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INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

## LEARNER GUIDE

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## **Manage own Work Performance in relation to an Organisation's Performance Management System**

### **Introduction**

The days when performance management activities were an annual event are long past. Performance management must also never be taken in isolation and must be tied directly to the organisation's strategic plan. Every business unit will align business unit objectives and strategies to the strategy and objectives of the organisation. Every individual employee in the business unit will in turn align their performance targets and objectives with the business unit strategy and objectives. The performance management programme in an organisation will assist the organisation to manage the performance of every employee in order to determine if objectives and targets are achieved.

Performance management is part of the strategy of an organisation, more specifically the Human Resources strategy of an organisation. Performance Management is also an ongoing process that involves planning, coaching, performance review sessions and a formal appraisal session. It is not uncommon to find employees who have never been given an idea of what their organisation does, why they do the work they do, or the impact they make on others. People need to know the organisation's mission, vision and values.

The challenge for leaders is to translate the statements of corporate purpose into something that enlivens and inspires people. A manager can therefore with the assistance of his/her staff formulate a mission, vision and value system for his own section/department/division that are in line with the organisation's mission, vision and value statements. When there's confusion about direction in an organisation, resources are wasted. Ad-hoc decision-making will become a way of life. People with too little information do whatever seems smartest at the time, and they get it wrong a lot of the time. The vision of the organization is a realistic and attractive future all should aspire to. The vision defines the desirable state the organisation wishes to accomplish. Vision can be accompanied by a set of values that form the most important criteria against which attitudes, relationships and behaviour can be tested.

An organisation's mission is the purpose of, or the reason for the organisation's existence. A well-defined mission statement defines the fundamental, unique purpose that sets an organisation apart from other organisations of its type. It identifies the scope of the organisation's operations in terms of products offered and markets served. Unless an organisation's mission is translated into measurable objectives and performance targets, and until real pressure is put on managers to show progress in reaching these targets, the organisation's mission statement will likely end up as nice words and good intentions.

## Module 1:

### **An Organisation's Performance Management System**

This Module deals with:

- An interpretation of an organization's vision and mission statements and an indication of how a business unit and a specific work position contribute to the organization's overall goals and ethos.
- The performance management system used in an organization and an indication of why it is important to manage performance.
- Strengths and weaknesses of the performance management system and suggestions for possible improvement

#### **1.1 An organisation's Performance Management system**

Simply put, performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc.

Information in this topic will give you some sense of the overall activities involved in employee performance management.

Both people and organizations need to establish a strategic framework for significant success.

This framework consists of:

- a vision for your future,
- a mission that defines what you are doing,
- values that shape your actions,
- strategies that zero in on your key success approaches, and
- Goals and action plans to guide your daily, weekly and monthly actions.

Your organization's success and your personal success depend on how well you define and live by each of these important concepts. Your personal vision is what you want to be, do, feel, think, own, associate with, and impact by some date in the future. Your vision is unique and appropriate for you,

#### **1.2 The importance of Performance Management**

Establishing performance standards is an essential tool for managers to control and assess the performance of team members. Performance standards will permit managers to specify and communicate precise information to employees regarding quality and quantity of output. When performance standards are written, they should be defined in quantifiable and measurable terms so that there is no doubt about whether the actual performance meets the standards or not. Standards are more

common for employees engaged in routine work and repetitive tasks. Managers need to determine standards that will be realistic and applicable to their sections.

Managers cite performance appraisals or annual reviews as one of their most disliked tasks. Performance management eliminates the performance appraisal or annual review and evaluation as the focus and concentrates instead on the entire spectrum of performance management and improvement strategies.

These include employee performance improvement, performance development, and training, cross training, challenging assignments, 360-degree feedback and regular performance feedback.

Other benefits include:

- Helps you think about what results you really want. You're forced to be accountable, to "put a stake in the ground".
- Depersonalizes issues. Supervisor's focus on behaviours and results, rather than personalities.
- Validates expectations. In today's age of high expectations when organizations are striving to transform themselves and society, having measurable results can verify whether grand visions are realistic or not.
- Helps ensure equitable treatment of employees because appraisals are based on results.
- Optimizes operations in the organization because goals and results are more closely aligned.
- Cultivates a change in perspective from activities to results.
- Performance reviews are focused on contributions to the organizational goals, e.g., forms include the question "What organizational goal were contributed to and how?"
- Supports ongoing communication, feedback and dialogue about organizational goals. Also supports communication between employee and supervisor.
- Performance is seen as an ongoing process, rather than a one-time, snapshot event.
- Provokes focus on the needs of customers, whether internal or external.
- Cultivates a systems perspective that is, focus on the relationships and exchanges between subsystems, e.g., departments, processes, teams and employees. Accordingly, personnel focus on patterns and themes in the organization, rather than specific events.
- Continuing focus and analysis on results helps to correct several myths, e.g., "learning means results", "job satisfaction produces productivity", etc.
- Produces specificity in commitments and resources.
- Provides specificity for comparisons, direction and planning.
- Redirects attention from bottom-up approaches (e.g., doing job descriptions, performance reviews, etc., first and then "rolling up" results to the top of the organization) to top-down approaches (e.g., ensuring all subsystem goals and results are aligned first with the organization's overall goals and results).

## 1.3 Steps in Performance Management

### 1.3.1 Establish Performance Goals

- Strategic Planning (employee goals should align with strategic goals)
- Task and Job Analysis
- Job Descriptions
- Competencies
- Goal Setting with Employees

Also included here are:

- Benefits and compensation
- Career development
- Creativity and innovation
- Employee performance management
- Management by objectives
- Negotiating
- Personal Development
- Supervision (an introduction) and training basics for supervisors and learners

### 1.3.2 Document a Performance Plan

- Performance Plan
- Standards of Performance
- Example Measurement Design for Accounts Payable Function (concise depiction of measures)
- Analysing Organizational Measurement Systems to Find and Justify Interventions

### 1.3.3 Observing and Providing Feedback

- Observation and Feedback
- Sharing Feedback
- Preparing for performance appraisal discussions - Part I
- Conducting performance appraisal discussions - Part II
- Concluding performance appraisal discussions - Part III

### 1.3.4 Evaluating Performance (Performance Reviews / Appraisals)

- Performance Appraisal
- Performance Reviews
- Performance Reviews: 360-Degree

### 1.3.5 Rewarding Performance

- Reward Systems
- Benefits and Compensation

### 1.3.6 Recognizing and addressing Performance Problems ("Performance Gaps")

- Counselling
- Mentoring,
- Morale boosting,
- Motivating and

- Power and influence

### 1.3.7 Performance Improvement / Development Plans

- Performance Improvement Plan
- Development Plan

## 1.4 Managing Individual Performance

Those who are given the task of managing people in a business environment run the risk of stepping on toes, being misunderstood, and just plain being hated by people. These risks are escalated with one in put in charge of making sure that the performance abilities of these employees are pushed to the limits. Performance management can be done right by following some simple tips and avoiding some major pitfalls. One of the biggest mistakes a performance manager can make is not talking to employees enough. You become this “Higher-up” or “just another suit” when you don’t talk to your employees.

