

FUNDAMENTALS OF PERFORMANCE MANAGEMENT

ACCOSCA – JUNE 2013

DAY 1:

What is Performance Management?

- *The continuous renewal which aims at improving individual and team effectiveness and efficiency in achieving organizational goals*
- *The process of creating a work environment in which people are enabled to perform to the best of their abilities*
- *Placing emphasis on managing, supporting and developing staff at all levels within the organization.*

Performance Measurement

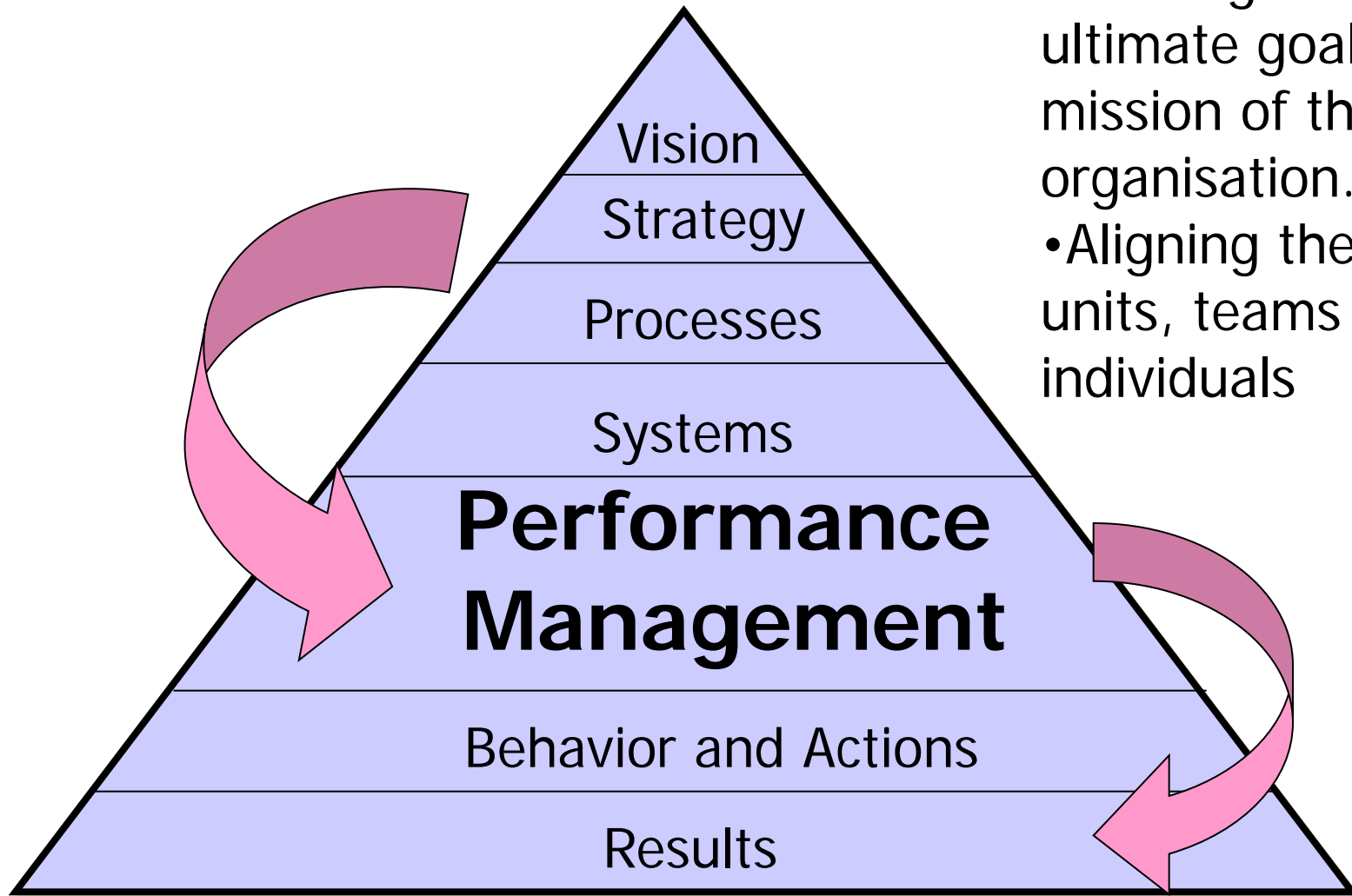


**What gets measured gets done and ...
what gets measured becomes
important!**

Why Measure Performance?

