Pathways Plus

Strategic Management and Leadership

Level 7

Unit 7002V1

Developing Performance Management Strategies

Pathways Plus

Unit 7002V1: Developing Performance Management Strategies

Contents

About Pathways Plus

Development guides

There are 12 development guides in the *Pathways Plus* series to cover the 14 units of the qualifications at CMI Level 7: Strategic Management and Leadership.

7001V1 Personal leadership development as a strategic manager
(ISBN: 0-85946-572-1)

7002V1 Developing performance management strategies
(ISBN: 0-85946-577-2)

7003V1 Financial management
(ISBN: 0-85946-582-9)

7004V1 Strategic information management
(ISBN: 0-85946-587-X)

7005V1 Conducting a strategic management project
(ISBN: 0-85946-592-6)

7006V1/ 7011V1 Reviewing organisational strategy plans and performance/Strategic planning
(ISBN: 0-85946-597-7)

7007V1 Financial planning
(ISBN: 0-85946-503-9)

7008V1 Developing a marketing strategy
(ISBN: 0-85946-508-X)

7009V1 Strategic project management
(ISBN: 0-85946-513-6)

7010V1 Implementing organisational change strategies
(ISBN: 0-85946-518-7)

7012V1 Strategic human resource planning
(ISBN: 0-85946-523-3)

7013V1/ 7014V1 Strategic leadership/Strategic leadership practice
(ISBN: 0-85946-528-4)

7021V1 Introduction to strategic management and leadership
(ISBN: 0-85946-533-0)

7022V1 Developing risk management strategies
(ISBN: 0-85946-538-1)

7023V1 Strategic corporate social responsibility
(ISBN: 0-85946-543-8)

For further details on the development guides:

- Phone: (+44) (0)1536 207379

- Fax: (+44) (0)1536 207384

- Email: publications@managers.org.uk

How to use the development guides

The development guides provide a critical commentary to the ideas of writers and thinkers in the management and leadership field. They offer opportunities for you to investigate and apply these ideas within your working environment and job role.

Structure

Each guide is divided into sections that together cover the knowledge and understanding required for the equivalent unit or units of the Chartered Management Institute Level 7 Strategic Management and Leadership qualifications.

Each section starts with a clear set of objectives linked to the learning outcomes of the qualification. You don't have to complete the sections in the order they appear in the guide (the mind map at the beginning of each guide will help you decide which sections and topics are of particular need or interest) but you should try to cover all sections if you are aiming for a full diploma qualification.

Activities

Throughout the guides there are activities for you to complete. These activities are designed to help you reflect on your own situation and apply your research to your organisation. Space and tables are provided within the activities for you to enter your own thoughts or findings, but in some cases you may choose to copy out the table or make notes in a separate notebook.

Timings

Timings are suggested for each activity to give you a rough idea of how long you should devote to them. They're not hard and fast, and you must decide whether you will benefit from spending longer on some activities than stated.

Supporting resources

The text of the guides is designed to provide you with an introduction to the subject and a commentary on some of the key issues, models and thinkers in the field. The activities are there to help provide a framework for your thinking. A key component of *Pathways Plus* (*Pathways Plus* because the development guides work together with the online supporting resources to provide an overall learning journey) is the list of references given throughout the text and at the end of each topic guiding you to the most appropriate supporting resources for you to explore yourself. These are marked with the symbol **SR** (as shown above).

You have the opportunity to select those resources that are of most interest or relevance to you and to use them as a source of guided research on a particular topic. Many of the supporting

resources are immediately available by logging into CMI's online management and leadership portal, ManagementDirect (MDir) (http://mde.managers.org.uk/members), or where you work for an organisation that subscribes to this service use the specific link for your organisation (http://mde.managers.org.uk/(organisation name) . These resources are marked in the reference list at the end of each topic with **P+** standing for *Pathways Plus.* Once logged into ManagementDirect click on More…. on the navigation bar and select Senior Manager Resources, this will take you straight to the list of supporting resources as listed in the *Pathways Plus* topics. When there, click on the title of your development guide, the section and the topic you're interested in and then click straight to the article, video, checklist, extract or report that you want to find.

