

Aquarius

AQUARIUS MANAGEMENT CONSULTANTS NEWSLETTER



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PERFORMANCE
MANAGEMENT

THE POWER OF PERFORMANCE MANAGEMENT

Many organisations are questioning whether their PM programmes are contributing fully to their business goals. Often PM programmes were designed some years ago and are underperforming and no longer seem appropriate to today's environment.

There are a host of reasons and organisations are littered with failing schemes. Sometimes PM:-

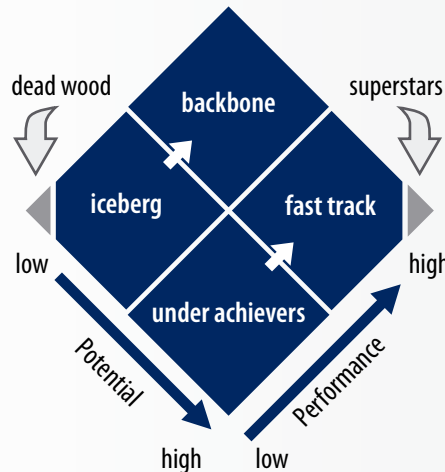
- is old and tired and the reasons for doing it have been lost;
- was introduced as a fad without integrating with other HR processes;
- fizzled out in Year 2;
- did not cover the right groups;
- wasn't communicated and sold properly.

So ask, the question - is PM contributing as it should and is it worth the effort?

The conventional wisdom has always been to start PM from top down - to embrace corporate objectives, gain top team commitment, and then move it down through the organisation. The reality is that senior managers are generally already highly motivated, but not necessarily good at performance managing their people. We believe that the payoff from PM is by inducing the whole organisation to raise the game.

WORKING MODEL

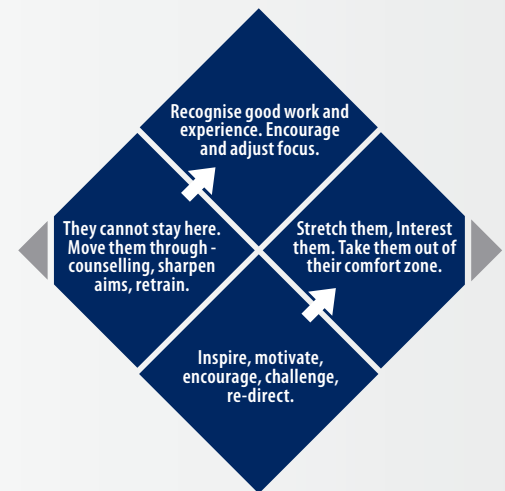
Our model is to see individuals in one of four quadrants. The low performance/low potential quadrant we name as "iceberg" - where performance and potential seem frozen. At the extreme will be the "deadwood" in the organisation. At the other extreme are the "superstars" in the "fast track" quadrant - for high potential/high performance individuals. These are people who are already displaying high levels of motivation, and where it can be argued that the PM processes are working well. Maybe the reality is that they don't need PM as much as conventional wisdom suggests.



The "under-achievers" quadrant contains the real problem children, the enigmas, the infuriators, they could do it but they won't. They should be a prime focus for PM processes because they are capable of moving into the fast track quadrant. In the "backbone" quadrant are the high performance/low potential people working well within their capabilities. These are the silent majority who are traditionally difficult to fit into PM processes because conversations around their annual performance are inevitable samey "well done John, another decent year". You know and they know that everyone is reasonably happy, and they are indeed the backbone of the organisation. There is no need to burden them with unnecessary targets, pressures, etc. which may adversely affect their performance. So, the focus of good PM practice should be on un-freezing the icebergs and motivating the under-achievers by re-focusing and re-enthusing.

USING THE MODEL

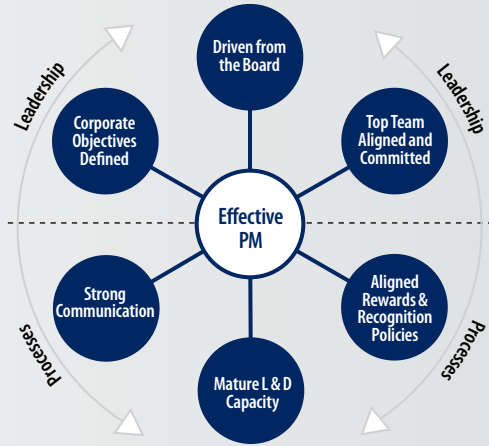
Good PM processes will enable you to recognise where your people are and point the way as to what to do next. The diagram below offers a simplistic action plan.



Our message is that people cannot stay in the "iceberg" quadrant in an organisation that is looking for performance gains. There is a question of "shape up or ship out". Nor do you want people in the "under-achiever" quadrant; it is a management responsibility to move their performance to the right.

INFRASTRUCTURE FOR SUCCESSFUL PM

Strong PM gives essential support to business change processes, but requires an infrastructure for success through leadership and linkage through other processes. There is no doubt that PM must be driven from the top of the organization where the board is able to define and communicate clear corporate objectives. The senior team needs to understand the contribution of PM processes to improved business performance and to fully support an integrated talent management programme, which crosses conventional boundaries.