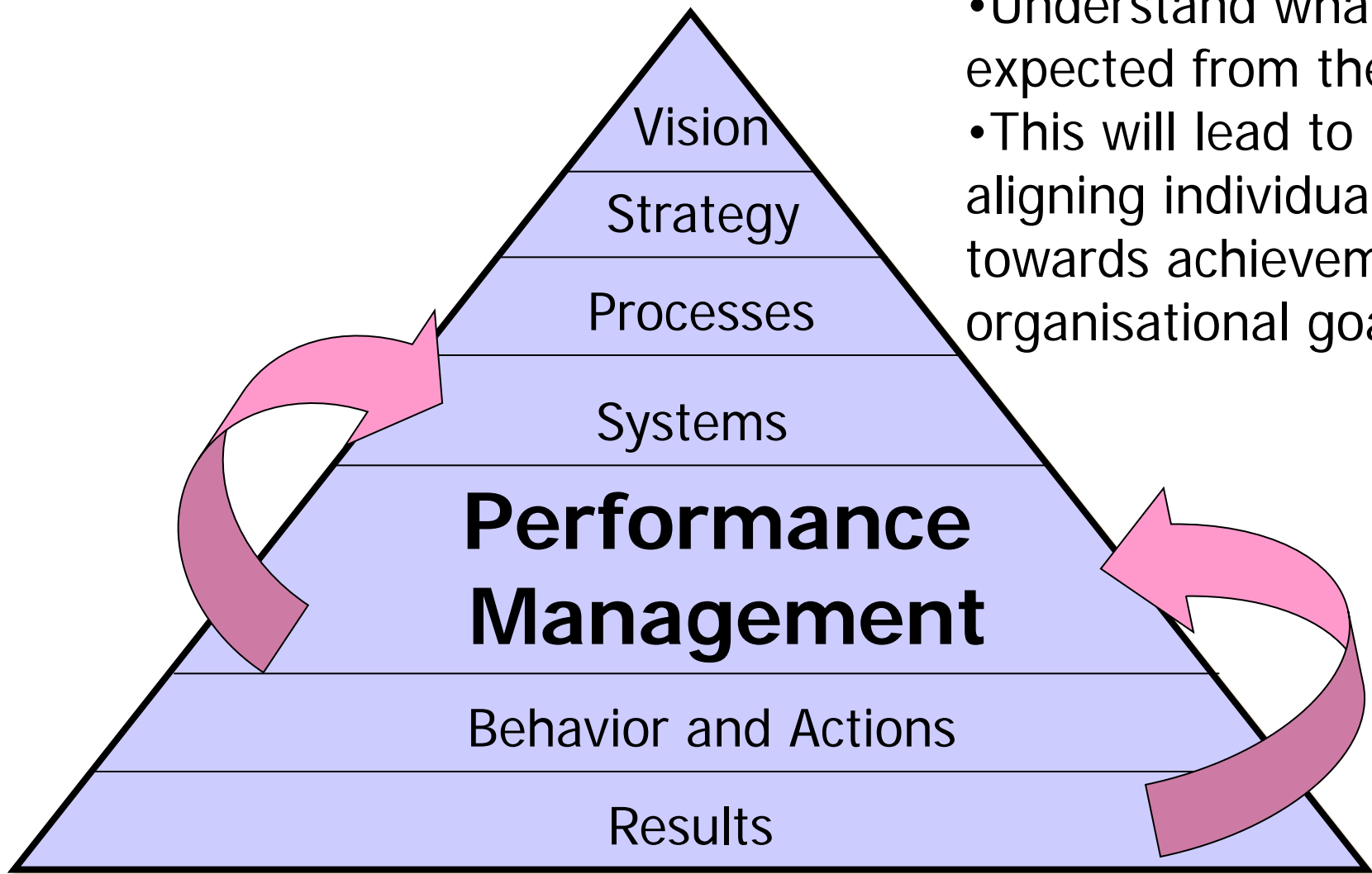
- It enables decision making;
- It manages based on evidence or results;
- It promotes accountability;
- It distinguishes between business success and failure;
- It allows for organizational learning and improvement;
- It justifies budget requests;
- It optimizes investments;
- It provides means of performance comparison;
- It fulfills mandates.