For those resources that are not available through the CMI site, you will be directed to other sources (some also online) to reach what you need.

Preparing for assessment

Further information on assessment is available in the Student Guide produced as part of the *Pathways Plus* series*.* If you have any further questions about assessment procedures, it's important that you resolve these with your tutor or centre coordinator as soon as possible.

Further reading

Suggestions for further reading and links to management information are available via ManagementDirect through the Study Support section of the Institute's website at http://mde.managers.org.uk/members. Alternatively, email ask@managers.org.uk or telephone 01536 207400. You will also find titles for further reading in the Bibliography at the end of this workbook.

The CMI Management Library holds an extensive range of books and pamphlets for loan to members. A postal loan service is offered to members in the UK only. You will only pay your return postal charges. Go to www.managers.org.uk/library to review the collection and to place your requests.

Introduction

Welcome to this development guide on *Developing Performance Management Strategies*.

In Section 1 you'll look at how to achieve strategic success by aligning the performance of all departments, teams and individuals to the organisation's strategic aims and goals. You'll see how models, processes and tools can support this alignment. You'll also look at how these processes help managers and employees to measure, monitor and deliver results to achieve the aims and goals.

In Section 2 you'll consider the elements that need to be brought together to get teams and the whole organisation to focus on the achievement of strategic objectives. Again, you'll look at some of the tools, approaches and techniques that can help develop the performance of individuals and the team. You'll also look at under-performance and handling difficult discussions.

In Section 3 you'll look at motivation and influence, at the more recent insights into corporate motivation and at the influence needed to sustain that motivation.

In Section 4 you'll consider how best to monitor performance progress against plans at team and individual levels. You'll look at team meetings, performance appraisals and the skills and processes needed to make the most of them.

Development guide mind map
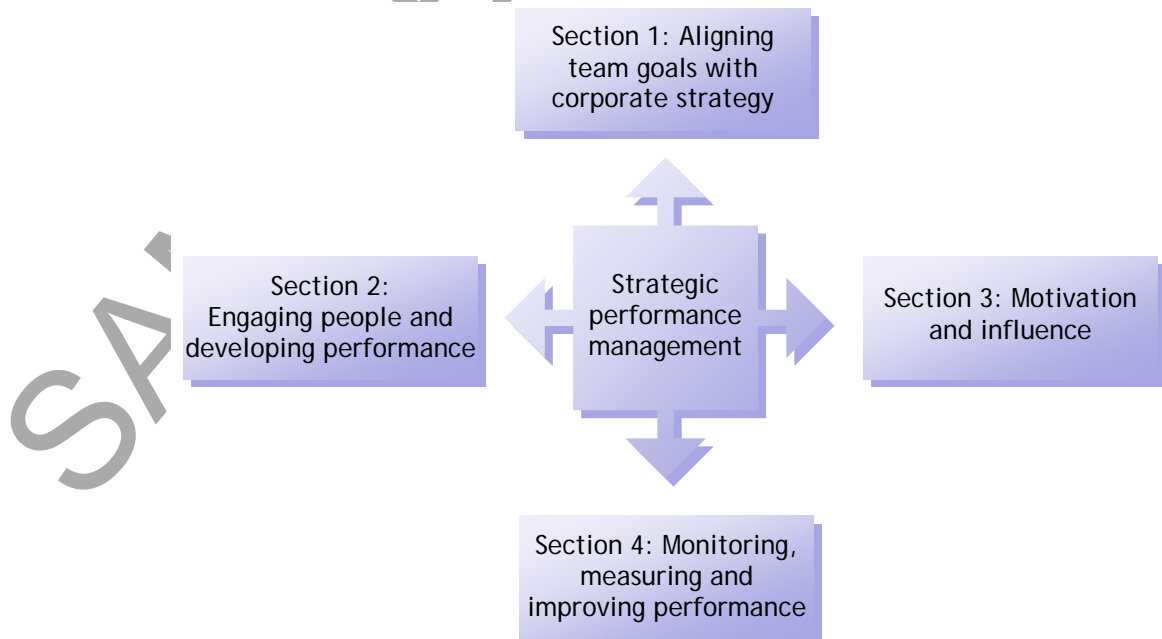
Assessment

If you're studying for the Level 7 in Strategic Management and Leadership qualifications you will be assessed by your approved centre on your knowledge and understanding of the following learning outcomes:

