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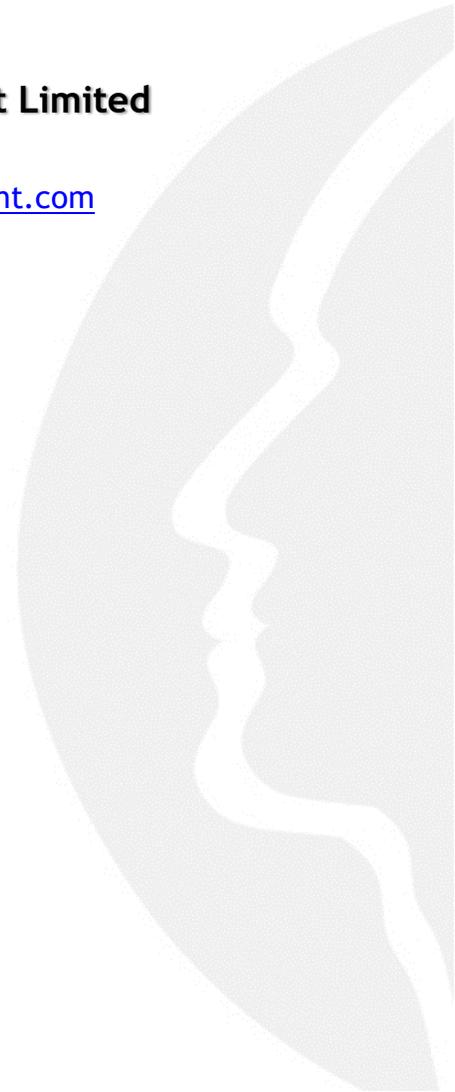
redefining the management of change

Delivering a winning performance

*Dealing with human complexities to improve performance
in a challenging economic environment*

DAV Management Limited

www.davmanagement.com



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Overview

In today's challenging economic environment, it is far too easy for management to become fixated on the top and bottom line - sometimes to the detriment of other demands and needs in the business. In the quest to deliver results, the focus must instead be on squeezing every ounce of value out of the business. This not only means cutting out waste, but also looking at the performance of employees. In this theme brief, Andrew Moore, director at DAV Management, looks at the growing need for an approach to performance management that goes beyond the formulaic structures of the past. One that helps organisations to deal with the human complexities that are so fundamental to the development and sustainability of high performing individuals and teams.

1. Where are we today?

A recent article by the BBC's Economics editor, Kamal Ahmed, looked at the latest reported fall in the UK's rate of productivity and considered the impact this is having on the country's economy. In the piece, Ahmed cites a fall of 0.5% in the first three months of 2017 putting the UK economy's ability to create wealth below that of 2007 when the financial crisis started. Unfortunately, the article only really served to leave readers feeling worried or despondent, concluding that "until [the problem of very low paid jobs] is solved, our productivity problem, our wealth problem, will continue".

With so much economic uncertainty being reported in the media on a daily basis, it is entirely possible that the problem of falling productivity, fuelled by the growth of low paid jobs, will become more serious. Kamal Ahmed's article is a wake-up call, but pointing out the issue is only really the beginning. We need to look at tackling the underlying problems, one of which is an increasingly demotivated workforce. This diminishing motivation leads to an incremental fall in productivity and tighter restrictions on incomes, which inevitably further undermines motivation. It's a spiralling cycle of decline that opens up the possibility of the UK falling behind its global competitors.

When looking for the causes of this phenomenon it's impossible to ignore the impact of Brexit, particularly since it's becoming clearer that the likelihood of getting a good deal is fading fast. In fact, just last week the UK's credit rating was cut by Moody's from Aa1 to Aa2, on concerns about the country's weakening public finances and the potential impact of leaving the European Union on economic growth. Add to that the slightly surreal snap election earlier in the year, which saw the government lose its Commons majority and with it any sense of a 'strong and stable' hand on the country's macro-economic tiller. These are both strong drivers of the uncertainty that will continue to impact the UK business landscape.

2. Driving new behaviour

During such times of uncertainty, it becomes even more necessary for people and teams to be aligned with what the business wants to achieve. This then enables the organisation to build on all the technical capability, best practice and structured frameworks that can be leveraged to address underlying performance issues, as well as any meaningful classroom-based training. This involves harnessing employee's specific abilities and helping them to develop their behaviour to not only meet their own objectives, but also achieve the desired results for the business.

In our experience, when it comes to behavioural challenges of this type, too much emphasis is placed on traditional techniques to tackle the core problems. Instead, the focus should be on enabling people to deal with the human complexities present across the business environment. Given the prevailing economic landscape in the UK today, this is, arguably, more important than resolving the technical and business challenges that many performance management techniques seek to address.

It seems clear then, that having a focus on effective performance improvement has never been more crucial to business success, especially when the goalposts keep moving so dramatically. However, business leaders are still turning to the more traditional performance management systems and methods to help them make informed decisions about employees and gauge whether they truly understand (and are engaged with) the company's strategic goals and direction and the prevailing challenges it is facing. Often these systems are used to drive and measure outputs, especially when an organisation is embarking on a new initiative or programme of work which is critical to the success of the business. But is this the right approach and will the business be measuring the right outputs and driving the right behaviours?