Performance Management – the linking pin !



- Starting with the ultimate goal and mission of the organisation.
- Aligning the business units, teams and individuals

What employees look for – the linking pin!



- Understand what is expected from them
- This will lead to aligning individuals towards achievement of organisational goals

Group Exercise 1

In your groups, clearly demonstrate what performance management entails in your own understanding and experience.

Use the flip chart paper provided.

Identify a presenter for your group.

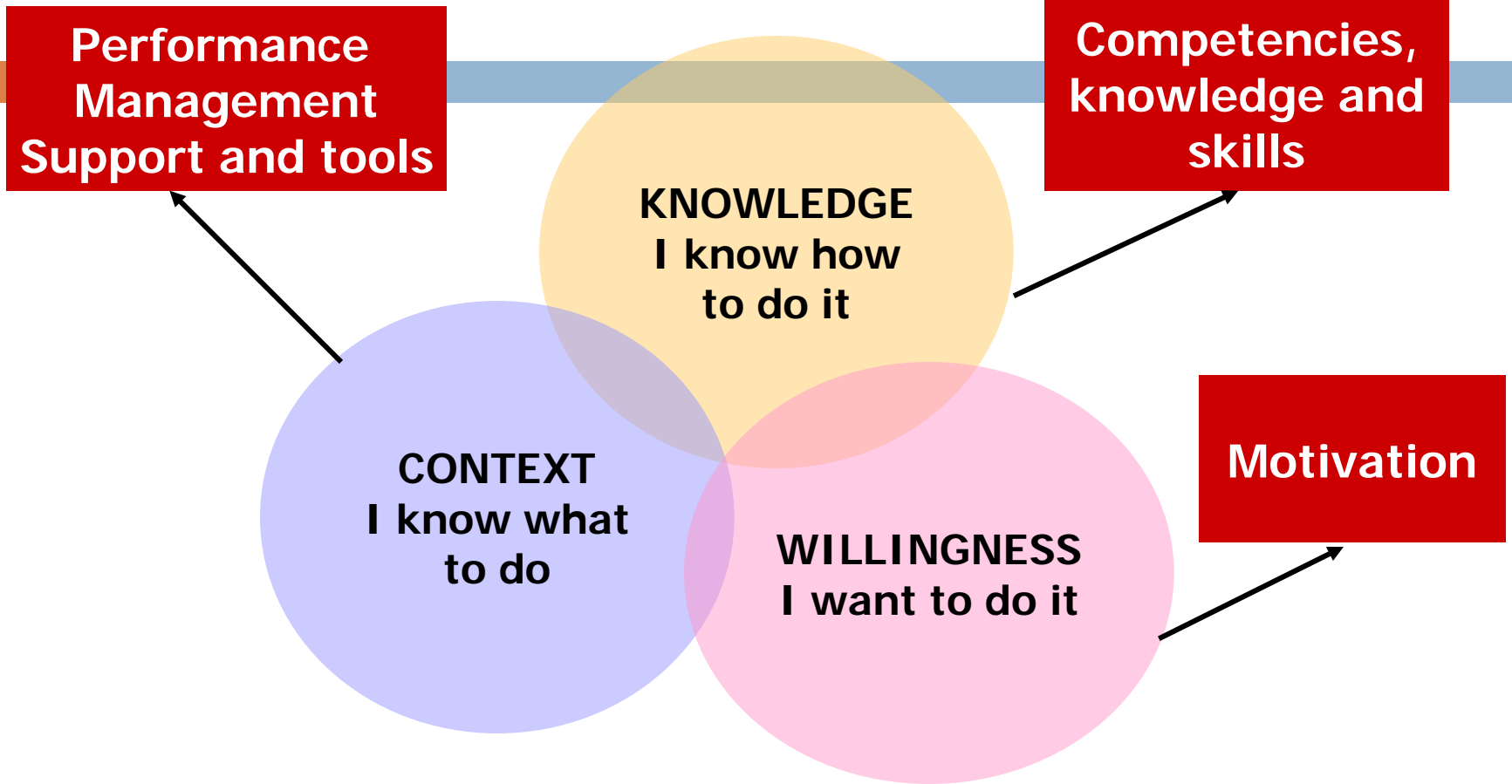
10 min preparation

5 min presentation

What does Performance Management Involve?