Getting to know your employees and getting them to like you should be the first step in successful performance management. One thing that tends to make employees steamed the most is when they do something good and get no notice of it.

This sounds so childish, but it is the way people are, and as a performance manager, you must take note of this good performance with sincerity. And be positive about good performance. Your job is to focus on your employee’s strengths and abilities, not their weaknesses. People respond better to positive reinforcement rather than negative reinforcement. Rather than tackling performance management on the fly, have a system developed that not only you know about and follow, but your employees as well. Performance management is a system. But keep it simple. Gather feedback from your employees about the system you work on. Does it need to be changed? Ask for feedback.

This gets rid of any behind-the-back talk and gets issues out in the open for discussion.

- Performance Measurement period is the period during which performance parameters are measured.
- A performance problem is any gap between Desired Results and Actual Results.
- Performance improvement is any effort targeted at closing the gap between Actual Results and Desired Results

## 1.5 Evaluating the performance management system

There are three types of performance criteria used for performance appraisals:

- Trait-based:** Takes into account the personal characteristics of individuals like loyalty, creativity etc. It is based on who the employee is and not what he/she does.
- Behavioural-based:** This method is based on a specific behaviour that is needed to perform the tasks required in the position, e.g. “working well with other”.
- Outcome-based:** Here we need to look at what needs to be achieved / produced. This method is not always appropriate for all jobs and might miss an important aspect of the position. Such as concentrating on quantity and neglecting the quality aspect.

Performance appraisals are sometimes viewed as unpleasant and time consuming, so what would be the benefit of performing them.

- Develop the most important resource of a company – the employee
- Administrative functions – Salaries, promotions and retentions.
- Satisfaction and motivation of the employees.

The objectives of the performance appraisals are categorized as evaluative and developmental.

- The evaluative objective takes past performances into account and the most common decisions derived from this form of performance appraisal is in terms of compensation, i.e. merit increases, bonuses, promotions etc.
- The Developmental objective is focused on developing the skill and motivation of the employee for future performances. Recognition is given regarding the strengths of the candidates and training and or development is provided in terms of any weaknesses that are revealed.

Performance appraisals need to be evaluated for effectiveness on a regular basis.

The following issues need to be assessed:

- Possible negative feelings between the employee and company
- Possible perceptions of unfairness on the part of the employee
- Possible hindered career developments

The evaluation tool below can assist in determining the effectiveness of a performance management system:

Need for Change		Effective Performance Management
Process is viewed as a set of tasks that need to be completed by a specific date	← Vs. →	Performance management is "the way we run the business"
Emphasis is on filling out forms and calculating ratings for making pay decisions, giving the process a transactional feel	← Vs. →	Emphasis is on ongoing feedback, meaningful performance conversations and clear performance messages
The process is driven by the manager and "done to" the employee	← Vs. →	Interactions and conversations about performance are initiated by both managers and employees
Employee objectives are not well defined nor closely tied to the drivers of business strategy	← Vs. →	Employee objectives are clearly defined and linked to the strategy; people feel connected to the business
Performance information is hard to access and yields limited ideas for growth and development	← Vs. →	Performance information is highly accessible and yields robust ideas for growth and development
Large investments in enabling technologies have yielded little improvements in overall effectiveness	← Vs. →	Enabling technologies have been supported by sustained efforts at improving process execution
Performance management works in some parts of the organization and fails in others	← Vs. →	Performance management is consistently executed and effective across the organization



## **Key Benefits of Performance Management:**

- Performance management focuses on results, rather than behaviours and activities a common misconception among supervisors is that behaviours and activities are the same as results. Thus, an employee may appear extremely busy, but not be contributing at all toward the goals of the organization. An example is the employee who manually reviews completion of every form and procedure, rather than supporting automation of the review. The supervisor may conclude the employee is very committed to the organization and works very hard, thus, deserving a very high performance rating.
- Aligns organizational activities and processes to the goals of the organization performance management identifies organizational goals, results needed to achieve those goals, measures of effectiveness or efficiency (outcomes) toward the goals, and means (drivers) to achieve the goals. This chain of measurements is examined to ensure alignment with overall results of the organization.
- Cultivates a system-wide, long-term view of the organization.
- Richard a. Swanson, in performance improvement theory and Practice (Advances in Developing Human Resources, 1, 1999), explains an effective performance improvement process must follow a systems-based approach while looking at outcomes and drivers. Otherwise, the effort produces a flawed picture. For example, laying off people will likely produce short-term profits. However, the organization may eventually experience reduced productivity, resulting in long-term profit loss.
- Produces meaningful measurements. These measurements have a wide variety of useful applications. They are useful in benchmarking, or setting standards for comparison with best practices in other organizations. They provide consistent basis for comparison during internal change efforts. They indicate results during improvement efforts, such as employee training, management development, performance management, quality programs, etc. They help ensure equitable and fair treatment to employees based on performance.

Typical concerns expressed about performance management are that it seems extraordinarily difficult and often unreliable to measure phenomena as complex as performance. People point out that today's organizations are rapidly changing, thus results and measures quickly become obsolete. They add that translating human desires and interactions to measurements is impersonal and even heavy handed.

