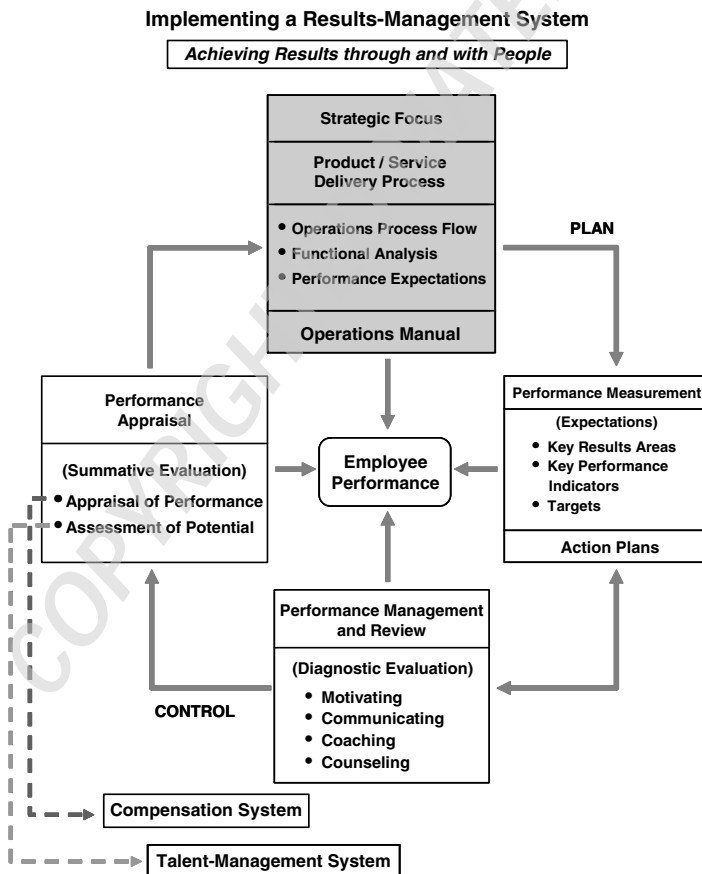


CHAPTER ONE

OVERVIEW: THE RESULTS - MANAGEMENT SYSTEM

Achieving results through and
with people



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FIGURE 1.1. A RESULTS-MANAGEMENT SYSTEM

2 RESULTS MANAGEMENT

THE TONE FROM THE TOP

In my experience of working with organizations over 25 years, the organizations that derived benefits from training were the ones that regarded training as an investment rather than as a cost. Regarding training as an investment means commitment to a cause. Regarding it as a cost is only involvement in an activity.

Training as an organizational intervention will not derive its full value if not applied, implemented, and practiced to the extent that it is part of the organizational culture.

Training to implement a system, process, structure, or value system across the entire organization will ensure that it becomes part of the organizational culture. It has greater value than training in discrete skills or topics. Approving budgets for training will create a climate for learning, but it does not guarantee that what is learned will become part of the organizational culture.

We are all creatures of habit—in thought and action. We take the same route to work; should there be a traffic jam, we accept it either patiently or with displeasure. Most of the time, unless there is a dire necessity to be on time, we will not make a serious effort to find an alternative route or an alternative means to get to work on time.

The same goes with identifying training needs and developing training plans.

However, we need to ask this question: Is training an end in itself, or is it a means to an end? For business organizations, it surely must be a means to an end. The end we are after is organizational effectiveness, and one of the tools to achieve this is to have a management system for line managers to use, to perform their job of getting results through and with people. That being the case, it would be best to train people to implement a management system to improve productivity or results.

This is made more pressing by the fact that wages are increasing and there should be a commensurate improvement in productivity for the organization's long-term health.

Nothing encourages a training consultant more than having the top management of an organization willing to sit in at a presentation to introduce a management system. In this, they are setting the tone from the top. At such meetings I have used the

chart shown in Figure 1.1 to illustrate the workings of a results-management system.

The system has the following components:

1. *Strategic Focus for the Year:* To predetermine the near-term course of action and direct all business processes and functional activities to the collective priority of the organization for the year as a managerial planning function. Expected organizational key results areas are also made known and disseminated.