- **Achievement of strategic goals & objectives**
- Allocation of **KPI's**
- **Facilitate employee personal development** as part of an integrated process
- Understanding true **strengths and weaknesses** at every level of the organisation
- Transformation of people management into a **result-driven, strategic business function**
- **Alignment of employee goals** and actions with corporate strategy
- **Retention of top performers** and development of **low performers**
- Increased **quality** and frequency of **communication** between managers and employees

Defining Staff Individual Performance



Performance: Those behaviours, that under the right conditions, lead to the expected results

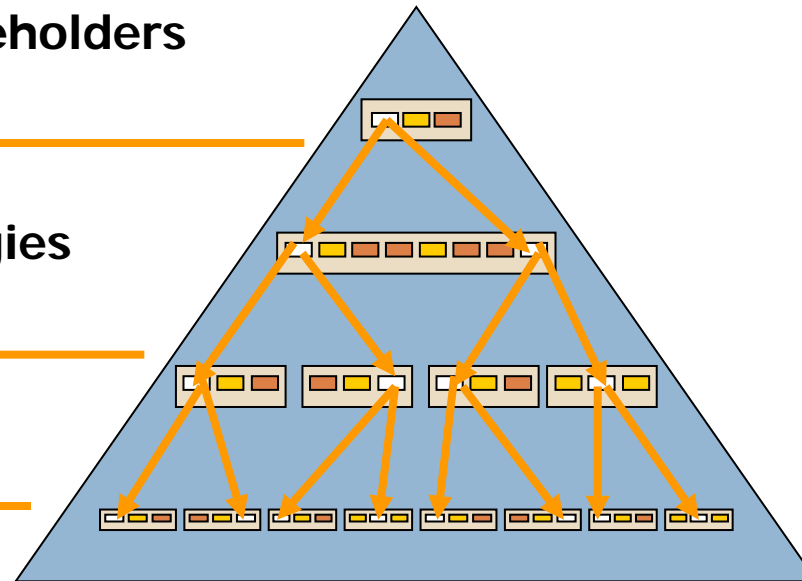
The need to cascade down.....

Value for clients, stakeholders
And employees

Organisational Strategies

Departments, Units,
Plans etc

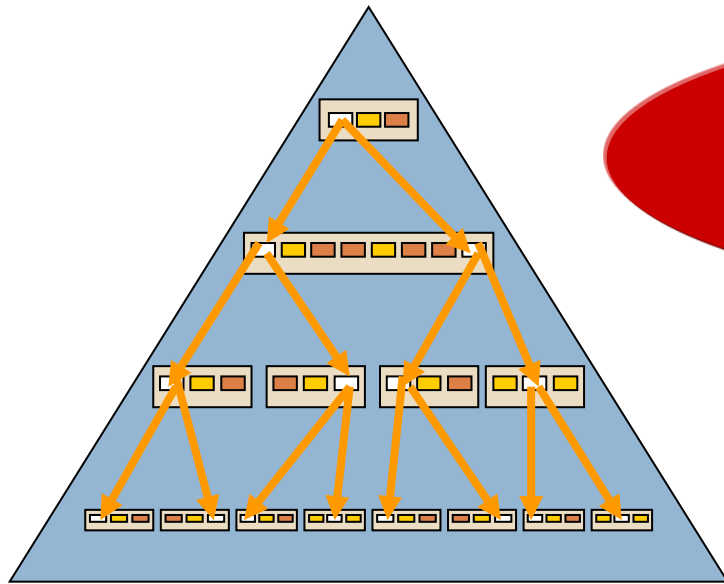
Individual Action



Best Practices

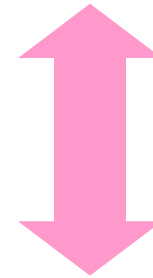
- In value based managed enterprises, individual **employees understand how processes and day-to-day activities contribute to value creation**
- **They know what they have to do** individually to contribute to value creating
- This **value creation focus becomes the basis for determining appropriate performance measures** and enables to differentiate between what could be measured and what should be measured (Business Balanced Scorecard Concept)