New processes need energetic re-launch and PM is no different. People must understand that it is for real and that the PM process is about changing individual and corporate behaviour. They must recognize an intrinsic fairness in the system if they are going to co-operate fully. Part of the deal is that the organization provides the means to allow individuals to move to the right through the provision of well thought through and comprehensive learning and development programmes.

INTEGRATION

All our experience suggests that PM schemes introduced in isolation from other people initiatives are doomed to failure. Most people link PM with pay and indeed this is the driving force in many organisations for introducing PM. But PM is about leveraging the performance of the organisation, and pay is only one tool in the tool kit. More enlightened organisations align PM closely with learning and development, and this must be central to modern thinking around talent management. There is no reason why pay management and talent management cannot go hand in hand enabled by a PM process. Traditional pay driven PM processes focus heavily on achievement of quantified performance targets. Talent management driven PM leans heavily on behaviours. The two approaches are compatible - the mixed model being chosen by progressive organizations, whereby hard achievement and soft skills are recognized.

SUMMARY

Our approach is to help organisations to design PM processes which totally support their change agenda and which integrate well with other initiatives and processes. We see PM as an essential business process. The prize of well designed, well-communicated PM processes can be:

- Aligned business objectives.
- Clarity for staff in knowing what they have to do to achieve success, how to get support, and how they will be recognized and rewarded.
- More open, honest culture where managers are more comfortable in dealing with performance issues.
- A quantum leap in business performance.



COMPETENCIES SHOW THE WAY

AT NORTHERN LIGHTHOUSE BOARD.

Following our recent job evaluation and pay exercise, we have just introduced a performance management scheme at Northern Lighthouse Board to focus on those things which are important to the performance culture. The scheme, which was agreed with the unions, uses a variable mix of "hard crunchy" objectives and "softer" value driven behaviours or competencies to determine overall performance.

As a Non Departmental Public Body the NLB are obliged to relate some element of pay to performance and schemes they have used in the past have caused some dissent, because of perceived unfairness. With a wide variety of jobs from those who brave the elements to keep the lights working and the helicopters flying to a range of back office functions it is not appropriate to design a purely objective based scheme.

The introduction of competencies into the scheme brought a feeling of equity which has persuaded the staff to give this design the thumbs up. A "dry run" will iron out many of the wrinkles and will give everybody a chance to try the scheme in a climate of mutual success. The scheme is running throughout the organisation from the Senior Managers down.

Aquarius is an independent management consultancy with a core team of highly experienced consultants in business and people management. We have expertise across a wide range of business sectors and activities through many years of working with every kind of organisation, from Blue Chip companies and Government Departments to community based Primary Care Trusts.

www.aquariusconsultants.com

We hope you have found the content of this newsletter both interesting and informative. If you wish to discuss any of the issues further please contact one of our Directors on the numbers below.

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CONSULTANCY NEWS

(RE)SEARCH AND YOU SHALL FIND...

In these days of freely and widely available information, some of our clients are finding that they still can not get access to the information they need to make key decisions. Even when it is available, others don't have the time or the resources to sort out the 'wheat' from the 'chaff' to create genuine insight. They are therefore drawing on our research services to fill these gaps.

We have many years experience of pay and benefits research working with single clients or client groups on competitor or local market pay data. We use a range of sources, and

bespoke surveys, to gather data, analyse it against a range of criteria (e.g. typical market roles, age, gender and ethnicity) and then present the findings in a clear format the client can easily use to inform their reward strategy and practices.

We have also used our extensive in-house knowledge and external sources such as the internet, online databases and University and professional Institute libraries, to research and provide focused insight on a variety of topics. We have recently researched the implications of implementing SAP, best practice organisa-

tion structures, trends in manufacturing and the emergence of niche markets.

External research can be a very cost effective way of finding novel solutions to an array of business issues. The amount of information available is far greater than ever before - it's just knowing where to look!

EQUAL PAY – STILL HIGH ON THE AGENDA

With recent statistics showing that the gender pay gap in the private sector is 8.8 percentage points higher than the public sector, 22.3 % compared to 13.5 %*, the Equality and Human Rights Commission (formerly EOC) has called on the government for further reforms to modernise equal pay legislation.

From April 2007, the law has required public sector employers to take action to identify and tackle pay gaps. There is now considerable pressure to extend this requirement to private sector employers.

The CEHR is looking for the government to use the Discrimination Law review to get all employers to take responsibility for checking the equality gap in pay and taking effective action if there is an issue.

As recently published figures from the Tribunals Service show that equal pay claims have increased by 155% from 2005/6, rising to 44,013 – indicating that, irrespective of Equal Pay legislation, many employers have still not taken the opportunity to review their pay practices to ensure they are free from bias.

Don't wait to be caught out - Aquarius Management Consultants can audit your current arrangements, with minimum disruption and cost, and help you develop fair and effective systems that support the achievement of your organisations goals

*EOC September 2007

SEASONS GREETINGS:

As in previous years we have decided not to send Christmas cards to our clients. Instead of adding to your pile of business cards we will make a donation to charity. This year we shall be giving to the Alzheimer's Society



The Alzheimer's Society is the UK's leading care and research charity for people with dementia and those who care for them.