## Module 2

### Measure Performance

This Module deals with:

- An interpretation of the work profile for a specific position in terms of key performance areas and behaviours
- An interpretation of the key performance areas for a specific work position in terms of the skills, tasks, behaviours, time spent and impact on overall work performance
- The setting of specific measurable goals for each key performance area

In any position in a company there are certain specific tasks that need to be performed in that position. These tasks that are critical to the successful functioning of the specific position, are called “Key performance areas / behaviours”

#### **2.1 The Balanced Scorecard**

The Balanced Scorecard (BSC) is a performance management tool which began as a concept for measuring whether the smaller-scale operational activities such as individual tasks are aligned with its larger-scale objectives in terms of vision and strategy. By focusing not only on financial outcomes but also on the operational, marketing and developmental inputs to these, the Balanced Scorecard helps provide a more comprehensive view of a business, which in turn helps organizations act in their best long-term interests. Organizations were encouraged to measure—in addition to financial outputs—what influenced such financial outputs. For example, process performance, market share / penetration, long term learning and skills development, and so on.

The underlying rationale is that organizations cannot directly influence financial outcomes, as these are "lag" measures, and that the use of financial measures alone to inform the strategic control of the firm is unwise. Organizations should instead also measure those areas where direct management intervention is possible. In so doing, the early versions of the Balanced Scorecard helped organizations achieve a degree of "balance" in selection of performance measures. In practice, early Scorecards achieved this balance by encouraging managers to select measures from three additional categories or perspectives: "Customer," "Internal Business Processes" and "Learning and Growth."

##### **2.1.1 History**

In 1992, Robert S. Kaplan and David P. Norton began publicizing the Balanced Scorecard through a series of journal articles. In 1996, they published the book *The Balanced Scorecard*. Since the original concept was introduced, Balanced Scorecards have become a fertile field of theory, research and consulting practice. The Balanced Scorecard has evolved considerably from its roots as a measure selection framework. While the underlying principles were sound, many aspects of

Kaplan & Norton's original approach were unworkable in practice. Both in organisations associated with Kaplan & Norton (Renaissance Solutions Inc. and BSCOL), and elsewhere (Cepro in Sweden, and 2GC Active Management in the UK), the Balanced Scorecard has changed so that there is now much greater emphasis on the design process than previously. There has also been a rapid growth in consulting offerings linked to Balanced Scorecards at the level of branding only. Kaplan & Norton themselves revisited Balanced Scorecards with the benefit of a decade's experience since the original article.

### **2.1.2 Implementation**

Implementing Balanced Scorecards typically includes four processes:

- Translating the vision into operational goals;
- Communicating the vision and link it to individual performance;
- Business planning; index Setting
- Feedback and learning, and adjusting the strategy accordingly.

The Balanced Scorecard is a framework, or what can be best characterized as a “strategic management system” that claims to incorporate all quantitative and abstract measures of true importance to the enterprise. According to Kaplan and Norton, “The Balanced Scorecard provides managers with the instrumentation they need to navigate to future competitive success”. Although it helps focus managers' attention on strategic issues and the management of the implementation of strategy, it is important to remember that the Balanced Scorecard itself has no role in the formation of strategy. In fact, Balanced Scorecards can comfortably co-exist with strategic planning systems and tools.

### **2.1.3 Use of the Balanced Scorecard**

Kaplan and Norton found that companies are using Balanced Scorecards to:

- Drive strategy execution;
- Clarify strategy and make strategy operational;
- Identify and align strategic initiatives;
- Link budget with strategy;
- Align the organization with strategy;
- Conduct periodic strategic performance reviews to learn about and improve strategy.

### **2.1.4 The four perspectives**

The grouping of performance measures in general categories (perspectives) is seen to aid in the gathering and selection of the appropriate performance measures for the enterprise. Four general perspectives have been proposed by the Balanced Scorecard:

- Financial perspective;
- Customer perspective;
- Internal process perspective;
- Innovation and learning perspective.

The financial perspective examines if the company's implementation and execution of its strategy are contributing to the bottom-line improvement of the company. It represents the long-term strategic objectives of the organization and thus it incorporates the tangible outcomes of the strategy in traditional financial terms. The three possible stages as described by Kaplan and Norton (1996) are rapid growth, sustain, and harvest. Financial objectives and measures for the growth stage will stem from the development and growth of the organization which will lead to increased sales volumes, acquisition of new customers, growth in revenues etc.

The sustain stage on the other hand will be characterized by measures that evaluate the effectiveness of the organization to manage its operations and costs, by calculating the return on investment, the return on capital employed, etc. Finally, the harvest stage will be based on cash flow analysis with measures such as payback periods and revenue volume. Some of the most common financial measures that are incorporated in the financial perspective are EVA, revenue growth, costs, profit margins, cash flow, net operating income etc.

The customer perspective defines the value proposition that the organization will apply to satisfy customers and thus generate more sales to the most desired (i.e. the most profitable) customer groups. The measures that are selected for the customer perspective should measure both the value that is delivered to the customer (value proposition) which may involve time, quality, performance and service and cost and the outcomes that come as a result of this value proposition (e.g., customer satisfaction, market share). The value proposition can be centred on one of the three: operational excellence, customer intimacy or product leadership, while maintaining threshold levels at the other two.

The internal process perspective is concerned with the processes that create and deliver the customer value proposition. It focuses on all the activities and key processes required in order for the company to excel at providing the value expected by the customers both productively and efficiently. These can include both short-term and long-term objectives as well as incorporating innovative process development in order to stimulate improvement. In order to identify the measures that correspond to the internal process perspective, Kaplan and Norton propose using certain clusters that group similar value creating processes in an organization. The clusters for the internal process perspective are operations management (by improving asset utilization, supply chain management, etc.), customer management (by expanding and deepening relations), innovation (by new products and services) and regulatory & social (by establishing good relations with the external stakeholders).

The innovation and learning perspective is the foundation of any strategy and focuses on the intangible assets of an organization, mainly on the internal skills and capabilities that are required to support the value-creating internal processes. The Innovation & Learning Perspective is concerned with the jobs (human capital), the systems (information capital), and the climate (organization capital) of the enterprise. These three factors relate to what Kaplan and Norton claim is the infrastructure that is needed in order to enable ambitious objectives in the other three perspectives to be achieved. This of course will be in the long term, since an improvement in the learning and growth perspective will require certain expenditures that may decrease short-term financial results, whilst contributing to long-term success.