The Chartered Institute of Personnel and Development (CIPD) points out in its 2017 report, 'Performance management: an introduction': "If people are the greatest creators of value in organisations, then good performance management is critical for organisational success. Employees must understand what's expected of them, and to achieve those goals they need to be managed so that they're motivated, have the necessary skills, resources and support, and are accountable."

There are many dimensions to performance management and measurement programmes, which include formal appraisals, incentive/target schemes, non-monetary rewards, value-for-money audits, employee involvement activities, performance regulation schemes and the use of performance metrics. But developing a "one-size-fits-all" framework can be challenging, especially in organisations that carry out a diverse range of work - meaning many companies manage the process badly and lose sight of what really matters.

At DAV, we have found this is especially true for clients embarking on large scale business transformations. These have set deliverables and outputs that pave the way towards the client's desired outcome.

The challenge is that the pressure is frequently on to deliver benefits to the business inside very ambitious timescales and with inadequate resources and/or budgets. In the 'hot house' that follows, transformation programmes are often bent out of shape as the manager loses control of the people and relationship issues that typically represent the greatest risk - but are often overlooked or not deemed as important as they should be.

Often a reasonable programme manager will have the requisite skills to manage the processes involved but comes apart at the seams when faced with the human complexities around performance that can cause a programme to fail and a business to miss its targets. In our experience, we have found that traditional performance management techniques are not geared up to help people in these situations and are unlikely to address the underlying problem. In project and programme management, well developed and relevant performance management skills, techniques and frameworks are a prerequisite for delivering a successful outcome.

3. Performance management frameworks

Professor Paul Sparrow, Director of the Centre for Performance-led HR at Lancaster University Management School (LUMS) observes: "there is an old consulting adage – there is nothing better than a good performance management system but, there is definitely nothing worse than a poorly designed one. Well-thought-through, balanced and flexible schemes can concentrate resources and effort in sensible ways. Badly designed schemes at best demotivate the team and at worst—as some of the incentive schemes in the banking sector reminded us—create risky and dysfunctional behaviour that can derail a programme or a business initiative."

So how do senior managers in business maintain a healthy balance between measuring output effectively and accurately while preserving trust and a feeling of motivated empowerment amongst the team? And how do they ensure there's a clear alignment between the business plan at the most senior level of the business and the desired outcomes or goals, particularly when implementing a mission critical programme of work?

There are many different frameworks and methodologies available and, while there are no absolute rules regarding the right framework, most follow a similar pattern and, according to the Balanced Scorecard Institute, are based on common attributes, cycling through some variation of the following basic phases: 1) establishing objectives through which individuals and teams can see their part in the organisation's mission and strategy, 2) improving performance among employees, teams and, ultimately, organisations, 3) holding people to account for their performance by linking it to reward, career progression and termination of contracts. But such a management system must be treated as a continuous cycle, rather than an isolated event, hence an overarching structure or framework is needed for the different parts to work in a complementary manner and deliver an effective outcome.

The elements of performance management may be similar across different organisations, but there's no single best approach. Each organisation should develop practices that are relevant to their specific business context and their actual (or desired) organisational culture. There should also be flexibility within the system itself to account for the different ways teams or functions operate within a single organisation.

The Balanced Scorecard, created by Robert Kaplan and David Norton in the early 1990s, is still the most popular framework, but alternative methodologies include the Performance Prism, Baldrige, Six Sigma, EFQM (Excellence Framework for Quality Management) and Tracking Key Performance Indicators (KPIs).

The Balanced Scorecard is a strategic planning and management system used to align business activities to the vision and strategy of the organisation, as well as improving internal and external communications, and monitoring organisational performance against goals. It recommends that a business should be audited from four perspectives—financial, customer, process and learning and growth—and metrics developed, data collected and an analysis made based on each of these measures. According to the authors, this means that organisations can easily see the cause-effect relationship between action and outcome and it has endured because it delivered transformational results in many of the early adopters.

The framework has evolved since the late 1990's and it's now less about a rigid "four-box model" and more about how companies create a success or strategy map enabling key objectives to be identified and linked and strategy to be translated into "actionable objectives" that can be measured and managed. Yet despite this, managers often come unstuck by not being able to specify exactly what they want to measure and make that relevant to what the organisation is trying to achieve.

But even if a business can get all of these things in place, will they provide any guarantee of success? There is the small matter of the people involved in turning the vision into reality and whether they have the personal attributes to succeed in the face of an increasingly difficult business environment. What we've talked about so far may be thought of as hygiene factors and experience suggests that performance management is about pushing well beyond these.

