

Performance Management – A Quick Reference Guide



Introduction

For public transport companies competency and productivity are essential for organisational success in the 21st century. Another key to success is human capital and investing in human capital will be critical for organisational survival. Public transport companies are committed to meeting the constantly changing demands of customers and for this reason they strive to be high performance companies. More than ever, these companies have to prove their value in a rapidly changing market: this applies to the entire company as well as the individual employee. The quality of service provided will depend on the individual's performance, commitment and motivation. These are the key factors that will determine the ability of public transport firms to stay ahead of competitors and achieve ambitious domestic and sometimes international goals. As service providers, it is crucial for public transport companies to achieve these goals, and success will depend largely on the competencies, motivation and performance of employees.

Creating a Performance Culture

Creating a performance culture requires a systematic approach to managing the performance of organizations, teams and individuals. A performance culture is based on dis-

cipline. This discipline promotes decisiveness and standards of excellence and ensures direct accountability. Such discipline is the main reason why commitments and expectations are always clear. In a performance culture, pro-active performance management blocks obstructive behaviours and supports, reinforces and rewards constructive ones. In such a culture, people are truly engaged in the business of public transport.

At the crux of the public transport business success is the performance of individuals, teams and the overall organisation. The desire to bring about behaviour changes drives any attempt to create this performance culture. The tools used in performance management, such as performance planning, performance development, performance appraisal, are all theoretically good. But instead of the traditional performance appraisals, the appraisal should become for public transport companies an integral part of the performance and development system.

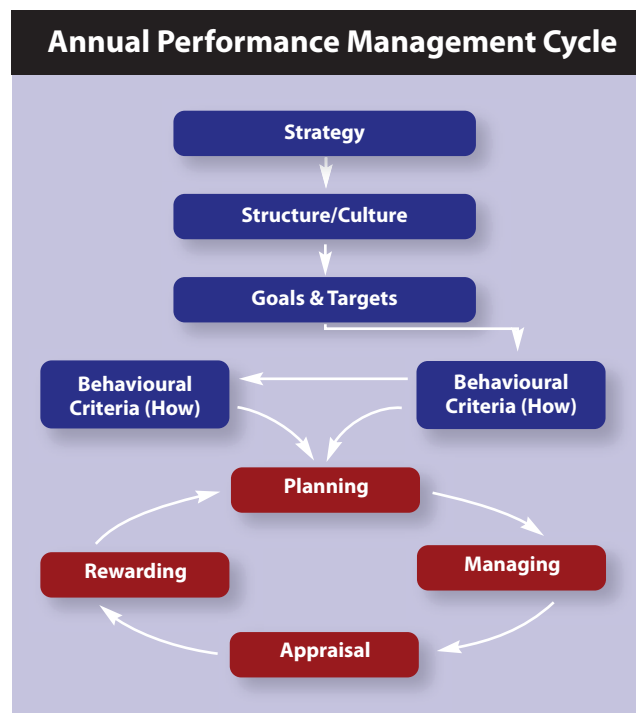
Performance Management Cycle

Performance management should be part of the company's overall planning and control cycle and should include the following:

- Clear per job Key Result Areas and Key Performance Indicators.

- Clear per job targets and priorities for the coming periods/year, including which competencies will be further developed.
- Regular evaluation of progress, including coaching for results.
- Yearly appraisal of individual performance: What was achieved (targets) and How this was achieved (competencies).

The individual performance appraisal outlined above serves as a basis for adjusting the Personal Development Plan, which includes possible learning and training needs and further career planning. In some case it may also serve as a basis for the yearly salary review and possible bonus calculation. By applying the above-mentioned principles it becomes clear how each individual can contribute to achieving the company's and/or the department's goals. The agreement on targets serves as a guideline for the employee to manage his/her own results and personal development. Recognition, promotion and career possibilities depend upon the overall performance of the employee, which is in line with the overall performance of the organisation.



The Four Phases of Performance Management

The illustration below shows the four phases of performance management: Planning ("I know what I have to do and why"), Managing ("I achieve my targets and improve my competencies"), Appraisal ("I know if I met my targets and which competencies to further improve"), and Rewarding ("My performance is recognised and rewarded").