### **2.1.5 Key performance indicators when using the balanced scorecard**

According to each perspective of the Balanced Scorecard, a number of KPI's can be used such as:

#### Financial

- Cash flow
- Return on investment
- Financial result
- Return on capital employed
- Return on equity

#### Customer

- It defines the value proposition that the organisation will apply to satisfy customers and thus generate more sales to the most desired customers

#### Internal business processes

- Number of activities
- Opportunity success rate
- Accident ratios
- Overall equipment effectiveness

#### Learning and growth

- Investment Rate
- Illness rate
- Internal Promotions %
- Employee Turnover
- Gender Ratios

## **2.2 Performance Management Documentation**

A specific position consists of many tasks, but not all these tasks are critical to the performance in that position. An employee will then be performance appraised on the critical performance areas and behaviours.

A very basic example of a performance appraisal to demonstrate the above would

look like this:

Position: Front of office Receptionist

<b>Critical performance tasks</b>	<b>Never</b>	<b>Sometimes</b>	<b>Mostly</b>	<b>Always</b>
1. Answer the telephone in a friendly manner				
2. Use the company greeting when answering the telephone				
3. Answer the phone no later than the third ring				

Performance areas need to be determined for a specific position in terms of:

- Skills needed to perform the tasks
- Tasks that defines the position
- The behaviour that needs to be maintained
- The time spent on the tasks etc.
- The overall impact of each of the above on the performance in the selected position.

### **2.3 Setting of specific goals or objectives for Key Performance Area**

Unless an organisation's mission is translated into measurable objectives and performance targets, and until real pressure is put on managers to show progress in reaching these targets, the organisation's mission statement will likely end up as nice words and good intentions.

- An objective or goal is a statement of desired results that are to be achieved.
- It specifies the desired result.
- Make the result measurable (Can you differentiate among different degrees of achievement?)
- Set a time frame by indicating when the objective must be achieved.
- The resources the organisation is willing to commit to achieve the desired results
- You will find more guidelines on the next page.
- The act of setting objectives serves the purpose of converting the mission and direction into something specific to aim for, something specific to achieve.
- Setting challenging but achievable goals helps guard against complacency, internal confusion over what to accomplish, and mediocre organisational performance.

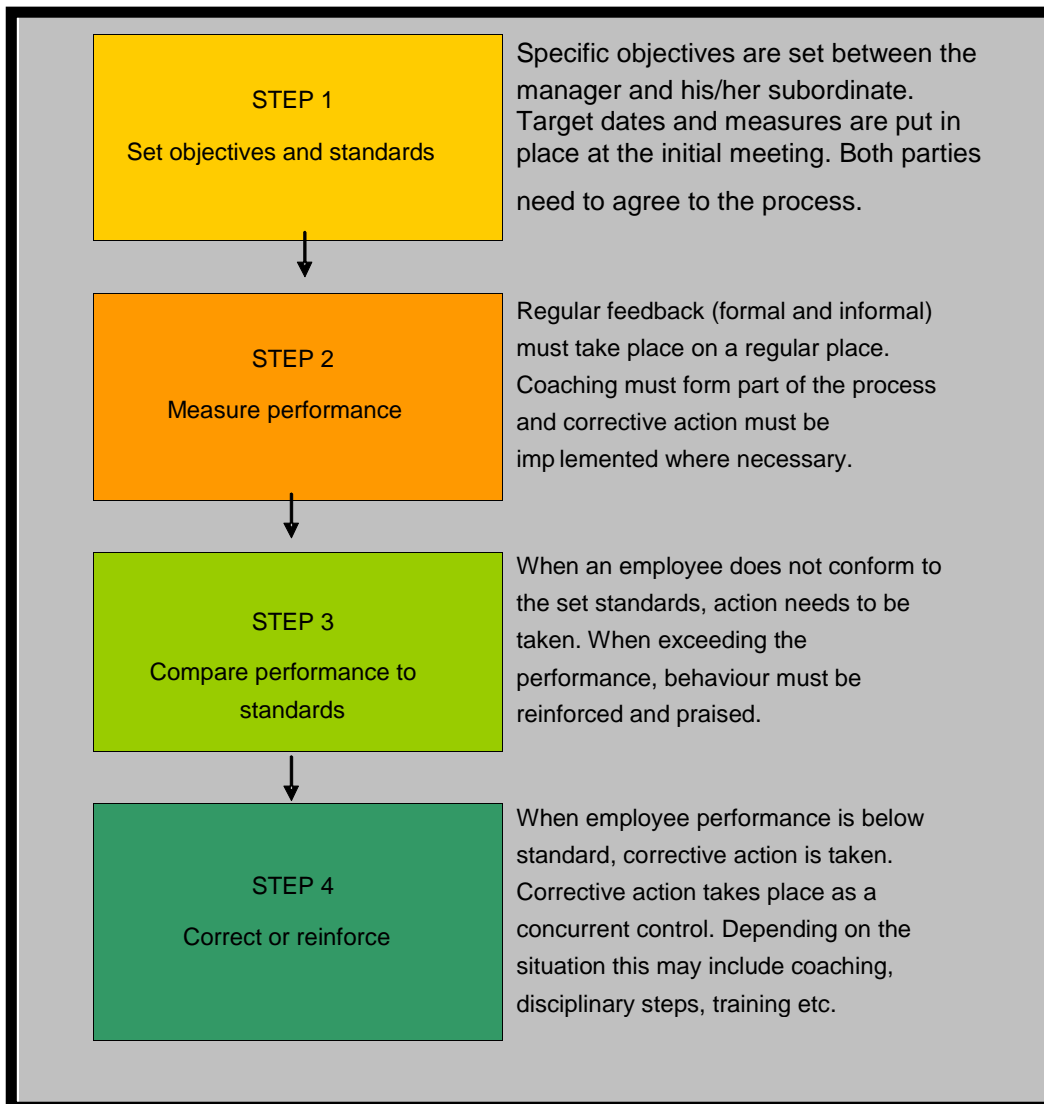
Both short-range and long-range objectives are needed.

- Objective setting begins the necessary process of training the energies of each part of the organisation on what needs to be accomplished. Objectives are needed for each key result that managers deem important to success.
- The basis of setting objectives is therefore to give a clear direction to each department and individual; to indicate courses of action that are to be taken; to indicate priority ranges; and to give measures of success or failure on which performance evaluation can subsequently take place.
- It is very important to set goals that are measurable in terms of performance; time spent reaching them and the impact on the position.
- Standards specify how well a result should be achieved. For example, the operator "meets expectations" if the Director of the Catalogue Department agrees

that the operator produced 500 high-quality prints an hour for eight hours, Monday through Friday during the fiscal year. If he produces 600, he "exceeds expectations", 700 is "superior performance", 400 is "does not meet expectation", etc.

