4PHR01: Manual for Understanding Performance Management System and Measurement
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0. REVISION RECORD

<table>
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<tr>
<th>Revision Number</th>
<th>Date (Month Year)</th>
<th>Details of Revision</th>
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<td>00</td>
<td>April 2010</td>
<td>Development of the initial document.</td>
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1. Section 1 – Introduction

1.1 The performance based remuneration system (PBRS) adopted by IDM is meant to assist staff at all levels to enhance their performance and maximise their potential with a view to contributing to the success of IDM, as well as providing a mechanism for determining reward for performance. PMS is a tool by which the Manager/Supervisor plans and directs performance, receives and provides feedback, facilitates staff development and assigns recognition, rewards and sanctions.

1.3 PMS is therefore a joint responsibility between Managers/Supervisors who carry out assessments and the staff whose performance they are assessing. Its success will depend on the development and nurturing of mutual trust and respect between managers supervisors and staff.

1.4 At IDM we aim to be an employer of choice – one where people want to work. As a tertiary education institute we are committed to giving all members of our team every opportunity to develop their careers, to contribute to our core business and to share in its success.

1.5 The performance management system is designed to support the completion of the work of the organisation. It will also define measure and recognise the contribution of individuals and help the organisation establish achievable goals for its entire people – it is a team based approach.

1.6 At any stage, if you have any questions or concerns you can raise them with your Manager/Supervisor or the Director of Corporate Services. We hope that you find this manual useful and would welcome your suggestions as we are constantly seeking to improve our evolving performance management system.

2. Section 2 – Performance Management Philosophy in IDM

2.1 The PMS will be based on Strategic Objectives contained in the IDM Strategic Plan, that is, PMS will assist IDM to convert its Mission, Strategic Objectives and Annual Corporate and Office/Departmental Objectives into results. In addition staff will be assessed on agreed competencies, behavioural characteristics associated with performance excellence.

2.2 Performance management is an ongoing process where the manager/supervisor and employee work together to plan, monitor, and review an employee's work objectives or goals and overall contribution to the organisation.

2.3 Performance management starts with a work plan that identifies for the employee what is to be accomplished and how. The plan is followed up with formal/informal, on-going monitoring and feedback quarterly on employees' progress towards the objectives set in the plan. At the end of the performance period - usually a year - the supervisor and employee meet to summarise the accomplishments and challenges of the past year and document the discussion using a performance management agreement form. (See Appendix II: Purpose of the Performance Agreement Form)

2.4 The performance of all staff will be formally reviewed and assessed four times a year - in March, June, September and December. The average results of the four assessments will be used to determine eligibility for any performance based reward.

2.5 If performance management is carried out as an on-going process, and is conducted honestly, objectively and openly, then the quarterly formal reviews should not result in any differences of
opinion on a staff member's overall performance during the assessment periods. (See Appendix III: Notes to the Performance Agreement Form)

2.6 The IDM Performance Management System is based on the cascade approach because of its hierarchical nature. The picture below illustrates this point:

```
Planning           IDM Strategic Plan
                   Annual Corporate Business Plan
                   Campus/Departmental Business Plans
                   Individual Performance Agreements

Monitoring        Performance Reviews

Developing        Individual Performance Development Plan

Reviewing         Assessment

Rewarding         Reward/Sanctions
```

3. Section 3 – Performance Management Process

3.1 What is Performance Management?

3.1.1 Performance management is an ongoing communication process that involves manager/supervisor and employee in:

- Identifying and describing essential job functions and relating them to the mission and goals of the organisation.
- Developing realistic and appropriate performance standards or expectations.
- Giving and receiving feedback about performance.
- Writing and communicating constructive performance appraisals.
- Planning, education and development opportunities to sustain, improve and build on employee work performance.
- Identifying employees overall contribution to the organisational goals.

