives (see also goal setting)</li> <li>• Agreeing performance measures</li> <li>• Agreeing development needs (see also personal development planning)</li> <li>• Agreeing areas for performance improvement</li> <li>• Recording decisions in an agreement</li> </ul>	<ul style="list-style-type: none"> <li>• Format of role profiles</li> <li>• Methods of preparing and updating role profiles</li> <li>• Choice of measures</li> <li>• Format of agreement</li> </ul>
Goal setting	<ul style="list-style-type: none"> <li>• Identifying key result areas</li> <li>• Identifying key performance indicators</li> <li>• Agreeing targets and standards of performance</li> </ul>	<ul style="list-style-type: none"> <li>• Methods of goal setting</li> <li>• Ensuring 'SMART' goals are <u>agreed</u></li> <li>• Selecting appropriate measures</li> </ul>
Personal development planning	<ul style="list-style-type: none"> <li>• Deciding areas for development</li> <li>• Planning methods of development</li> </ul>	<ul style="list-style-type: none"> <li>• Format of development plan</li> <li>• Approaches to <u>development</u></li> <li>• Emphasis on self-directed development</li> </ul>
Feedback	<ul style="list-style-type: none"> <li>• Provision during year</li> <li>• Provision during formal review</li> </ul>	<ul style="list-style-type: none"> <li>• Developing feedback skills</li> <li>• Use of informal and formal feedback</li> </ul>

Analysis of the components of the performance management system Armstrong

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Component	Contents	Considerations
Performance reviews	<ul style="list-style-type: none"> <li>• Purpose</li> <li>• Content</li> <li>• Timing</li> </ul>	<ul style="list-style-type: none"> <li>• Use of informal reviews throughout year</li> <li>• Preparation for formal reviews</li> <li>• Conduct of formal reviews</li> </ul>
Performance analysis	<ul style="list-style-type: none"> <li>• Methodology</li> <li>• Use of metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Performance analysis skills</li> <li>• Data collection and analysis</li> </ul>
Performance assessment and rating	<ul style="list-style-type: none"> <li>• Use of overall assessment</li> <li>• Use of rating</li> <li>• Use of forced distribution rating</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of guidelines for overall assessments</li> <li>• Arguments for and against rating</li> <li>• Decisions on type of rating to be used, if at all</li> <li>• Developing assessment/rating skills</li> <li>• Providing rating guidelines, if appropriate</li> <li>• Arguments for and against forced distribution</li> </ul>
Link to performance pay	<ul style="list-style-type: none"> <li>• How assessment/ratings will inform performance pay decisions</li> <li>• The timing of pay reviews and performance reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Arguments for and against performance pay</li> </ul>
Coaching	<ul style="list-style-type: none"> <li>• Methods</li> <li>• Responsibility of line managers for</li> </ul>	<ul style="list-style-type: none"> <li>• Developing coaching skills</li> </ul>
Administration	<ul style="list-style-type: none"> <li>• Documentation</li> <li>• Use of computers</li> </ul>	<ul style="list-style-type: none"> <li>• Design of documentation</li> <li>• Design of computer system</li> <li>• Decision on extent to which a standard approach to performance management should be used</li> </ul>

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## Management by Objectives ( MBO)

Employee	Objective 1: Increase productivity by 15%	Objective 2: Improve quality of work by 10%	Objective 3: Expand customer portfolio by 20%	Objective 4: Increase customer satisfaction by 25%	Overall Score
Jana Nováková	Met	Met	Met	Met	100%
Petr Svoboda	Partially met	Met	Exceeded several times	Partially met	85%
Markéta Černá	Met	Met	Met	Met	100%
Tomáš Vlk	Exceeded several times	Partially met	Exceeded several times	Partially met	70%

- Increase productivity by a certain percentage
- Improve quality of work, such as reducing errors, improving accuracy, speed, or creativity of work.
- Expand customer portfolio, such as increasing sales volume, number of new customers, expanding service or product offerings.
- Increase customer satisfaction, such as reducing complaints, improving customer service, improving communication with customers, and other factors affecting satisfaction.

## Key Performance Indicators (KPI)

- **Productivity:** measures how quickly and efficiently an employee can complete their work.
- **Work quality:** measures how well an employee's work is done, including accuracy, creativity, and the ability to meet set goals.
- **Attendance:** tracks how often an employee shows up to work on time and how often they are absent
- **Team collaboration:** evaluates how well an employee can contribute to team projects and what value they bring to the team as a whole.
- **Problem solving ability:** measures how effectively an employee can solve problems and overcome obstacles that arise in their work."

Employee	Productivity	Work Quality	Attendance	Team Collaboration	Problem Solving Ability
Jana Nováková	90%	85%	95%	80%	90%
Petr Svoboda	80%	75%	90%	85%	80%
Markéta Černá	95%	90%	95%	95%	95%
Tomáš Vlk	70%	80%	80%	75%	70%