## 2.4 Steps in the performance appraisal process

Though each company has their own unique performance appraisal process, we will look at the generic process for performance appraisal.



## 2.5 Conducting a performance interview

Certain steps can be followed to do a performance interview.

Performance reviews are typically approached with a lot of anxiety by both managers and employees. Managers tend to put off preparing for performance reviews because they can be an emotional issue. They also tend to rush through them to get them over with. This isn't fair to employees, and is bad for morale even if the overall performance is rated positively or above average. A quick, sloppy employment

review sends a negative message. The person being reviewed will feel as though he or she is not important to you—that you really don't care about them. Conducting a good performance review requires careful preparation in two different ways. You need to decide what you are going to say, and how you are going to say it.

Large companies generally have highly specific criteria for reviewing the performance of employees. Small companies often let individual managers determine how they will conduct their employee reviews. The problem with this haphazard approach is that employees will discuss their reviews with one another. Unless your firm has developed a consistent review process, some employees will feel that they have not gotten the same or as fair an appraisal as others. A simple approach to performance review criteria would be to primarily review an employee's work based on quantity and quality relative to the job requirements. Secondary considerations might be attitude, willingness to help other personnel with their work when appropriate, and ability to get along with others. Another approach would be to set a standard "laundry list" of factors that must be considered in reviews. Whatever method you decide works best for your company and your employees discuss it with your managers and make sure they are using the same performance criteria consistently. You should rate employee performance and do so in a consistent manner. Top performers like to hear affirmations from management regarding their exemplary efforts. Weak performers need to know that their performance requires improvement. In addition, you may want to couple performance ratings with suggested annual pay increase ranges.

Following is a sample rating system with suggested pay range increases.



## Steps

STEP 1 Make an appointment with the employee	Make an appointment at least one week in advance. Agree on a date, time and place. Make sure the employee has a copy of the evaluation form and request him/her to evaluate him/herself accordingly. Prepare yourself by identifying strengths and possible areas for improvement.
STEP 2 Open the interview	Put the person at ease. This can be done by having an informal discussion about hobbies or common interests. This is necessary to open a two-way-communication platform. Explain the purpose of the meeting.
STEP 3 Go over the form	Start with the first item. A good way to start is to ask the employee how he/she evaluated him/herself and the reasons for it. Follow with your rating and your reasons for it. Use critical incidents to support the rating. Remember to praise good performance and express appreciation. Be open for discussion and don't become argumentative.
STEP 4 Agree on strengths and areas for improvement	Follow the same procedures as in step 3 to agree on areas of improvement. Start with the strengths before moving to the improvement areas (remember not to refer to it as weaknesses!). When disagreeing on a point, listen to the employee's side of the story don't become hostile, defensive or argumentative stand firm if you are correct If you can't compromise at all, ask the employee to submit a written statement.
STEP 5 Close the interview	Summarise the meeting with an overall rating of the employee's performance. Ask if there is anything else that he/she wants to talk about. End on a positive note such as; "Thank you for your efforts, if we work together, I am sure you will have a better performance next time" or "thank you for your hard work. You're doing a great job".

Performance reviews provide an opportunity for employees and managers to discuss individual performance over the last year or so. They are so beneficial because they provide a great opportunity to develop a positive working relationship and improve productivity. They remind leaders to set aside a chunk of time to do some important things, such as giving feedback to employees to let them know where they stand, getting first-hand information about what is going on in their organization, clarifying and communicating organizational goals, giving employees.

In theory, it seems easy to distinguish the difference between performance and conduct. In practice, it can be much more difficult. For example, let's say you have an employee who has a rating element for planning and organizing work, and the standard requires timely completion of work and some formal recognition for jobs well done, and recognizing and dealing with performance problems. So, if performance reviews are so wonderful, why do leaders often feel that doing them is one of the most challenging and intimidating parts of their jobs? Why do they cause so many headaches and so much heartburn?

The truth is, leaders know how important performance ratings are, they know how significantly they can impact employee motivation and morale, and they know how closely ratings and awards are related. At the same time, leaders are sometimes confused about who should be rated, what really counts as performance, what kinds of things they should consider, how they can really find out how an employee has performed, and how they should conduct the performance review discussion.



## Module 3

### Evaluation of own work performance

This Module deals with:

- An assessment of own strengths and weaknesses in relation to the key performance areas, attitudes and behaviours in order to improve work performance
- Identification of own goals in terms of career development, performance management for a selected career path
- Support structures and training opportunities as a means of improving work performance and achieving career goals
- Feedback on own performance to significant others in the organization with evidence of particular achievements
- An interpretation of feedback from significant others in the organization is aligned to own view of performance in order to develop a personal action plan

In this module we are again looking at your own performance and strengths and weaknesses in relation to the key performance areas, attitudes and behaviours of your job description in order to improve work performance. As this has been covered previously, we will provide some interesting reading on the matter.

#### **3.1 Self-appraisal / Self-assessment**

Self-appraisal is normally done before the actual performance appraisal takes place. A complete appraisal form should be handed to the employee about one week before their appointment for performance appraisals. The employee then has the opportunity to self-assess himself or herself. After the actual appraisal had taken place, the employee can compare their views on their own performance with that of the company.

There should be differences here and there, but if there is a vast difference of opinion between the self-assessment done by the employee and the assessment done by the employer attention needs to be given to this.

It could be that the employee is not clear on what is expected of them. Another extreme might be a personality clash between the employee and the employer; this might indicate unfair treatment from management and should be dealt with immediately.

Some plans incorporate upward review, i.e., the employee's review of the supervisor. Before discussing performance, always assess the potential constraints on performance. Some things to look for:

- Lack of proper equipment
- Excessive work load
- Inadequate working conditions
- Inadequate clerical support
- Absenteeism of key personnel
- Slowness of action from internal or external sources

- Inadequate performance of co-workers on whom individual's work depends
- Inadequate performance of subordinates or managers
- Unclear objectives or performance standards
- Policy problems
- Inadequate communication within the organization
- Pressure from co-workers to limit performance
- Lack of authority to get things done
- Should ratings be considered?