Unit 7002V1:

1   Be able to set performance targets of teams to meet strategic objectives

2   Be able to agree team performance targets to contribute to meeting strategic objectives

3   Be able to monitor actions and activities defined to improve team performance

4   Be able to apply influencing and persuading skills, to the dynamics and politics of personal interactions

Recommended textbook

For this development guide it will be helpful for you to have access to the following:

Armstrongs' Handbook of Performance Management: An Evidence-based Guide to Delivering High Performance by Michael Armstrong (Kogan Page, 2009).

Section 1 Aligning team goals with corporate strategy

Introduction

For organisations to achieve strategic success, the performance of all strategic business units (SBUs), departments, teams and individuals needs to be aligned to support strategic aims and goals. In addition, you need to recognise that the term 'organisation' implies the need to develop, harness and integrate a number of key contributory components to deliver strategic success. Lack of attention to the development and health of some of these may well hinder the achievement of organisational success.

As you progress through this section, you'll review a number of models, processes and tools that have been developed and deployed to support effective alignment and establishment of performance targets and goals.

You'll then look at how these processes add value by helping managers and employees to measure, monitor and deliver results that support the achievement of the organisation's strategy.

Learning outcomes

This section covers the following learning outcome:

7002V1.1 Be able to set performance targets of teams to meet strategic objectives

Section mind map

There are three topics in this section as shown below. Check the subjects within each one and then continue with the areas you need to explore.

- Section 1: Aligning team goals with corporate strategy
  - Topic 1: Potential benefits and pitfalls
    - 1.1 What is strategic performance management?
    - 1.2 Why is performance management crucial?
    - 1.3 Performance management and continuous improvement
    - 1.4 Working with models
  - Topic 2: Promoting alignment
    - 2.1 McKinsey's 7-S framework
    - 2.2 Difficulties with alignment
    - 2.3 Strategy, vision and mission
    - 2.4 Promoting alignment laterally
  - Topic 3: Models and approaches
    - 3.1 Common performance management models
    - 3.2 Management by objectives
    - 3.3 EFQM Excellence Model®
    - 3.4 Balanced scorecard
    - 3.5 Meeting your organisational needs

Topic 1:   Potential benefits and pitfalls

Introduction

In this topic you'll look closely at the term 'strategic performance management' and consider its breadth and importance. You'll look at a number of models including Deming's performance management cycle. You'll then consider how in today's business environment simply managing performance is not enough — we are all are now expected to strive for continuous improvement in performance.

1.1   What is strategic performance management?

Activity

Activity 1.1a	90 minutes

How would you define 'strategic performance management'?

Ask a few colleagues to define it and note their responses here.

Then ask a few of your direct reports and note their responses here.

> What do these responses have in common and in what ways are they different?

Some people may have offered a broad definition of 'strategic performance management', while others may see it only as one or two activities.

Strategic performance management is really a broader concept than simply setting goals or conducting performance appraisals, although it's true that some authors and managers seem to restrict their focus to these aspects. The broader, more encompassing definitions of performance management often focus on the need to link and align team and individual performance with the achievement of overall strategic goals and objectives.

From both business leadership and stakeholder perspectives, there's a compelling logic and desire for the introduction and operation of an effective strategic performance management system (PMS). This is a system that ensures all efforts are focused upon and contributory to strategic goal achievement and monitoring progress.

While some managers will focus interventions only on addressing performance deficits, this is neither the only nor, indeed, the primary purpose of interventions. The best managers use performance management systems to promote and drive continuous improvement.