4. Understanding the human aspect

The CIPD believes that setting performance objectives for individuals, departments and the organisation is an important aspect of improving motivation and, ultimately, increasing productivity. These objectives can be expressed as targets to be met (such as sales levels), ad hoc tasks to be completed by specified dates, or ongoing standards to be met. They may be directly related to team or organisational key performance indicators or personal; for example, taking the form of developmental objectives for individuals.

According to Vincent Belliveau Executive VP and General Manager of EMEA for Cornerstone OnDemand, business today should not solely rely on measurements of employees' outputs. Rather, they balance these with learning and development objectives and assessments of employees' behaviour, such as how supportive they are of colleagues. These can be of longer-term importance to the organisation as they begin to tackle human complexities present across the business. There is good evidence that social cohesion is an important factor driving performance in organisations, especially when undergoing an intense period of change, so it's important for such employers to promote collegiate and collaborative behaviour and performance management is one way of doing this. Whatever their nature, objectives should be clearly relevant to the overall purpose of the job, team and organisation. We have found that while employees do need to be committed to them, they do not necessarily need to set their own objectives - indeed, targets tend to be more powerful, in terms of the individual's motivation, when set by one's manager.

One only need look to millennials to find support for this. Millennial is the term given to those born between 1980 and 1999, and is the largest age group to emerge since the baby boom generation. Accountancy firm, Deloitte, predicts this group will make up 75% of the global workforce by 2025, so are arguably the ones that require the most support when it comes to tackling demotivation and delivering a winning performance in the workplace. Countless articles proclaim that these younger workers aren't motivated by the same factors as previous generations. As a group, millennials highly value feedback based on outcomes and deliverables when it comes to motivating factors, something inarguably conducive to creating a more productive workforce, therefore, to be successful, any performance management frameworks being employed must get to the root of these factors.

What's more, in addition to having clear goals, millennials' career choices are strongly affected by whether or not an organisation has a compelling vision of what it or the team is contributing to society, further supporting the notion that social cohesion is an important factor in driving performance. Cast yourself back to the general election earlier in the year and the unusually high turnout of young voters. One of the main turnoffs for younger people is the perception that politics is an exclusive club, but many were furious about austerity and generational injustice, annoyed at what they saw as patronising media coverage of their concerns, and disillusioned with the political status quo. Millennials, and we would argue, people of all ages want to feel as though they are working towards the greater good. Whilst this is an example from the political stage, it provides a strong insight into the key motivational drivers of our future workforce and something that business leaders must embrace in their performance management approach, if we are to address underlying problems of motivation and productivity.

Sadly, with age comes cynicism and the things that we once valued as being important, such as making an impact on society as well as business outcomes, can get dropped off the agenda and the most effective ways of delivering the best performance can get overlooked.

5. Driving exceptional performance

To lead a business successfully through this economic minefield, the focus must be placed back on everyone within the workforce and efforts should be driven towards ensuring they are motivated, happy and, ultimately, productive.

If the onus is placed on short-term financial objectives at the expense of long-term, value-creating activities and softer intangibles such as skills, innovation and culture, the workforce will begin to feel unsettled and over-managed and this will only be exacerbated during times of uncertainty, especially when this is accompanied by large scale change in the business. With all directors seeking a good return on their investment, fresher, more objective methods for performance measurement may prove to be essential. After all, the only thing worse than demotivated staff leaving, is demotivated staff staying and the cumulative impact of this is not only bad news for businesses but also, the wider UK economy and subsequently our future prosperity.

6. Getting it right from the start

We understand that when it comes to developing a performance management strategy, particularly for individuals in key roles, organisations need to be clear from the outset about what it is they want and what it is that will enable people to succeed within the environments they are working. The cost of getting this wrong can be far greater than most people imagine and, in some cases, even the best performance management programmes are likely to struggle.

DAV has developed a Structured Behaviour Based Interview (SBBI) framework that scrutinises people in relation to the competencies required for a specific role and enables organisations to test for essential experience and behavioural traits that support a person's suitability. In this way confidence can be high that the right people have been selected to deliver successfully in the appointed roles. Developed originally for DAV's own use, the SBBI framework helps organisations to carry out a much more rigorous evaluation when assessing individuals for specific roles and sets a baseline for future performance measurement.

Taking such a holistic approach gives a higher probability that people with the right capabilities (hygiene factors) and behavioural attributes (high value differentiators) perform in the right roles. By extension, organisations are more likely to align personal and business objectives and create cultures where the management of performance is not only relevant and effective (in terms of what the organisation and its people want to achieve), but also becomes a natural part of the day to day working cycle.

7. Managing Expectations

In today's challenging environment organisations want certainty of the outcome, but the current social and economic outlook is making this harder to achieve. In business, effective performance management will help to embed the environments, conditions and behaviour that can help to offset this uncertainty and the enormous risk this represents.

Even in the current climate there are plenty of opportunities - perhaps we just need to think and act differently. Difficult times will come and they will also go, but the challenges we are currently facing as a nation provide a great example of a situation where, in an economic context, the onus will fall on business leaders to help their people come together to develop new attitudes and behaviours that will deliver a winning performance.