2. *Performance Measurement:* To establish performance measures to monitor and assess results for work in progress and work completed as a managerial control function. To measure what to maintain or improve in value-added functional services and activities, as well as to recognize contributions daily and periodically by individual employees.

3. *Performance Management and Review:* To impel line and support functions to take effective action as a managerial leadership function. To enable performers to achieve or exceed the functional value-added services expected of them and diagnose performance problems daily or during periodic reviews.

4. *Performance Appraisal:* To make a summative evaluation of the actual functional value-added services provided by individual employees to support the organization's vision, mission, and business objectives for the year.

5. *Compensation System:* To ensure paying for performance, paying for the job and paying market rates so as to attract and retain willing, skilled, and knowledgeable employees.

6. *Talent-Management System:* To assess potential and identify, develop, and retain talent for the long-term viability of the organization.

Ideally, all systems should be working well to ensure organizational health and effectiveness. Only then can the company's human resources be better utilized for greater productivity.

Organizational health can be likened to a person's well-being, which is dependent on whether the digestive, respiratory, reproductive, circulation, and nervous systems, separately and conjointly, are functioning well.

4 RESULTS MANAGEMENT

A results-management system, if properly implemented, will do the following:

- Encourage all employees to regard themselves as running a business within a business
- Measure their individual value-added services
- Encourage performers to appraise the extent of their individual contributions
- Motivate performers to try to do better each year
- Reward performance
- Manage talent for the long term

If every employee regards the functional responsibilities for which he was engaged as being “outsourced” to him, the notion of running a business within a business can be understood better.

STRATEGIC FOCUS FOR THE YEAR

A company’s *strategic focus* derives from its strategic planning system.

Annually, organizations typically decide what they want to focus on prior to budgeting, which is allocating resources to meet profit targets.

An organization might focus on growing the business, increasing profits, increasing market share, containing costs, improving customer relations, strengthening corporate values, and other actions and initiatives to take the company forward. Having decided on that, all divisions and departments will implement the initiatives through the product/service-delivery system and the results-management system.

The various functional divisions and departments will set their targets to support the focus for the year. For example, if the focus is to reduce operating costs by 10 percent for the year, all divisions and departments will see where most of their operating costs are, identify the critical few, and set a target accordingly to reduce the operating cost.

Sales could look at advertising, entertainment or transportation costs, while Production could look at the costs of raw materials, overtime, inventory, or warehousing.

HR could look at medical, recruitment, and uniform costs, and Finance could look at documentation and legal costs, and so on.

PERFORMANCE MEASUREMENT

Performance measurement is the target-setting part of the results-management system. Before targets are set, the needs areas for which key results areas are identified and targets are set by divisions, departments, and individuals have to be reviewed and established.

These areas could involve targets to capture *opportunities*, such as acquiring new office space when rentals are down, cornering the market with a new product or service or maximizing business incentives provided by the government or other opportunities provided by the prevailing economic environment.

For *deficiency needs*, attention may have to be paid to some core functions that might not have achieved the desired results or performance standards for the previous year. These situations must be corrected by, for example, improving yields, reducing employee turnover, reducing receivables, or increasing market share.

There could be some ongoing targets or standards—such as zero defects or zero accidents—that need to be *maintained*. All these could be in addition to *special assignment needs* or directives from the top, such as reducing operating costs that have to be cascaded down to the individual employee.

PERFORMANCE MANAGEMENT AND REVIEW

This is truly the bedrock of the results-management system and not the performance-measurement system that most people will conclude it to be. In fact, this is the most overlooked aspect of a results-management system, as many are more preoccupied with key performance indicators than with how to enable employees to achieve them.

6 RESULTS MANAGEMENT

It is not uncommon to hear that organizations embarking on a results-based appraisal system will set targets at the beginning of the year, and scramble to assemble data at the end of the year with which to appraise.

Appraiser and appraisee then get into conflicting situations without adequate supporting data. Both parties then become discouraged with a system that is supposed to be more objective and less contentious than the conventional behavior-anchored rating scales.

If performance management was considered a necessary aspect of such a system and reviews were conducted, actual results updated, and trouble-shooting done, there would be fewer or no surprises at year end. The performer could even do a self-appraisal of results achieved against results expected.

Competencies for performance management and review are commonly referred to as “soft skills” or “interpersonal relations skills.” These include skills on listening, handling differences of opinion, positive and constructive feedback, as well as performance coaching and counseling.