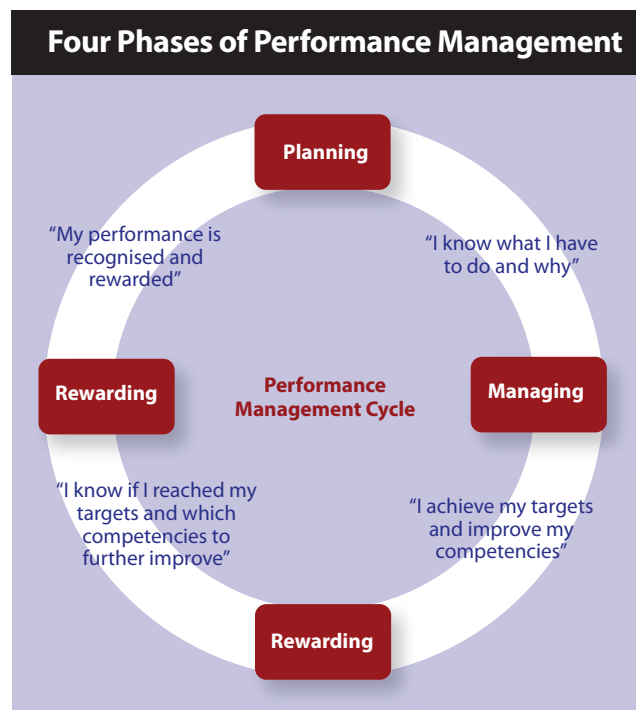
Planning

The planning phase of performance management determines targets to be achieved during the year and leads to clear commitments about who does what and how. It is important for employees to know what their targets are and how they can best achieve them. One successful method is called the "cascade process". This involves:

- Presentation of the Business Plan and the establishment of departmental goals to achieve the plan.
- Discussion and agreement about individual work performance targets within each department or unit.
- Full understanding by individuals of how their targets relate to others and contribute to the departmental or unit targets and the overall Business Plan.

This cascade process must be carefully planned and scheduled to ensure that it occurs in sequence and that everyone has the opportunity to participate. Care should be taken to:

- communicate challenging yet realistic (departmental) goals before the start of the appraisal period;
- ensure that individual targets are challenging but achievable;



- agree on individual competency development targets;
- discuss the criteria against which the performance (targets and competencies) will be reviewed.

Performance should be discussed with employees at regular intervals throughout the appraisal period. Monitoring progress also allows employees the opportunity to link performance with personal development and career possibili-

ties. By taking a systematic approach to performance review and appraisal, the employee will be more aware of his/her qualities and capabilities and how best to benefit from these.

It is useful for managers and employees to agree on both work targets and competence development targets, as these are the detailed actions necessary to achieve the overall goals. The selection of a minimum of three and a maximum of five work targets is recommended. These targets should be based on a job description as well as Key Result Areas and Key Performance Indicators. The targets should also be realistic and achievable and the employee should be given the opportunity to influence the targets. Both manager and employee should show mutual commitment to the targets.

Strictly speaking the selected targets serve as a kind of contract to which both parties are highly committed. This also includes an agreement on the review dates for these work targets.

Having agreed to the work targets there will be a separate discussion about which competencies the employee will have to improve in the coming year. The manager and employee should use the applicable Competency Framework which applies to the job family of the employee. It is recommended that the manager and employee identify any shortcomings. Per chosen competency, the present level of ability should be determined after which the required level can be chosen and decided upon. It is recommended to agree on the type of shortcomings and agree on the development actions to be taken to improve the overall competency and job effectiveness. Actions could include extra learning on the job, more coaching or training, or following a specific internal or external training course.

Managing and Appraisal

Now that the personal performance plan and personal development plan have been decided upon, progress should be monitored throughout the year and not solely at the annual review. Regular monitoring of the process aims to determine where progress is less satisfactory and implement early corrective action. Targets can, for example, be influenced by changes in the market and/or the organisation and therefore the relevance of the targets and priorities should be reassessed and revised if necessary. Good performance, including behaviour, should be recognized and acknowledged at the regular monitoring sessions as well as at the annual review.

Examples of work performance should be recorded throughout the year otherwise the annual review will be based on what can be remembered of the preceding few months with only outstandingly good or bad efforts from the rest of the year. For best results the manager should be on hand as helper and coach throughout the year. Competence development is better achieved by providing supervision and coaching on the job, rather than through formal training courses, though these may be necessary and should be available if needed.

Some examples of good coaching skills are listed below:

- Paying attention and listening.
- Providing constructive feed-back.
- Adequate questioning and answering.
- Assistance in formulating goals.
- Talk in terms of the other person's interests.
- Reduce resistance to and fear of change.
- Provide a good working environment.

Through periodic informal reviews, each manager will have an opportunity to see how well employees are performing relative to their goals and to provide opportunities for early intervention.

Timing of Performance Management

Planning

In December the manager presents his view on the strategic business or departmental plan for the year ahead and communicates challenging yet realistic goals before the start of the appraisal period.

Appraisal

The appraisal should take place in the first quarter of the new year, preferably in January/February. Based on the outcome of the appraisal, the tasks and targets for each employee are set, including the setting up of a personal development plan. Possible training and development actions are also determined. Before the end of the first quarter the manager and employee should have agreed on the work and competence development targets. Staff appraisal reports are sent to HR departments before April 1.

Rewarding

After the appraisal period managers determine the Individual Performance Factor as a basis for the annual wage increase and (if applicable) a bonus.

Managing

Progress should be monitored throughout the year. It is recommended that one or two informal review meetings are held during the year to see how well employees are performing.

Note: This document is based on both the cooperative desk research of Sputnik project partners and input from public transport practitioners/experts.