Other views on performance management

Here are a range of definitions:

SR 2

Performance management is:

> *the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organisation which supports and encourages their achievement.*

(Lockett)

SR 3

Performance management is the process of:

directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation.

(Walters)

SR 4

Performance management is a:

strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.

(Armstrong and Baron)

Activity

Activity 1.1b   **30 minutes**

How do these definitions compare with what you found from your research for the last activity?

What can you conclude regarding the views of your colleagues versus those of academics and consultants?

It's often the case that people within organisations (managers and employees) have narrower perspectives on what is implied or meant by performance management than do authors and consultants. Some employees and managers tend to associate performance management with an activity such as goal setting or appraisal meetings.

Others may have wider, but still bounded, perspectives such as: 'Performance management is about setting goals and objectives, reviewing performance and applying appropriate rewards and sanctions.' That's the view of one middle manager in a large corporation.

SR 10
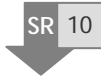
One could suggest that these differences in definition relate to the fact that academics and consultants don't live in the real world and that they need to make a living by being more complex than necessary! But it's interesting to note that the definitions and aims that executives in major organisations give are more in line with the views of the academics and consultants. For example, Marks and Spencer's approach to performance management is 'a joint process that involves both the supervisor and the employee, who identify common goals, which are linked to the goals of the organisation. This process results with the establishment of written performance expectations later used as measures for feedback and performance evaluation.'

While there are likely to be some differences between people's definitions, increasingly these tend to be more in terms of emphasis than substance. This may relate to the situation of the company or the culture of the sector within which it operates. However, one thing that is likely to be clear is that linking team goals to the overall strategic aims of the organisation is of paramount importance. In public sector and third economy organisations there may be a need to relate to even wider agendas. As an example, the Royal College of Physicians needs not only to serve its members, but also to contribute to the wider agenda of the National Health Service.

Also, it will be clear that effective strategic performance management is more than simply an event such as the annual appraisal meeting. Indeed, it's a much broader and more encompassing *process*.

Activity

> **Activity 1.1c**   **45 minutes**
>
> Reflect on why there's often a narrower and less encompassing understanding of performance management within companies. Through personal reflection on discussion with colleagues and others, list some of the reasons why you think this might be the case.
>
> ■
>
> ■
>
> ■
>
> ■
>
> ■

While there may be differences in the ways in which we define performance management, there's probably more common agreement in terms of what key components (or stages) are included within the process of performance management.

Activity

Activity 1.1d   **30 minutes**

Thinking about your own organisation (and others in which you've worked), what do you see as being key components (or stages) in the performance management process.

SR 5

Robert Bacal cites the following as processes that support performance management:

■ performance planning includes employee goal setting (and objective setting)

■ ongoing performance communication

■ data gathering, observation and documentation

■ performance appraisal meetings

■ performance diagnosis and coaching.

While there's unlikely to be significant disagreement about the inclusion of these components, and the explicit recognition of the need for coaching and performance development support is very welcome (and appropriate), there's a need to move beyond this and actively consider more factors if you are to truly understand strategic performance management processes.

SR 9

The most commonly referenced models of performance management are based upon the work of W.E. Deming regarding managing for quality improvement. Performance management has clearly latched on to this notion, and models of performance management frequently echo Deming's management cycle.
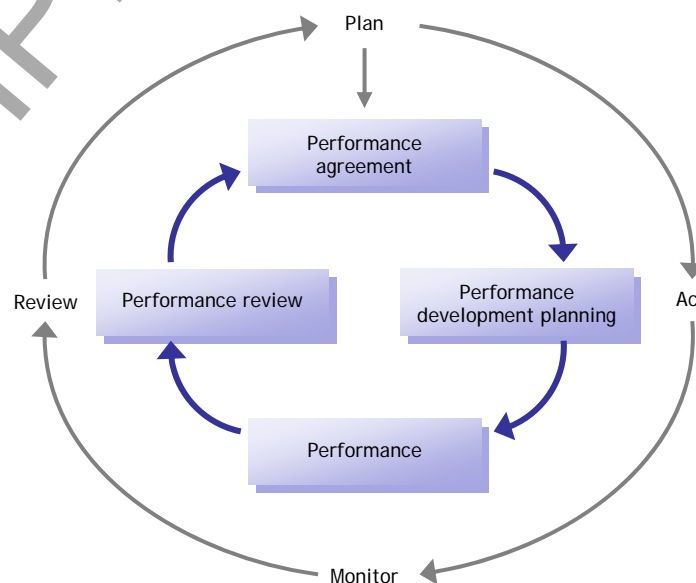