Most choose not to include ratings, as it increases the feeling of judgment; threatens to reduce a year's worth of performance to a single rating; and decreases the level of communication by focusing attention on the rating itself rather than the discussion. If ratings are desired, it might be a good idea to roll out the plan for a year or so without them in order to build trust in the plan and then add them to the procedure at a later date. If ratings are included, it is more meaningful to stay to the three levels listed below.

- Meets performance standards
- Exceeds performance standards
- Does not meet performance standards

This is perceived as more objective than having several more narrow categories. Ratings should never be used to replace a meaningful and detailed performance discussion.

#### Common rating errors

- **The Leniency Error**  
Giving everyone high ratings regardless of actual performance, in an attempt to avoid conflict or to make yourself look good.
- **The Central Tendency Error**  
Clumping or clustering all employees in the middle performance categories in an attempt to avoid extremes. Usually caused by a desire not to call attention to oneself or by a misapplied sense of "democracy."
- **The Recency Error**  
Failing to take into account the entire evaluation period and focusing on a recent performance episode, positively or negatively. Base your evaluation on representative information from the whole evaluation period to avoid this error.
- **The Halo Effect Error**  
Letting one favoured trait or work factor influence all other areas of performance, resulting in an unduly high overall performance rating.
- **The Horns Effect Error**  
Allowing one disfavoured trait or work factor to overwhelm other, more positive performance elements, resulting in an unfairly low overall performance rating.
- **Contrast Error**  
Evaluating an employee in relation to another. Evaluations should be based on how well the employee performed in relation to his/her duties, goals and stated performance standards – actual performance compared to expected performance.
- **Past Performance Error**  
Rating on past performance rather than present performance.

- Biased Rating Error  
Allowing personal feelings toward employee to influence rating.
- High Potential Error  
Confusing potential with performance.
- Similar to Me Error  
Similar to me and therefore feeling of comfort and compatibility
- Guilt by Association Error  
Evaluation influenced by employee's associations rather than output.

### **3.2 Goal Setting Success**

Whether the goal is a promotion at work, a streamlined work process, a new customer, a published article, an exercise program or weight loss, the goal must be your goal. You are unlikely to achieve your manager's goal, your spouse's goal or the goal you think you "ought" to work on this year. Your goals must generate excitement when you ponder their accomplishment. You must believe there is something in it for you to accomplish them.

Sometimes, especially at work, if you perceive the end reward is worth the work, you will take on challenges in support of the organization's goals. These goals might not be as close to your heart as your personal goals, but you work to achieve them for the good of the organization and your success there.

### **3.3 Tips to Fuel Goal Setting Success and Progress**

Short-term, mid-term and long-term goals should be established based upon the solid foundation of your values. If the goal you set is congruent with and allows you to live your most important values, you are more likely to accomplish the goal. Set goals in all aspects of your life, to maintain your life balance. The balance also helps you accomplish goals as each aspect of your life is represented in your goals. You are less likely to experience warring priorities if every aspect of your life has a value-based goal.

You should set goals for the following aspects of your life:

- Family and Home
- Financial and Career
- Spiritual and Ethical
- Physical and Health
- Social and Cultural
- Mental and Educational

Each of us has a little voice in our head. Our commentary is both positive and negative. Listen to your voice. You can change its tone by believing in yourself and in your ability to accomplish your goals and resolutions. Use this unconscious critic to positively support your goal setting success.

Writing out your goal is your commitment to achieving the goal. Writing a goal is a powerful statement in comparison with half-formulated thoughts in the back of your mind. It is the conscious promise to yourself to pay attention to the accomplishment of the goal. Writing out potential action plans and due dates makes the goal even more powerful.

One of the weaknesses of any annual appraisal system is the lack of frequency with which progress and success are measured and tracked. You are most likely to accomplish the goals you set if you review them daily as part of your normal planning process.

Simply tracking your goals daily is not enough. If you're unhappy with your progress, you need to assess what is keeping you from accomplishing the goals. Ask yourself questions such as, "Is this goal really important?" Take Action to Identify and Eliminate Obstacles to Goal Setting Success.

Simply tracking your goals daily is not enough. If you're unhappy with your progress, you need to assess what is keeping you from accomplishing the goals. Ask yourself questions such as, "Is this goal really important?"

If you are not making progress on a particular goal, attempt to do a root cause analysis to determine why. Only by honestly analysing your lack of progress can you determine steps to take to change this picture.

Even the accomplishment of a minor goal is cause for celebration. Don't depress yourself with thoughts about all you still have to do. Celebrate what you have done. Then move on to the next milestone.

Periodically look at the goals you have set for this year. Are the goals still the right goals? Give yourself permission to change your goals and resolutions based on changing circumstances.

Don't spend an entire year failing to achieve a particular goal.

### **3.4 Opportunities to develop**

Accept for training, here are some informal ways in which you might be able to advance in your career goals:

- Look for opportunities to work on departmental or organisational teams or projects
- Contact people you know, who are in jobs or career fields that you are interested in entering into.
- Look for groups within your organisation that focus on skills development performance management and provide mutually supportive and positive learning environments for developing leadership and communication skills
- Increase your knowledge on communicating with others as well as your general knowledge
- Lead team/department discussions about current work projects.

### **3.5 Feedback**

Feedback should be a focused dialog between the manager and the employee. It is the way in which information and perspective is shared regarding performance. Giving and receiving information is a two-way street. Both the manager and the employee should be proactive and open to receiving constructive feedback.

Feedback is beneficial to both the manager and the employee:

- It serves to build trust and open communication around the companies goals and the employees professional develop performance management goals
- It gives managers and employees a way to identify and discuss skills and strengths
- It identified possible develop performance management needs and ways in which to attend to them
- It serves as the foundation for recognition and reward
- It is an opportunity for the manager and employee to identify possible career and advancement opportunities.

Both the manager and the employee should participate in the feedback process.

Performance feedback should be given frequently and timorously!

The most valuable feedback is the day-to-day interaction between the manager and the employee. The effectiveness of the feedback will depend on people involved understanding each other's communication.

Effective feedback will help maintain an environment which fosters positive performance and increase productivity by:

- Encouraging staff to monitor their own performance
- Encourage positive efforts to improve performance by recognising sound performance as well as problem area
- Recognising the importance of individuals to the team
- Improving working relationships through increased communication, and
- Assisting supervisors to identify training needs and plan staff develop performance management

Both managers and staff have the responsibility to give and seek feedback.

