People make the difference

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Abstract

Conference presentations often implore delegates to take human resource development issues seriously – after all, research has clearly shown that people are the key to business success. Moreover, a clear link between business strategy and people management significantly increases the likelihood of this success. This article presents an integrated performance management model that links the future directions of the enterprise with the strategies and competencies required to be effective today and to prepare for the future.

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Considerable amounts of human endeavour and large sums of money are wasted each year through inappropriate and misdirected effort. Many people have skills and experience that are not effectively utilised, resulting in low levels of enterprise productivity and individual job satisfaction.

The integration of strategic planning and performance management can help minimise these negative outcomes and provide a practical means of increasing the contribution of human resource practitioners within the corporation.

Successful organisations of the twenty-first century will have a clear vision – they will know where they are heading and what it is that they are trying to achieve.

They will also create an environment in which their people will be motivated to achieve and grow. The successful enterprises will have values, behaviours and standards that are transparent, understood and which translate from words into action.

Many research studies into business effectiveness and corporate sustainability carried out around the world tell us very clearly that:

- People are the key to business success.
- People provide business enterprises with their only sustainable long-term competitive advantage.
- Investing in the development of people can dramatically improve bottom line results.
- Many business problems are caused by people who do not know what to do or how to do it.

When there is a clear link between business strategy and people management the likelihood of success increases significantly.

For some years now I have been using an integrated performance management model that I have progressively developed while working in this critical area in a number of different organisations in a number of different countries and cultures. This model (presented as Figure 1) effectively links the future directions of the enterprise with the strategies and competencies required to be

Extracts from presentations made by Les Pickett during the 25th Annual International Symposium on Public Personnel Administration held in Paris in April 2000 and the 1999 World Congress on Governance held in Manila.
effective today and at the same time to prepare for the future.

Clearly there is a need to very carefully consider the environment and culture of each enterprise and to adapt the basic strategic model to meet the specific needs of each organisation. The version utilised must reflect the common terminology and jargon of the people who work in that enterprise if it is to be successfully applied.

The basic approach requires the identification of corporate, business unit and individual objectives that are in concert with the financials and provide a framework for the setting of performance targets and a review of achievement against these agreed objectives.

Two major outcomes of the process supported by the model are the enterprise training and development programme and individual development plans that address both action to be taken to improve current performance and to prepare people for future roles and responsibilities.

An annual review of the organisation structure of the enterprise that combines the existing format and the anticipated needs of the future based on a critical analysis of strategic business directions is required.

The outcomes of this analysis will be reflected in the review of current and projected competencies and in the comprehensive executive and specialist resource review, which includes a linkage of business needs and current staffing levels and a succession planning component.

The development of the five year business plans, which include projected operating and capital expense budgets, provides a sound basis (subject the quality of these projections) for human resource planning.

In many organisations the financials are frequently not integrated until the various components of the overall business planning
process are consolidated by senior financial executives. Then rapid modifications are made to the figures to ensure that the board of directors’ set profit targets are achieved, with little time or thought being given to the real impact of this fiddling with figures, to achieve an acceptable bottom line. There are important HR management implications here as senior management, particularly those with financial responsibilities, must ensure that they really understand the full implications of accounting decisions on the effective staffing and people management of their respective enterprises.

It is highly probable that serious industrial disputation could have been minimised, if not completely avoided, had there been a better understanding of the consequences of some financially driven decision making. It is just too easy to make a financial decision to issue a directive to reduce expenses or budgets by so much percent or by so many dollars. There are often alternatives that will enhance stakeholder relationships without any major impact on the bottom line.

This brings us to another problem that exists here in Australia and in many western countries. We have a driving focus on short-term results. Pressure from financial institutions and other major shareholders, the financial media and sometimes by the company board can result in short-term achievements that have negative long-term implications.

The identification and development of future core competencies, research and development funding (which impacts on R&D staffing levels and skills requirements), investment in technology, the management of skills obsolescence and training and re-training for the future are all examples of areas where short-term decisions can present long-term problems.

We can all identify organisations that became top-heavy, sloppy and overstaffed and required some surgery to ensure their survival. Some of these had lost their focus on their various stakeholders and were paying a high price for arrogance and lack of executive leadership.

Downsizing and outsourcing have become somewhat of a standard response by senior management to a to drop in profits. In some cases these actions have proven not to be the most effective option but they were very trendy at the time. In addition the decision-making process was not protracted nor was it that difficult if all you were looking at was the coming year-end profit figure.

It is within this wider context that the human resource executive must operate. Without access to the projected future business strategies and the implications of these on the mix of staffing levels and skills requirements the process becomes somewhat of a crystal ball gazing exercise which leads to human resource initiative operating in a vacuum. Sometimes this can be a very comfortable vacuum but that is not what the function should be about.