Staff Individual Performance Management Infrastructure



Performance Management infrastructure

1. Roles & Responsibilities
2. Annual objectives and feedback
3. Competencies



Organisation Structure

Compensation & Incentives

Career Development

Training & Education

Recruiting & Selection

Tools for Measuring Performance

- 1. Performance Contracting (PC) :** A performance contract is a mutually agreed document that specifies the responsibilities, commitments and obligations of both parties to the agreement.
- 2. Performance Appraisal System (PAS):** An employee specific document which stipulates an employees job targets for the year.
- 3. Work Plans –** Annual, Departmental and Individual can also be measuring tools because they clearly stipulate the annual work targets for the department and for the individual.
- 4. Service Charters:** Are external customer oriented because they should tell the customer what services and products an organization provides.

GROUP DISCUSSIONS

**GROUP 1: RELEVANT STRATEGIES USED TO
CREATE VIBRANT AND SUCCESSFUL CFI's.**

**GROUP 2: KEY SUCCESS FACTORS IN YOUR SACCO
AND HOW THIS CAME ABOUT.**

**GROUP 3: WHAT IS HOLDING CFI GROWTH IN
AFRICA? GOVERNANCE, LEGISLATION,
PERCEPTION AND INNOVATION.**

DAY 2:



**SETTING PERFORMANCE
STANDARDS IN
SACCOS**

Measurement and Performance

There are some questions that are relevant for business:

- ❑ Do we attract and retain the right people with the right skills?
- ❑ Are we performing effectively in our operations to produce and deliver to our stakeholders?
- ❑ Are we meeting or exceeding our stakeholders expectations?
- ❑ How are we doing financially?
 - Margins?
 - Costs?
 - Revenues?
 - New business revenues?



**What are the key performance
indicators in your
Sacco/organisation?**

Key Performance Indicators in SACCOS/Cooperatives

- Financial success
- Customer satisfaction
- Risk management
- Business development
- Human capital/corporate governance

Group Exercise 2



In your groups, list down the key measures under each of the five KPI's for SACCOS.

Each group will be assigned a KPI.

30 min preparation

5 min presentation

1. Financial Success

1. Profitability
2. Loan Portfolio
3. Liquidity

2. Customer Satisfaction

1. Reduction in Customer Complaints
2. Positive Customer Feedback
3. Customer Retention

3. Risk Management

1. Credit Risk
2. Operational Risk

4. Business Development

1. New business leads
2. Growth of existing business
3. New Product Development

5. Corporate & Internal Governance



1. BOD Structure
2. Organisation Structure
3. Systems and Processes
4. Talent Acquisition and Retention
5. Skills and Professional Development
6. Appraisals
7. Reward and Recognition

What is a Balanced Scorecard?

- ❑ Departmental goals and objectives
- ❑ Key success factors
- ❑ Key performance indicators, KPI's
- ❑ Strategic Initiatives, projects and programs

Mapping the BSC Strategy

Financial Performance

(What have we accomplished?)



**Stakeholders
Perspectives**

(How do they see us?)