3.1.2 Before you develop a performance management process, other human resources management practices should be in place to support the process, including:

- Well designed jobs.
- Well written position profiles or job descriptions and other job related activities.
- Comprehensive orientation for all employees.
- Effective and continuous training of all members of staff.
- Effective supervision of staff.
- A positive work environment.
3.2 Stages in Performance Management Process

3.2.1 Most management writers have recommended three phases in the implementation of the performance management process.
**Planning Stage**
- Establish SMART objectives for the employee
- Analyse the manner in which objectives will be achieved
- Device performance measurement strategy for the employee

**Manager/Supervisor**
- Create a conducive environment to performance
- Provide feedback, coaching and mentoring
- Provide employee development
- Prepare for reviews

**Employee**
- Commit to the attainment of KPAs and objectives
- Solicit performance feedback and coaching
- Communicate freely and openly
- Collect and analyse data
- Prepare for reviews

**Outcome: Performance Agreement**

**Monitoring/Developing Stage**
- Assess the degree that elements of the work plan/ performance agreement were achieved.
- Ensure that reviews are done without fail
- Meet quarterly to monitor performance

**Manager/Supervisor**
- Convene performance review meetings
- Provide feedback, coaching and mentoring
- Monitor employee performance development plan
- Review and assess employee

**Employee**
- Commit to the attainment of KPAs and objectives
- Solicit performance feedback and coaching
- Communicate freely and openly
- Collect and analyse data
- Prepare for assessments

**Outcome: Performance Reviews**

**Review/Reward Stage**
- Assess performance and award rating on the basis of performance for the planning period
- Award increment on the basis of the total score derived from key performance areas and competencies

**Manager/Supervisor**
- Assess and rate employees
- Convene performance assessment meetings
- Provide feedback, coaching and mentoring
- Review employee performance development plan
- Plan next years performance plan for employee

**Employee**
- Develop next year’s performance plan and contract
- Solicit performance feedback and coaching
- Communicate freely and openly

**Outcome: Performance Assessment and Reward**
3.2.1 The three stages in the Performance Management Process shall be covered in detail as outlined below.

3.2.2 Stage 1: Planning Phase (Performance Contracting)

3.2.2.1 Effective organisations, plan their work in advance. Therefore, the first phase in the management process is for employees, in collaboration with their managers, to develop work plans/performance agreement for the coming year. The work plan/performance agreement should include:

- What is to be accomplished - results that are expected (Key Performance Areas).
- How it is to be done (Objectives).
- Measures or standards that will be used (Measures).
- What must achieve during the planning period (Key Performance Indicators).

3.2.2.2 Managers/supervisors must ensure that the objectives are a good representation of the full range of duties carried out by the employee, especially those everyday tasks that can take time but are often overlooked as significant accomplishments. If it does not cover the most important duties then the resulting evaluation will not be valid.

3.2.2.3 Consider identifying critical performance areas and objectives. These are outcomes and objectives that are critical to the overall success of the position. If the employee does not meet his/her critical objectives then overall performance will be evaluated as unsatisfactory.

3.2.2.4 The employee should have a written copy of the performance agreement and the measures/standards that will be used to assess performance.

3.2.2.5 Checklist: The planning phase

- Set up a meeting to discuss the work plan. Make sure to set aside sufficient time and arrange to not be interrupted. Give at least three days notice of the meeting.
- Explain the purpose of performance planning, the purpose of the meeting and how you propose to proceed.
- Review the organisation's goals and objectives and the strategic plan.
- Look at the employee's existing position profile to determine if it's still accurate and reflects the reality of the employee's job. Discuss and make changes as required.
- Review the employee's work plan/performance agreement for the year and assess the linkages between it and the organisation's goals and objectives and the strategic plan.
- From the work plan and the job description, jointly identify at least 4 areas in which you will set key performance areas for the year. The choice of areas may be determined by the organisation's strategic plan, by the employee's desire to improve outcomes in a certain part of their job or by a need to emphasize a particular part of the job at this time.
- Prepare a draft of the performance areas, objectives and come to agreement as to what success for each performance objective will look like (performance measures) and set targets.
- Identify learning objectives that will help the employee grow in their skills, knowledge and competencies. These objectives can help the employee accomplish their work goals or can be part of a longer term plan to develop their careers.
- Discuss support available for their learning objectives. These could include courses, workshops or other forms of training but it can also include in-house resources such as coaching or mentoring.
Ask the employee if s/he sees any barriers to accomplishing these objectives or their day to day work and, if so, what needs to be done to overcome them.

