

Managing performance for improved productivity

The importance of performance management analysis

Introduction

In today's competitive marketplace, it's essential that organizations strive to stay ahead of their competitors. They always need to be one step ahead, and maintain the competitive advantage.

Companies across the globe pay great attention to detail, drawing up strategies to move them forward and build upon their productivity and efficiency.

But the hours and the cost of compiling these strategies are worthless unless they are continually monitored and reviewed.

A key element in the success of any strategy must be a mechanism to carefully analyse performance management. Only then will it be seen whether or not the organisation is operating to its best possible potential.

In turn, there are key critical success factors which need to be built into this performance management mechanism. Firstly, it needs to be adopted across the organisation and regularly used by managers. Secondly, it needs to result in improved organisational performance.

To achieve this, the performance management system itself, and the attitude of staff within the organisation, both need to be of an exceptionally high standard.

The structure of the performance management analysis (PMA)

An important tool in implementing a successful performance management system is a performance management analysis (PMA). This addresses two distinct areas within individual organizations. The first of these is "structural" which relates to the organizational infrastructure which needs to be in place for performance management to succeed.

The second area is "behavioural." This is linked to the employees – how they take on board the performance management system, and use it in their everyday work to enhance productivity.

The PMA needs to highlight nine key elements. These elements have been identified by a wealth of research over the years as being the essential success factors in a performance management system.

Firstly, the responsibility structure. All organizations need to identify a series of operating procedures, carefully aligned to clear boundaries of individual responsibilities and authority. Once this structure has been drawn up, it needs to be implemented consistently across all levels and all departments.

Secondly content. This is probably one of the most important elements in the system for determining its success. A lot of detailed planning has to be conducted at the outset to identify key performance and measurement indicators.

Thirdly integrity. For it to have any meaning and value, the information produced must be reliable, timely and consistent.

Fourthly manageability. To assess the information on an ongoing basis, analyze it and respond to it as appropriate, the system must be supported by a reliable and robust IT infrastructure. Any system needs the capacity to produce management reports in the most user-friendly and efficient way possible.

Fifthly accountability. As mentioned earlier, if the system is to succeed, it needs to have buy-in and support from employees across the whole organization. Employees need to get involved with, and assume responsibility for, both their own departments and the wider organization.

Sixthly, management style. If employees across the organization are working hard to adopt the system and make it work, managers must be seen to be genuinely interested in the results produced, and put in place the necessary steps to address underperformance.

Seventhly, action orientation. If problems are identified, these need to be addressed in the most efficient, cost-effective way possible. The hard work, determination and commitment in making the process a success would be utterly worthless if nothing was done to address the findings.

Eighthly, communication. So all employees feel part of the process, and that their work is valued, communication channels need to be identified. Knowledge and information should be shared at regular intervals both a top-down and bottom-up basis.

Finally alignment. This, along with content, is probably one of the most important key success factors. It is essential that the performance management system is integrated with other mechanisms, so information throughout the company can be regularly reviewed and evaluated.

PMA in action

Lelystad is a medium-sized municipality in Holland. It currently has 71,000 inhabitants and 26,000 jobs. The city council has set itself the strategic objective of having 80,000 inhabitants and 32,000 jobs by 2010.

With this anticipated growth, there will be an increased demand on essential facilities such as housing construction, the living environment, shopping facilities, infrastructure and industrial estates.

It is therefore a time of change and restructuring within the city, to ensure these objectives are met.

To help move forward with the ambitions growth plan, a PMA system was introduced in the city. It was mainly implemented within the corporate staff department, which was set up in 2003 to improve resource policy and management. Within the department, there was an identified need for a new way of managing and directing collegiate management.

The organization's aim for the PMA system was to identify whether or not any additional resources were needed to enhance performance. Employees from different levels embraced the project and worked together to implement it to best effect. The PMA system was run by two management team members, the corporate controller and five employees from the corporate staff department.

There's no doubt that at the time the PMA system was being implemented, it was a period of great change for the city, with many different projects running in tandem. Council officials decided to review all the ongoing projects to see if performance could be enhanced by merging, or even scrapping, some of these projects.

Whilst the PMA showed that the city was making good progress towards its corporate goals, it highlighted that the city needed to expand its activities to improve the PMS system and maximize its potential.

The PMA gave council officials a clear indication of what they needed to do, and the following year new structures and procedures were put in place to maximize efficiency.

Comment

This review is based upon "Performance management analysis: a case study at a Dutch municipality," by A.A. de Waal, Maastricht School of Management, Maastricht, The Netherlands, and G. Gerritsen-Medema, Municipality Lelystad, Lelystad, The Netherlands.

The article discusses how performance management analysis (PMA) is a key factor in ensuring the ongoing success of organisations' performance management systems. The PMA can highlight shortcomings, and if it receives buy-in and support from employees across the board, with a commitment to immediately resolve any identified issues, can be an extremely useful tool in maximising the potential of performance management systems.

Keywords:

Performance management,
Performance monitoring,
Employee productivity

Reference

de Waal, A.A. and Gerritsen-Medema, G. (2006), "Performance management analysis: a case study at a Dutch municipality", *International Journal of Productivity and Performance Management*, Vol. 55 No. 1, pp. 26-39, ISSN 1741-0401.

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