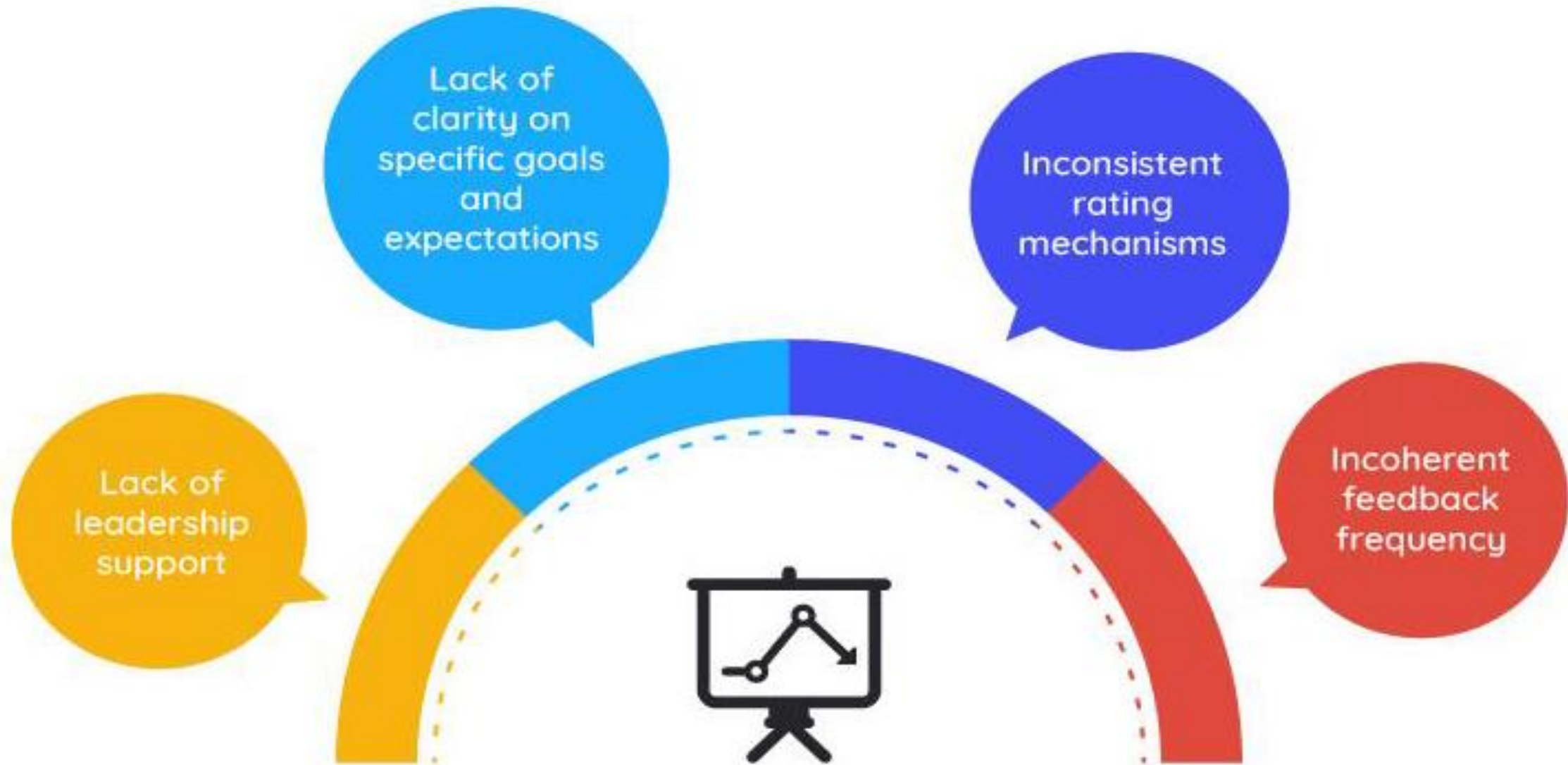
# Poor Performance



Gary began to suspect that his performance management meeting could have gone better.

Where did things go wrong?

# Why Performance management fails?



# Where did things go wrong ?

- **Poor metrics**
- **Poor targets**
- **Lack of transparency**
- **Lack of relevance**
- **Lack of dialogue**
- **Lack of consequences**
- **Lack of management engagement**





# Best practices to improve performance

When employees underperform, leading organizations implement several best practices to address and improve performance:

- 1. Immediate Identification and Open Dialogue:** Promptly recognize performance issues and engage in honest, private discussions to understand
- 2. Clear Expectations and Goal Setting:** Define specific, measurable, achievable, relevant, and time-bound (SMART) goals to provide clarity and direction.
- 3. Performance Improvement Plans (PIPs):** Develop structured plans outlining performance deficiencies, expected improvements, support resources
- 4. Regular Feedback and Monitoring:** Conduct consistent check-ins to offer constructive feedback, monitor progress, and adjust plans as necessary.
- 5. Training and Development Opportunities:** Provide access to training programs, workshops, or mentoring to address skill gaps and enhance competencies.
- 6. Addressing Personal and External Factors:** Recognize and support employees facing personal challenges or external stressors that may impact performance.
- 7. Positive Reinforcement and Recognition** Acknowledge improvements and successes to motivate and encourage sustained performance enhancements.
- 8. Managerial Training and Support:** Equip managers with skills to effectively handle underperformance, including communication, coaching, conflict resolution.
- 9. Documentation and Accountability:** Maintain detailed records of performance issues, interventions, and outcomes to ensure transparency and accountability.
- 10. Consideration of Role Reassignment or Termination:** If performance does not improve despite interventions, evaluate the suitability of the employee's role or consider termination as a last resort

# Seminar : Case Study

**Accelerating Towards Excellence: A Deep Dive into Performance Management Strategies in the Auto Works Company**

Group activity and presentation (Choose key insights)