

PIP SPEAK

THE NEWSLETTER OF
Partners in Performance

Getting the most from your people

Managers are asking us, "how do I maintain and/or lift performance in an environment where it is hard to recruit people and vacancy rates are at an all time high? There is always another job down the road if employees are put under too much pressure."

PIP's experience, which may appear counter-intuitive at first, is that by **increasing your expectations of performance from people and improving your performance management system**, you are more likely to retain your best people.

In a tight labour market, your performance management should increase if you want

PIP's performance management system involves ensuring clear accountabilities, tracking and reviewing individual performance regularly against their KPIs, and periodically reviewing the talent and succession issues for the organization as a whole.

Companies that have implemented PIP's performance management approach have found that not only did company performance improve rapidly (i.e. production increased while costs decreased) but employee

turnover actually decreased. At one site, where the performance management system involved half the employees, turnover reduced by 75% in four months amongst the involved employees (and dropped 30% on the remainder of the site, where the system was only applied as a 'light touch'). These results were achieved at a time when employee turnover was rising in the mining market worldwide. [see case study]

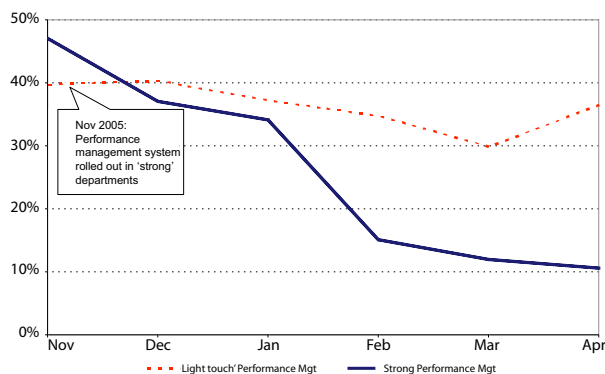
PIP's management approach contains three key elements:

1. Ensure measurable, single-point accountability for each KPI in the business.

A one-off review of the drivers of the business is undertaken to enable Key Performance Indicators (KPIs) and accountabilities to be assigned to each role and individual in the organisation. Output KPIs are typically derived from value driver trees for the business ensuring that there are No Overlaps and →

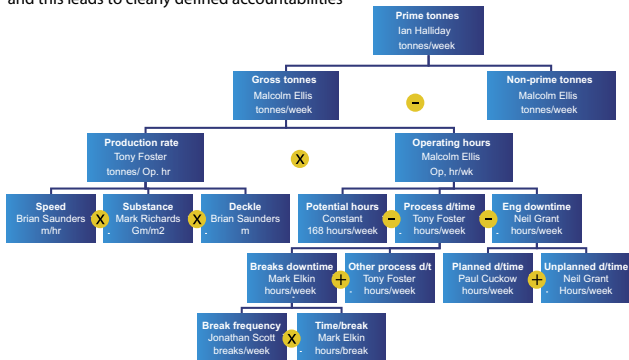
Strong Performance Management led to significant reductions in staff turnover during the mining boom when turnover rates for the industry were increasing.

Annualised turnover rate, 3 month moving average (percent)



Partners in Performance International

KPIs are rigorously reviewed to ensure they are NONG (No Overlaps No Gaps)... and this leads to clearly defined accountabilities



No Gaps (NONG) between the KPIs, so that each KPI has only one owner and all KPIs are owned.

The next step is to ensure each individual understands, in detail, their accountabilities, the activities must undertake to deliver on those accountabilities, and how their overall role is affected (what is my job, what do you want from me?). For financial KPIs they need to know the financial value of improvement on these KPIs so that they have the information to make decisions on relative priorities and tradeoffs. This provides role clarity for each individual in the organisation and transparency around who is accountable to deliver results on each KPI. A great deal of extraneous work is eliminated for employees because they are able to focus on their 'precious few' KPIs rather than doing a few things badly on many of them.

Following this, any incentive system is reviewed for consistency against these KPIs and the newly clarified roles. If necessary, and when next possible, adjustments are made to align the incentive system to the accountabilities and targets of the individual.

Finally, tracking and reporting systems are put in place to ensure each KPI is tracked and reported in a timely fashion. Ideally, the reporting will be automated to make the system easy to sustain. Timely and accurate tracking and reporting is essential to ensure the integrity and accountability of the system.