Figure 1.1a: The performance management cycle
Source: Adapted from Armstrong (2006)

Conceptually, this looks seductively simple, but in practice performance management is more complex and demanding — especially when you consider how the pace of change, business complexity and increasing stakeholder expectations impact upon the ways in which organisations need to operate in modern times.

The 'closed-system' loop implied within the model suggests that, if operated at a departmental, team or individual level, there's no link to wider considerations such as the strategic aims of the whole organisation. Nor is there any explicit recognition of the fact that the world can change.

To reflect the complexity of the real business world in which we operate, there's a need to acknowledge that external changes (as well as internal) impact upon and change the plan. If nothing else, there's a need to continually scan the environment and to make frequent use of PESTEL analyses.

Having described the performance cycle, Armstrong suggests that there's a need to consider a performance management sequence. This starts to make clear some of the many aspects that need consideration and attention.
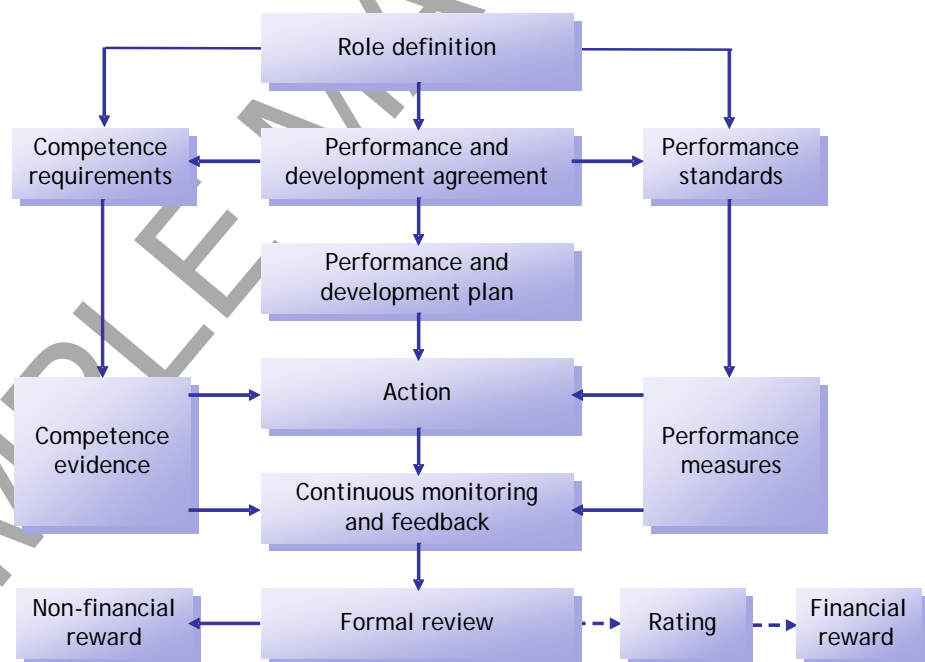

Figure 1.1b: The performance management sequence
Source: Adapted from Armstrong (2006)

Activity

SR 1

Activity 1.1e   **2 hours**

Read through Chapters 1 and 2 in Armstrong's *Performance Management*. In particular, review the 'Performance Management Activities' and note how you and your organisation address these and whether this is on an ongoing basis.