

The Performance Management Need Calculator



PHILLIPS ASSOCIATES

34137 N. WOODED GLEN DRIVE
GRAYSLAKE, ILLINOIS 60030

(847) 231-6068

(847) 231-6077 *fax*

www.phillipsassociates.com

How To Use the Performance Management Need Calculator

A new assessment tool from Phillips Associates can help you gauge the impact of any “Productivity Inhibitors” that may be lurking in your organization. By completing the **Performance Management Need Calculator (PMNC)**, you’ll discover the extent to which your particular company would benefit from establishing a performance management system aimed at improving individual and company effectiveness. Though not a precise tool like an electronic spreadsheet or a discounted cash-flow analysis, the PMNC is a useful measuring tool offering results that are directional. Once you calibrate and understand what might be gained from instituting a performance management system, you can make its development and implementation one of your company’s goals.

The PMNC is an easy to use rating tool that gives you the opportunity to conduct two enlightening exercises. First, you can ask employees in different functional areas and at different levels to complete the Calculator and then compare scores. In our experience, this process will reveal that in general, the most senior executives in an organization are less aware of how well performance is being managed than are those closer to the actual work. In addition, you may find that employees in one division or business unit rate the effectiveness of performance management in their area much higher than the rest of the organization. In such cases, you may want

to find out what that particular business unit may be doing that is different from and perhaps more effective than the others.

Second, you can take a diagonal cross-section of company employees and assess your company’s current need for a performance management system and then calculate what it would have been 24 to 36 months ago. Comparing these scores reveals changes in your company’s effectiveness at managing performance throughout the company.

Use of the calculator is straightforward. It consists of nine statements grouped into three measurement areas — goals, human resource systems and managerial effectiveness. Depending on your company’s circumstances and approach to managing employee performance, your score on each of these statements can be either high or low.

For each statement, you rate the degree to which you believe it is indicative of your company by scoring one as *Not At All True* and five as *Completely True*. After responding to each item, total your score for each measurement area and then combine the measurement area scores to get an overall Performance Management System Need score.

Interpreting Your Score

Your Total Score on the PMNC indicates how much benefit your company would gain from instituting a performance management system. Read the scoring interpretive information below for the range corresponding to your Total Score.

35 – 45: Little Benefit

Companies that score in this range are already effectively managing employee performance in their organization. However, you should remain vigilant for early warning signals that performance management is slipping. For example, in most companies, after a performance management system is implemented, it's forgotten. The assumption is that the system will work exactly as intended — forever. Unfortunately, this assumption is very often misguided. Without annual monitoring and continuing improvement efforts, the system will atrophy just like an unused muscle. Individual objective or goal setting becomes an annual event, not a means to identify strategically important results or accomplishments. And performance appraisal meetings become paperwork exercises, not a means to positively influence employee performance.

21 – 34: Moderate Benefit

Most companies will find that they fall in this middle zone. Here, you should be alert for low scores in any of the three performance management measurement areas. For example, if your company scored high on both goals and human resource systems, but low in managerial effectiveness, and your total falls below 35, there are still ways to improve the management of performance within your company.

9 – 20: High Benefit

If you find that your total score is 20 or lower, red flags should go up and alarm bells should sound. The design and implementation of a performance management system should become a priority. If your company is not already facing many of the business issues identified on page 2, it's only a matter of time until you will be.

Which of these “Productivity Inhibitors” may be Jeopardizing Your Company’s Success?

- An ineffective system for evaluating and rewarding individual performance.
- Lack of clear alignment between individual performance and organizational strategic initiatives and goals.
- Turnover among top performers because they see no difference in the ratings and rewards they receive relative to average performing employees.
- An appraisal process that is treated as a paper-work exercise rather than a way to positively influence employee performance.
- A general perception among employees that there is no clear connection between their pay and their performance.
- An uneasy feeling among top executives that the organization’s compensation program isn’t achieving the “best bang for the buck.”
- Grievances and lawsuits over issues such as unfair discharge and discriminatory promotional practices.
- Human resource systems and programs that seem out of sync with the business needs of the organization.