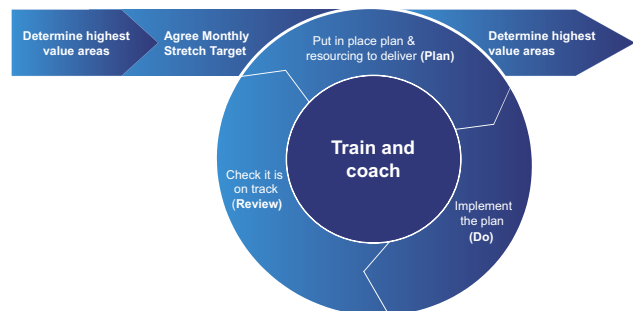
2. Cascade regular, prioritised cycle of "Plan-Do-Reviews" at each layer in the organisation.

The frequency of the Plan-Do-Review cycle depends on the stratum in the organisation and on how quickly you desire initial results. For example, operators may have a review each shift while Area Managers might be each week.

The Plan-Do-Review cycle is locked together by:

- Mutually agreed stretch targets, by individual, for the period. This covers both efficiency and effectiveness KPIs. Targets must be achievable, the associated action plans must be credible and the necessary resources must be available if there is to be accountability around the target's delivery. Priorities need to be agreed to

ensure focus is put on the precious few rather than effort being dispersed across too many KPIs, some of low improvement value. While the employee is accountable to deliver against a credible target and plan, their manager is accountable to ensure they have a plan and resources that are credible and the coaching and support they need to have a good chance of meeting those targets (mutual accountability);



- Systems for readily tracking and reporting KPIs and the completion of the actions. The systems must be as automated as possible, as quickly as possible. Otherwise, ongoing sustainability of the system is unlikely. Without such tracking, the process rapidly degenerates into "chats without facts". This tracking gives the necessary facts to understand "did it work?", and stimulates joint problem solving if things did not work;
- Regularly scheduled Results and Actions Reviews (RARs). These RARs focus on KPI Results (did the KPIs actually improve?) and Actions (did we do what we said we were going to? What are our new priority actions? Where do we need assistance and resources?)
The RARs focus on both effectiveness KPIs (are our LTIFRs trending down?) and efficiency KPIs (did we complete the number of Safe Act Observations we targeted last week? Did we close out prior incident actions?), and create a focus on each individual's priorities for driving improved performance. They also provide forums for coaching, joint problem-solving and assistance. As a result, they typically increase the amount of direct one-on-one coaching and mentoring of the people in the organization. They are a system of proactively coaching and developing one's people.
- Reviews of each individual at the end of a period. Answering questions such as: How did we do against targets? What did we learn? What are the new priorities and plan? What are the actions going forward for each of us (manager and direct report) to ensure targets are achieved and we both succeed (mutual accountability)? Typically we would embed automated balanced scorecards in the organisation to make such reviews, by individual, easy to maintain. Again, if the system is not easy to maintain, it will not be sustained. →

3. Periodically review the talent of the entire organisation with specific actions for each individual.

Preferably, this would occur every 6 months (or, at a minimum, once per year). Management teams review each individual against a number of criteria. These might include: an individual's performance as measured against their peers, an individual's current contributions to the organisation, their potential contributions, potential for promotion, their development needs and how to satisfy these and the needs of their subordinates, etc. Against each measure, specific actions are discussed and agreed with the individual. Periodic reviews are vital for succession planning, development and coaching of all staff, retention of top performers, and for dealing with the few repeated poor performances in a proactive and respectful way.

In combination, this system creates increased clarity and a high-performance ethic for the organisation. It delivers clarity for each individual on what to focus on (and, to their relief, what they don't have to focus on), it sets priorities for the period, details actions and provides proactive coaching from their manager in structured reviews. It creates an environment of mutual accountability between a manager and their direct report. Both manager and individual are involved in setting the

targets and in developing an agreed, credible, resourced plan of action which will support delivery against both of their KPIs.

PIP's experience shows that the majority of employees like performance management systems after the initial bedding down process. They appreciate the increased clarity and focus that comes from having fewer KPIs and activities to focus on (instead of an unending stream of 'things to do'). Employees receive proactive coaching and problem-solving with their manager, which tends to see age-old problems being rapidly addressed. Poor performers tend to start delivering once they are proactively managed, focused and coached. This reflects PIP's experience that 'poor performers' are seldom incompetent but have behaved that way because poor performance was permissible.

The creation of a performance ethic is morale boosting and empowering. It rapidly delivers a tangible uplift in performance from the majority of employees, and those employees benefit from increased job satisfaction and an increased sense of personal achievement. This should increase your retention of people and will in turn help you to 'upgrade your bench' by attracting more high performers. The creation of a performance ethic will deliver rapid, sustainable results that will enable you to capitalise on booming commodity prices even if the labour market is tight.

Partners in Performance

Partners in Performance is a firm that builds better businesses. We deliver rapid performance improvements in industrial, resource, manufacturing and service companies, using specialist teams and a hands-on approach to lower costs and increase revenues.

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