In evaluating performance, always compare actual performance to the performance standards as determined at the beginning of the evaluation period.

The most common source of feedback is the supervisor, but plans can include reviews from peers and customers--anyone in contact with the employee. Note about poor performance.

Consistently poor performance should be addressed with corrective action. For details of the corrective action process, consult the personnel policy manual that covers the employee whose performance is being evaluated.

The above is as much applicable to you as the manager as it is to you as the employee.

## Module 4

### **Monitoring own Performance**

This Module deals with:

- The development of a plan to monitor own performance for a specified period
- Monitoring of own performance over a limited period against specific objectives or key performance indicators.
- The consequences of not meeting key performance area objectives with reference to an organization's disciplinary policy

Organisations use control procedures to ensure that they are progressing toward their objectives and that their resources are being used effectively and productively. The most brilliant plans can be formulated, the most impressive structures designed, and people motivated to attain objectives, but this does not ensure that the activities will proceed according to plan and that the objectives as formulated by management will be realised.

Until the activities of individuals, sections, departments or units are evaluated or actual performance is compared with the standard required, management will not know whether activities are executed according to plan. Control is the process in which management ensures that the organisation's objectives are realised or that actual performance is aligned with the predetermined standards. Management also ensures that resources are meaningfully deployed so that the mission and objectives of the organisation can be attained. This is thus as important to the monitoring of the individual's performance.

#### **4.1 The monitoring process**

- Setting standards

This step was discussed in the previous module. A performance standard is a projection of expected or planned performance. Over a specific period of time, the difference between planned and actual performance is monitored to compare actual performance with the projected standard.

Some standards will be monitored daily for example call handling in a Call Centre while sales and revenue will sometimes be monitored weekly. To make the control process possible and meaningful, performance standards should be realistic, attainable and measurable, so that there is no doubt about whether the actual performance meets the standard or not. For example a contact pattern that is used in a Call Centre. All the different guidelines must be realistic, measurable and attainable. Standards are therefore a function of the objectives that are formulated in the planning stage. Performance standards enable management to distinguish between acceptable and unacceptable performance and to keep abreast of the strategy and plans.



The following standards are typical in organisations:

- Profit standards.
- Market share standards.
- Productivity standards.
- Staff development standards.

- Measuring actual performance

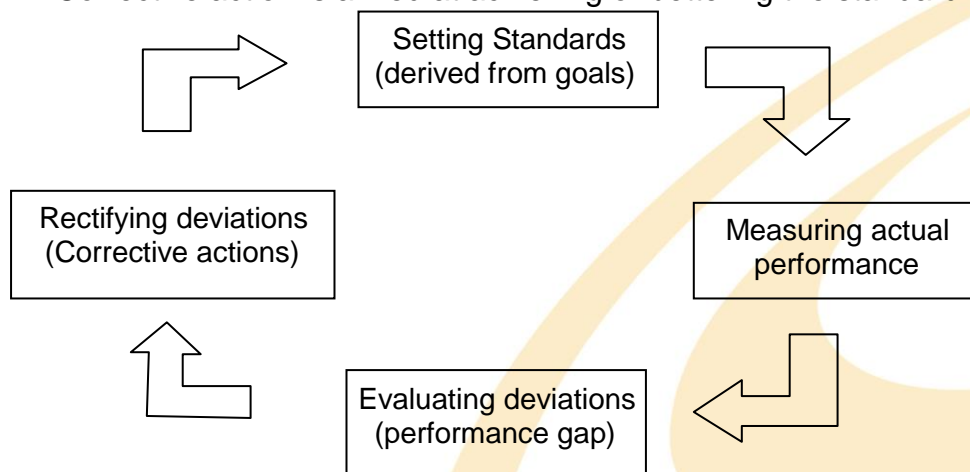
The measuring of the actual performance was discussed in an earlier module. Remember that collecting data and reporting on actual performance are ongoing activities in all the successful organisations.

- Evaluating deviations

This step entails evaluating differences between actual performance and the predetermined standards. It is important to know why a standard is merely equalled or not exceeded or why the organisation has done considerably better than the standard.

- Taking corrective action

Corrective action is aimed at achieving or bettering the standard of performance.



## 4.2 The importance of control

A control or measurement process is necessary in an organisation because of the following reasons:

- To ensure that all activities at all levels are in accordance with organizational objectives.
- To ensure that the organisation's resources are deployed in such a way that it reaches its objectives. If there is no control, the organisations resources can be wasted or misapplied.
- Control usually results in better quality.
- Control enables management to cope with change and uncertainty.
- Larger organisations with diverse product lines, multiple raw material sources, and decentralised management necessitate comprehensive control systems for the timely evaluation of various product lines and activities of departments.
- Competition is a significant factor for control.
- Control can also help to minimise cost and limit the accumulation of errors.

### 4.3 Measurement

Measurement is necessary because of the following reasons:

- Unless we know where we are now, it is not possible to determine whether things are improving or not.
- Without ongoing, regular measurement, it is difficult to understand processes and determine whether real and sustainable improvements have been made.
- Measurement identifies the source of problems and opportunities for improvement can be identified.
- Measurement makes it possible to locate the 'hot spots' at an early stage and to address these potential problems immediately.
- Measurement is essential in order to track the progress toward achieving the organisation's vision and goals.
- Measurement also makes it possible to focus employees on the issues that are represented in the business strategy whilst, at the same time, making it possible for everyone to see the contribution that they are making.

The measurement and display of information increases the awareness of the organisational goals and potentially allows every employee to keep in touch with their individual performance as well as that of the organisation as a whole. By involving people in the collection of the data, a sense of ownership may be developed. The combination of ownership and awareness are the essential first steps to gaining people's involvement in making improvements, both at individual level and company-wide. Measurement makes it possible to identify the successes and to celebrate these with the recognition that they deserve.

### 4.4 Characteristics of good measurements

Good measures should be:

- directly related to business strategy to focus the minds of employees and to monitor progress;
- varied between locations and tailored to individual processes;
- changed along with the business environment and strategy, everyone remains focused on current strategic goals;
- appropriate;
- simple to understand;
- flexible in order to reflect the changing environment;
- easy to use; and
- visible.

#### ***Functions, Activities and Information Systems to Be Monitored***

One of the most important managerial functions is to identify the functions, activities and information systems that need to be monitored in order to ensure that the organisation will achieve its objectives.

