



Thread Advisory

The Importance of Performance Planning to Drive a High Impact and Achievement Culture

Many organizations will be focusing their efforts in the coming weeks around ensuring their approved yearly business plans and strategies are cascaded, so that the **process of performance planning** for departments and individuals can begin.

It is important to contextualize this process, within the performance management framework which supports organizations that drive a high impact and achievement culture.

The Performance Management Framework

There are 4 cornerstones that drive the performance management framework:

Ensuring Common Understanding, so that everyone has an aligned and consistent view of where the organization is heading and what are its strategies and plans.

Setting Clear Expectations, which intends to ensure every employee is made aware of what is expected of them in their roles, and what should they achieve in order to ensure their performance and impact are adequate.

Provide Capability Development, so that employees are equipped with the required knowledge and skills that will ensure they are able to effectively and efficiently perform their role and duties and achieve what is expected of them.

Deploy Relevant Consequences, so that employees are either rewarded if they have performed according to expectations, or supported to improve their performance if they failed to perform according to expectations.

It is through the disciplined and consistent application of these 4 cornerstones that organizations will succeed in institutionalizing a culture of high performance and impact.

The Performance Planning Process

Through the performance planning process, we can focus on the deployment of the **Common Understanding and Clear Expectations** cornerstones.

So, what should we do to put in practice these 2 cornerstones?

Ensuring Common Understanding, can be achieved through the following efforts:

- The CEO and management team should organize sessions with all employees to provide them with an overview of the approved business strategy and plans for the year and the expected outcomes. It should be noted, that the information should be given in a way that is relatable and understandable, so that it does not become intimidating for some or confusing for others, as ultimately what should be avoided is a decreased level of interest and commitment towards achieving the desired organizational results.
- Once these general briefings are concluded, the Heads of Departments can then proceed to meet with their teams to discuss in more detail the operational aspects of the desired organizational results, and what efforts should be undertaken in order for the department to contribute towards the required achievements.

These activities will ensure a rigorous level of alignment between what the organization needs to achieve and how each department / team within the organization will support these achievements.

Setting Clear Expectations.

- The next step in the process is for each team leader to meet individually with all team members to further break down the operational requirements into concrete targets and outcomes. This will ensure that all team members are aware of what they need to deliver either in terms of quantity, quality, timeframe, outcome etc.



The methodologies that support the performance planning process

Some of the most common methodologies used by organizations to undertake the performance planning process are as follows:

- **The balanced scorecard (BSC).** This is a management tool introduced in the 90's with the tagline "what gets measured gets done". It is based on the premise that you can't simply focus on financial results, but you need to ensure you place emphasis and focus on 4 primary areas as follows:
 - a. **People:** Defining the organizational culture / employee value proposition / knowledge / skills / capabilities that should be provided to employees in order for them to be able to effectively perform their roles.
 - b. **Process:** Focusing on how things get done (i.e. continuous improvement of repetitive processes, customer touchpoints and experience to enhance satisfaction, innovation to address needs and requirements) in order to enhance the way outcomes and impact are generated.
 - c. **Customers:** Managing interactions with internal and external stakeholders who are the recipients of the services or products that organizations deliver or provide in order to ensure optimum levels of satisfaction and engagement.
 - d. **Financial:** Focusing on profitability, cost management etc. which will naturally be achieved if all of the above other aspects of doing business are managed.

When business operations and results are defined under these perspectives of the BSC, leaders will be able to identify the interlinkages and interdependencies of everything that is done within the organization and a value tree of linked outcomes can be developed so that everyone within the organization has a clear view of how everything they do has a direct or indirect impact in the achievement of the ultimate desired business results which are mostly related to profitability or impact.