These skills make up the *performance management and review* part of the system. This is the part where the manager really earns his keep by developing an open and trusting working relationship with subordinates.

This is the art of managing for commitment and not for compliance with targets. There must be a balance between the results desired and the motivation to achieve them.

Setting targets to specify desired results is part of the planning and control function of management. This involves assessing and regulating work in progress or work completed and results achieved against plan. It is a logical, left-brain activity.

However, if it were just a matter of an employee meeting or not meeting targets and being evaluated accordingly, it would really only be managing for compliance with targets. With such a narrow orientation, most ordinary mortals will try to set conservative targets so that they will not fail. If you raise the bar, people become apprehensive and try to resist. They will be bargaining at target-setting time.

Indeed, this is one of the reasons why MBO systems in some organizations are not as successful as they should be. Even though the concept makes a lot of sense, it requires emotional engagement

as well. This is why time should be allocated for performance-management training, to support the results-management system.

PERFORMANCE APPRAISAL

A typical management controlling process starts with establishing performance measures, taking measurements of results attained to date, evaluating the actual results achieved against expected results (which is also known as “appraising”) and then taking whatever corrective follow-up action is necessary.

During performance reviews, a line manager reviews work in progress or work completed. If targets are not met, or if they are exceeded in the interim, the manager and subordinate sit down and try to ascertain the cause of the negative or positive variance against targets set. This is a diagnostic activity—finding out the real cause of a discrepancy then taking corrective or remedial action so that the desired results are achieved at year end.

At the end of the year, when the line manager and direct report take stock of the overall results for the year, it is a summation of everything. It is like a year-end examination in school. The performance-management reviews are like daily, weekly, or term tests and assessments that provide feedback in the school system. The teacher then provides individual guidance, tuition, or coaching or counseling, as necessary.

In year-end appraising, managers not only appraise performance on results achieved, but they also assess potential based on behaviors and attributes shown in the pursuit of the results expected. The results from these are then fed into the compensation system, which recognizes performance and team membership with bonuses and increments.

The data on the strengths and weaknesses of the performer is also fed into the talent-management system, which looks at career-development directions for the individual and succession planning for the organization’s long-term growth.

COMPENSATION SYSTEM

Within the results-management system, the *compensation system* is a necessary complement to performance appraisal.

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The pay-for-performance aspect of the compensation system is linked to the appraisal ratings in the summative evaluation. It recognizes productivity and provides positive or negative consequences for performance, so as to make performance matter.

Many organizations are now restructuring their compensation systems to mitigate rising wage costs by according lower annual increments to the base pay and have a large variable bonus component based on results achieved for the year.

It is recognized that base-pay increments even with lower percentages, when compounded over the years, can escalate fixed wage costs. The basis for such increments is more to reflect cost-of-living increases. Some organizations also take into account competency development or adherence to corporate values to provide a basis for granting a higher increment beyond the normal cost-of-living increase.

Results-based variable bonuses depend on an effective results-management system to be effective motivators to productive employees.

TALENT-MANAGEMENT SYSTEM

If the results-management system only culminates with the compensation system, it will be incomplete. The system is meant to achieve results currently and also for the future. Talent needs to be identified and developed to ensure the organization continues to be productive to achieve expected results over the long term.

The *talent-management system* is linked to the assessment of potential within the results-management system and it helps the organization to identify, nurture, and retain talent to ensure its continued viability.

Talent management is harnessing intellectual capital for the organization's long-term growth and survival. It is not an exact science, as assessing human ability on acquired know-how and know-why is also an art, notwithstanding the many profiling instruments available to the line manager to use in addition to on-the-job assessment of potential.



Key Points to Ponder

- Training to implement a structure, process or system provides the organizational climate and culture to reinforce things learned.
- The components of a results-management system are: Strategic Focus for the year; Establishing Performance Measures; Managing and Reviewing Performance with motivation, communication, coaching and counseling; Appraising Performance; Assessing Potential; Recognizing and Rewarding Performance; and Talent Management for the future.
- A results-management system is not all about results and measurement. Performance management is the key.
- All parts and sub-systems of a management system need to work well to enable the whole system to function well.
- All parts of a management system are interlinked and mutually supportive.