To initiate action both short- and long-term targets should be set. In our model a five year time frame is utilised with the first year’s plan becoming the budget for the coming year.

Many managers regard budgets as the domain of the number crunching accountants and headcount statistics as something the people in the human resource department play around with.

Unless the performance targets are reflected in the annual budget and supported by appropriate staffing levels and associated staffing costs we are living in fairyland and are on a one way trip to disaster.

Common practice in the preparation of the coming year’s budget by operating managers (and staff managers too) is to take last year’s figures and add or subtract 5 or 10 percent depending on the prevailing feeling of optimism or pessimism within the organisation.

Sloppy or haphazard budgeting negates one of management’s most useful planning and control processes. By setting a realistic but challenging and attainable budget based on accurate sales and market forecasts the company’s objectives for the period ahead are clearly established. These can then be linked to individual jobs.

In this way the key objectives of specific positions can be established with a degree of confidence that they will serve a useful purpose and make a definite contribution towards the attainment of corporate objectives.

This in turn can help provide the staff members performing these roles with a feeling of satisfaction and achievement that they are doing something useful and making a real contribution to their organisation.

Each member of the management team has a role to play in the establishment of key
objectives for their own particular function, ensuring that these are consistent with the overall goals of the enterprise. They must then resolve the specific operations and tasks necessary to achieve these objectives, allocate the duties and responsibilities and establish standards by which both departmental and individual performance can be assessed.

Actual results must regularly be compared with the established standards and corrective action taken where necessary. Far too often variations from target, particularly those that are of a negative nature, are recognised and identified but no corrective action is initiated. Sometimes we find that the original budget figures are changed and a revised budget substituted. Too often this is the soft option – a managerial cop-out. Effective managers take timely corrective action! It is in this area of financial planning and budgetary control that HR people can sometimes be found seriously wanting.

Performance management

In its broadest context performance management is a managerial process that links strategic planning, performance standards, individual objectives, performance evaluation, training and individual development (Pickett, 1997).

An overview of an integrated performance management programme structure is presented as Figure 2. This provides a guide to help HR executives plan to develop various activities so that they will eventually come together to provide a practical link between the enterprise mission and objectives and a number of what have been regarded as human resource activities.

Far too often some of these activities are introduced to an enterprise in a “stand alone” format. They subsequently die a slow, lingering and harmful death, bringing disrepute to the HR function – just more rubbish to distract the line manager from getting on with the job they are paid to do!

In common usage the term “performance management” is frequently substituted for “performance review” or “performance appraisal.”

Some of the most common objectives of staff performance reviews are to:

- determine the competence of each person in the performance of their current duties;
- identify specific areas in need of improvement;
- ensure that people are placed in the most suitable position;
- identify employees’ ambitions regarding personal career development; and
- provide a basis for planning the future development of individual employees in accordance with their capabilities and aspirations.

While the number of organisations that utilise their performance review programmes is increasing, a virtually useless version of form filling-in and filing that has become the annual fiasco of so-called performance review continues in many organisations. This is despite evidence that this process, particularly when it forms part of an integrated performance management programme, has the potential to be one of the most effective management tools in the entire executive toolkit.

Senior executives in many countries indicate that they regard the performance review (particularly the part where they are
required to have open and honest dialogue with the people who report to them) as one of the most difficult things they are required to do. Perhaps that’s why so many do not do it all!

A sobering picture is presented by the outcomes of information obtained from an international study covering a little over 8,000 people I have surveyed.

Nearly half of the participants said that their manager was not clear, frank or complete in telling them what they thought of their work performance.

Seventeen percent of the people did not know or were unsure of what their manager thought of their work, while 22 people in every 100 did not know or were unsure of the objectives they were expected to achieve.

A third of the participants reported that their manager provided little or no assistance in improving their performance and that they had never had a formal discussion with their manager regarding their overall performance.

Forty eight people in every 100 said that they did not believe that their manager was sufficiently frank nor complete in telling them what they thought of their work performance.

Over 90 percent of the 8,000 people surveyed said that they would welcome the opportunity to have a real dialogue about their performance and discuss their potential for progress.

The findings support what we all really know deep down! People want to know what to do and how to do it. They want to know what is expected of them, how they are progressing, where they fit in and what their manager thinks of their performance. They want to understand what competencies they need to enable them to perform more effectively and to grow. They want to discuss the learning and development activities that will increase their value to their employer and to help them achieve their own career aspirations. They want to feel that the work they are doing is valued and that they are making a contribution.

The message is clear. People make the difference and the successful enterprises of the current decade will have an integrated performance management programme that effectively links corporate strategy and individual performance. What role the HR people will play will depend on their competence and effectiveness!

Reference