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## Performance management systems explained

### Performance management is a system of involving your employees to help you achieve your business's goals.

It's as important for an SME to have performance management systems in place, as it is for a larger business. Why? Because the more you involve your employees in delivering your business targets, the more you will meet customer expectations, improve productivity and deliver the bottom line numbers.

This 10-point checklist will help you create a performance management system for your business.

#### **1: Start at the top**

The CEO (owner) needs to champion a performance management system, and all senior managers should be involved in the process.

#### **2: Communicate the benefits**

The CEO needs to get the message out about why performance management is being introduced and why it's of benefit to both the business and the employees.

#### **3: Get employee feedback**

Don't just launch a new system without involving employees in the process. Tell employees how it will work for them. Seek constructive feedback and act on it.

#### **4: Identify clear business objectives**

Ensure that the business's objectives are well-defined. Use financial and non-financial measures, such as customer retention, new business wins or speed of customer response. Next, translate them into individual goals.

#### **5: Set tangible individual goals**

Employees should be able to understand what they need to deliver, how their performance will be measured and the skills, behaviours and knowledge that are expected of them. Employees should be provided with written business objectives, a clear job description and the criteria that their performance will be measured.

#### **6: Ensure goals meet the SMART test**

The business needs to ensure that goals are specific, measureable, attainable, realistic and timely (or SMART). Here's an example. A manufacturing plant sets a goal of reducing overtime hours of ten hours per week to five hours per week no later than the end of the financial year.

### **7: Formalise employee feedback**

Managers should continuously review an employee's progress against targets. Review meetings should be formal and should be held quarterly, if there are quarterly targets. Employees should be asked to contribute and asked about how they perceive their strengths and weaknesses.

### **8: Give constructive feedback**

Feedback should be about encouraging employee self-awareness. Managers should provide timely feedback and use specific examples to support the points. Focus on the behaviour, not the individual.

### **9: Understand underperformance**

There are many reasons why employees miss targets. Sometimes it's due to a lack of skills, miscommunication or inadequate supports. Employees may have personal problems or lack motivation. Managers should encourage employees to share reasons why targets are missed. Together, they should agree what support or changes are needed.

### **10: Seek professional help**

Performance management is a specialist skill. If you feel you have insufficient expertise in-house, get help. The investment of retaining an experienced adviser to help design the system will likely pay off in the long run.

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