Things to consider when deploying the BSC methodology:

- Not every dimension of the BSC is always applicable to every employee within the organization. However, in certain cases and in order to drive ownership and togetherness, a small percentage / weightage is assigned to the specific dimension at the time of performance evaluation, i.e. the support departments like IT and HR may not have direct impact or ability to contribute to financial achievements, but they certainly have an indirect impact through cost management, so they may not have such a high emphasis or weightage on the financial perspective. Their focus may be more around people, process and internal customers.
- Some dimensions may have higher weightage than others depending on the role. The more strategic roles may have higher weightages for some dimensions like the financial dimension for the CEO, the COO, the CFO, Head of Sales etc. The process dimension may be much higher for the COO, the factory head, Quality roles etc.
- Each dimension may be broken down into a few specific targets. Depending on the role each individual plays, each dimension should be clearly defined in terms of objectives, targets, expected outcomes and timelines.

Challenges of deploying the BSC methodology:

- Not being able to align the 4 components of the BSC through relevant targets for each role.



- Choosing which targets are the most relevant for each role.
 - Lack of clarity around how to measure the selected targets.
 - Being unable to ascertain how best to deploy the methodology through the use of technology.
- **Key Performance Indicators (KPIs).** These are the specific objectives and targets that should be achieved by every employee / team. If organizations are using the BSC methodology, then the KPIs should be defined around each of the 4 components, or those which are most relevant for each of the roles performed.

Things to consider when setting KPIs:

- **Specific:** They must define in unequivocal terms the expected outcomes i.e. value of sales, number of new or repeat customers, time to undertake a particular approval, reduction of cost, time it will take to recruit a candidate etc.
- **Measurable:** The outcome must be demonstrated in tangible ways through a specific measure: number, date, percentage, ratio, accuracy.
- **Achievable:** The target must be challenging to stretch the capability of people, but must be achievable to ensure people are motivated by the challenge rather than demotivated or frustrated by it.
- **Realistic:** Targets must be within the control of the individual / teams in order to ensure that they will be able to achieve them.
- **Time based:** A specific timeline should be specified.

Challenges of defining SMART KPIs:

- Defining quantitative KPIs is easy, defining qualitative KPIs is not.
- Some roles have a fairly standard set of KPIs which can almost certainly be repeated year after year apart from some minor modifications. However, some other roles require a constant re-definition of the KPIs which demands that employees invest time and effort in this activity regularly.
- Putting the measurement infrastructure in place may be complex and time consuming, thus proving difficult at times to demonstrate expected achievements.
- Making the right decisions around changing or maintaining KPIs along the financial year in consideration of changing business circumstances. This has been evident with Covid, as organizations are in need to constantly evaluate and re-evaluate what can be possibly achieved in view of the uncertainty and complexity of the situation.



Things to consider when embarking on the performance planning process

If you are embarking on the performance planning process in the coming weeks, consider the following:

- Take time to cascade and communicate to all employees the overall business direction and specific strategies and plans for the year. Many organizations are apprehensive of openly communicating as they fear the competition will get hold of the information. However, what is more important than the strategy per se, is the execution plan, and the detailed activities that will be undertaken to get the strategy deployed. This is what should be guarded with care, as this is what will yield the expected results.
- Focus on identifying the departmental priorities that are essential to support the achievement of overall business strategy. Look around and understand the interdependencies between departments, as this will help to identify what resources are required (i.e. people, money, equipment, time etc.).
- Understand what do other departments / teams expect or need from your department in order for them to be able to achieve their plans.
- Use all of the above-mentioned information to define first the department KPIs, which should not be more than 8 to 10. Validate that you are in the right direction with your colleagues and the management team. Only then, proceed to cascade the information to the team members so that they can proceed to define their individual KPIs in alignment to the overall departmental KPIs.
- Use technology as an enabler. Don't allow technology to drive the process.
- This is a journey, so don't worry if you don't get it right the first time. This is a methodology that will be essential to drive a culture of impact, accountability and achievement.

If you need support in designing and deploying your organization's performance management framework and methodology, please contact us for support.

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