Internal Process Perspectives

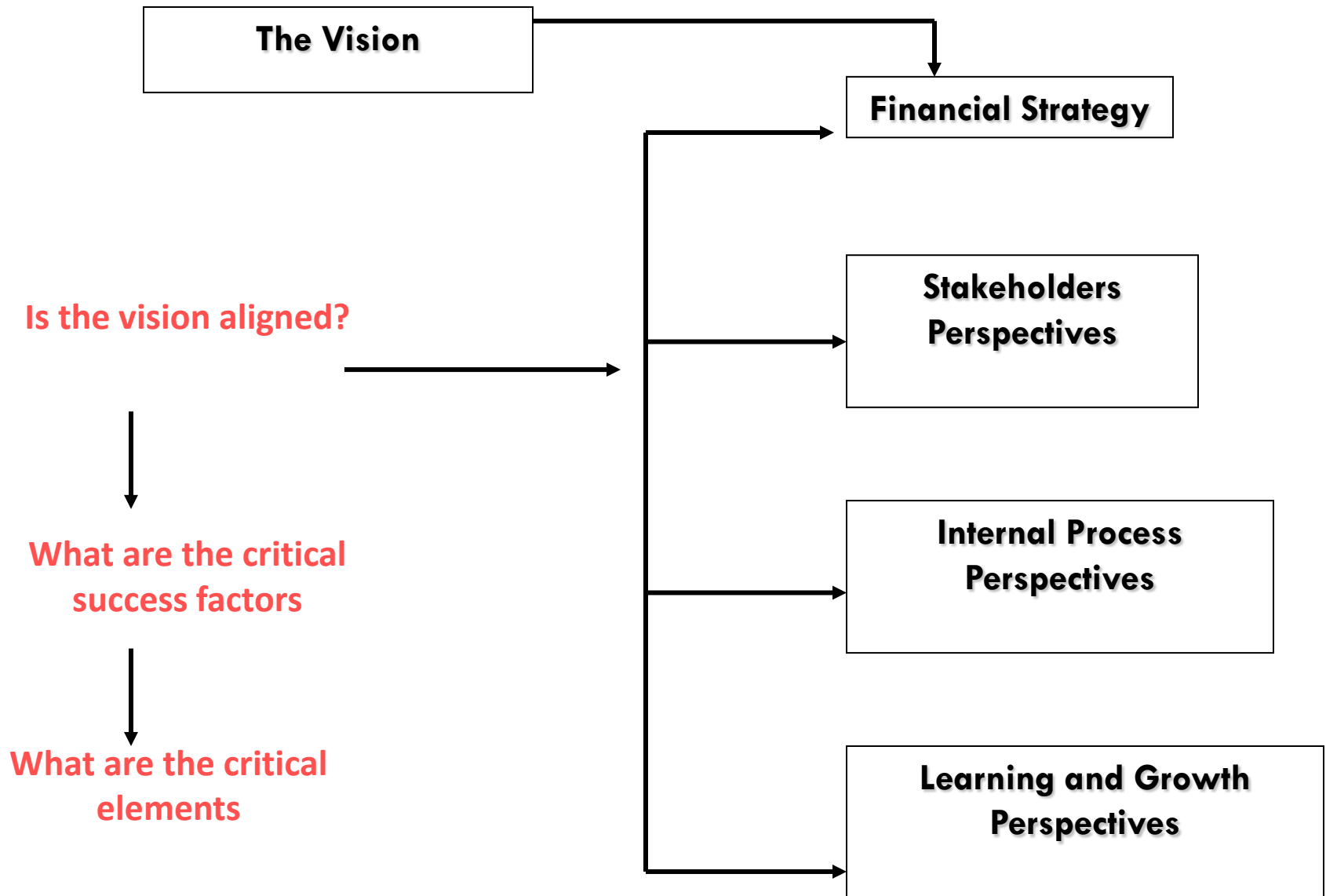
(What must we excel at?)



**Learning and Growth
Perspectives**

(Can we continue to improve and create value for our stakeholders?)

Developing the Balanced Scorecard



Sample Balanced Scorecard Approach

Perspective	Strategic Objectives	Measures	Targets	Responsibility	Initiatives
Financial Perspectives	<ul style="list-style-type: none"> • Shareholder value • Profit • New revenue 	<ul style="list-style-type: none"> • Shareholder Equity • Operating margin • Revenue from new services 	<ul style="list-style-type: none"> • x million in 3 years • x% annually • 25% in three years 		
Stakeholder Perspectives	<ul style="list-style-type: none"> • Differentiation • Customer service 	<ul style="list-style-type: none"> • Value for money • Customer satisfaction 	<ul style="list-style-type: none"> • Number one customer rating • Number one customer rating 		
Internal/Business Processes Perspective	<ul style="list-style-type: none"> • Productivity • New product devt. 	<ul style="list-style-type: none"> • Revenue/work hours • Product development cycle time 	<ul style="list-style-type: none"> • Best SACCO within five years • 60% within one year 		
Learning & Growth Perspective	<ul style="list-style-type: none"> • People policies • Capacity Building Partnerships • Customer focus 	<ul style="list-style-type: none"> • Management span of control • Number of partnerships on boarded • % management time interfacing with customer 	<ul style="list-style-type: none"> • Triple in three years • 10 in five years • 20% in two years 		

Best Practices in Performance Management of SACCOS

Case Study – Mwalimu SACCO