The functions and activities that need to be monitored are normally the objectives that were set at the different levels of the organisation.

The information systems are systems that are utilised by the organisation for example the Human resources system as well as other information systems that are needed to generate information.

### ***Changing Environment***

The environment in which management must operate today is becoming more complex than ever before. Managerial problems are also becoming increasingly complex. The number of options is much greater than ever before, owing to improved technology and communication systems.

## **4.5 Information Systems**

Data refers to raw, unanalysed numbers and facts about events or conditions from which information is drawn. Information on the other hand, is processed data that is relevant to a manager. The given data can be processed into information. An information system can therefore be described as the people, procedures and other resources used to collect, transform and disseminate information in an organisation. An information system can also be defined as a system that accepts data resources as input and processes them into information products as output.

Management information is information that is:

- timely
- adequate
- reliable
- cost effective
- accurate and
- relevant to a particular situation.

Sources of data can be:

- Information from data generated inside your organisation, for example; The Human Resource Management System.
- Information obtained from data generated outside your organisation for example customer satisfaction measurements. Managers at different levels require different types of information to measure performance.

## **4.6 Focus of Control**

Key areas of control include:

- a) The control of physical resources entails such factors such as inventory control, quality control and control of equipment.
- b) Control of human resources involves orderly selection and placement, control over training and personnel development, performance appraisal and remuneration levels.
- c) The control of information resources concerns accurate market forecasting, adequate environmental scanning and economic forecasting.
- d) Financial resources are situated in the centre of the other resources not only because they are controlled intrinsically (for example, cash flow or debtor control), but also because most control measurements or techniques (such as budgets, sales, production costs, market share etc.) are quantified in financial terms.

## **Control of physical resources**

- An example of physical resources in an organisation are tangible assets like, buildings, offices, equipment and furniture, vehicles, manufacturing machinery, trading stock raw materials, work in process and finished products.
- Various control systems of an administrative nature can be established to control physical resources, for example inventory control and quality control.

## **Financial Control**

Financial resources and abilities are vital to the success of the organisation and are at the heart of the control process. The control of financial resources is central to the control of other resources of the organisation.

Financial control concerns the control of resources as they flow into the organisation (revenues, return on investment), financial resources that are held by the organisation (working capital, cash) and financial resources flowing out of the organisation (salaries, expenses). Some key financial ratios that are particularly useful as criteria for evaluation are: Return on investment, return on equity, Profit margin, Market share, Sales growth, asset growth.

A budget is a resource allocation plan that helps managers co-ordinate operations and facilitates managerial control of performance. Budgets themselves do not control anything; they simply set standards against which action can be measured. The budget system serves as an important and early indicator about the effectiveness of an organisation's strategy by serving as a frame of reference against which to examine results in the execution of the strategy.

A budget's contribution to financial control is as follows:

- It supports management in co-ordinating resources, departments and projects.
- Defines or set standards that are vital to the control process.
- It makes possible the evaluation of resource allocation, departments or units.

Financial analysis can also be used as a method of control. It enables management to control the organisations financial resources.

## **The Control of Information Resources**

Relevant and timely information that is made available to management during the management process is vital in monitoring the progress of objective attainment. Only with accurate and timely information can management implement plans and determine continually whether everything is proceeding according to plan and whether adjustments need to be made. The faster that management receive feedback on what is going smoothly or badly in the course of the management process, the more effectively the organisation's control systems will function.

- The Control of Human Resources

The main instrument to control an organisation's human resources is performance management. This entails evaluating the entire employee's performance in the organisation.

#### 4.7 Importance of Critical Success Factors

Critical success factors are the things that must go well to ensure success for an organisation. Critical success factors should be:

- Important to achieving overall organisational objectives;
- Measurable and controllable;
- Relatively few in number; and
- Expressed at things that must be done.

#### 4.8 Own Performance Management

Goal setting lies at the heart of the process. Starting with the long term objectives for the company and gradually working through the levels, organizational, departmental, and individual. On individual level, the goals are set, both by the employee and the manager. There is general agreement on participation in decision-making and it strengthens the environment and motivation of the employee.

The action plan tells you how to achieve the goal. It serves as a road map of how to get to the goal achieving destination. A common assumption is that goals will be achieved by managerial and organizational support, but this is only half of the process. The employee will also have to invest high levels of motivation, commitment and achievement drive.

A review process is very important to discuss possible problems that the employee might experience in reaching their goals. Perhaps the goals need to be adjusted due to problem that weren't taken into account during the goal setting process, or exceptional performance might require the goals to be adjusted upward. Actual reviews differ from company to company, but typical periods are quarterly and sometimes even monthly. The following table can assist:

Description	Performance objective / goals
Job Knowledge	
Achievement orientation	
Problem solving and decision making	
Work habits	
Attendance/ punctuality	
Teamwork	

You can add a third column for performance indicators later:

- Quantity - how many / what proportion
- Quality - how well / to what standard
- Financial - how much
- Time - by when / in what period

Remember this is how you must look at your own performance: The overriding aim of the performance management process is to help individual employees in terms of performance development. Unfortunately there should also be a process imbedded in the system for when employees consistently fails to meet the standards required by the company. It is important to try and stay clear of using the company disciplinary process for dismissal during performance appraisals. It is the responsibility of both the employee and the manager to constantly consider how additional training would or could benefit the employee. If all else fails, alternative employment is still an option.

Further training needs to be cost effective for the employer as well as convenient for the employee. Alternative employment is one of the options for employees who fail to reach the agreed upon targets in their positions. The company might try to find alternative employment for the employee in another department of the company. If this is not possible, the company is not allowed to dismiss the employee.

The performance appraisal will be followed up with an informal meeting to discuss the continuance of performance criteria not being met after possible training and or other employment have been explored.

Only if that fails, may the manager notify the employee of a consultation meeting in writing.

At a consultation meeting the manager has the responsibility to:

1. Stress that the meeting is not a disciplinary
2. Discuss the problem, seek agreement on the shortfall of performance and reason behind it
3. Establish further action, training, assistance and help that might be appropriate
4. Clearly explain the standards required to the employee.
5. Decide and agree upon a review date with set targets that need to be achieved by that date.

Performance management starts with self-awareness, then progress to the ability to manage your own performance, before one can manage the performance of others.

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