Ask the employee to finalise the performance objectives and the indicators as well as the learning objectives in a performance contract provided and make an appointment for a follow up meeting to sign off on the plan.

3.2.3 Phase 2: Monitoring/Developing Phase (Performance Monitoring) See Performance Review Form

3.2.3.1 For a performance management process to be effective, progress must be continually monitored. Monitoring means that:

- Progress towards the objectives set in the work plan/performance agreement is assessed frequently.
- Feedback on progress relative to the KPAs is given to the employee.
- Adjustment/corrective action is taken as necessary.

3.2.3.2 When providing feedback on performance, remember to provide both positive feedback in addition to any negative feedback that is necessary. Expert opinion is that there should be four or five positive comments for every negative comment.

3.2.3.3 Checklist: The monitoring phase

- Meet quarterly to review the plan and assess progress in meeting the performance outcomes. Give at least three days notice of the meeting.
- Identify any changes that may be required to the plan. Changes may be required for several reasons. For example, there could be a shift in organization priorities or the employee is required to take on unforeseen duties.
- If serious performance problems are occurring, they need to be discussed in the context of these monitoring sessions and corrective action needs to be taken (See conducting a constructive feedback session below).
- Determine if any extra support is required from the supervisor or others to assist the employee in achieving the objectives.
- Keep track of the accomplishments and progress by writing them down on the performance management contract/performance review form.

3.2.4 Conducting a constructive feedback session

3.2.4.1 If an employee is not performing up to the standards set, you will need to conduct a constructive feedback session. It's important to conduct this session before any performance problems get out of hand. It can also demonstrate due diligence if the incident persists and disciplinary action is taken.

1. Prepare for the meeting

- Confirm the facts of the performance issue - make sure you know what happened and how the employee might have perceived the situation. Be clear about what you see is the
problem and think through what you want to say. Be clear about the consequences if the employee's behaviour does not improve.

- Arrange to hold the discussion in a location where there will be privacy and no interruptions.
- If you are emotionally upset about the problem, allow yourself time to calm down. Try to approach the discussion objectively and impersonally.

2. *Set the climate and State facts*

- Establish a positive and co-operative environment by using a non-threatening, matter-of-fact tone.
- Describe the unacceptable performance in an objective, factual, non judgmental way, citing specific examples of the behaviour in question.
- Identify the negative impact on you or on others in the workplace.

3. *Listen and Obtain the Employee’s Agreement*

- Have the employee describe the situation as they see it and provide an explanation.
- Be open to any new insights on the problem coming from the employee.
- Respond to denial, blaming of others, etc. by restating factual information and reviewing the negative impacts of the unacceptable behaviour.

4. *Agree on an action plan*

- Ask the employee for their suggestions for solving the problem.
- Offer your suggestions if necessary.
- Agree on a specific plan of action: have the employee tell you what they plan to do, how they plan to do it, and within what time period.
- Document the action plan.
- Specify the consequences for the employee if the problem is not corrected.

5. *Follow up*

- Monitor results and meet on a periodic or regular basis to discuss progress.
- Provide positive reinforcement of any improvement and continue to offer your help and support.
- If the behaviour has not changed over the specified time period, enact the consequences as discussed in the action plan.

### 3.2.5 Phase 3 - The Review/Rewarding Phase (Performance Appraisal) See Performance Review Form

3.2.5.1 Two formal during the performance management period i.e. September and March (as well as two informal reviews in June and December) the employee and the manager/supervisor sit down to:

- Summarise the work accomplished during the previous year relative to the goals. that were set at the beginning of the performance period.
- Document challenges encountered during the year
• Identify areas for training and/or development.
• Agree on performance ratings.

3.2.5.2 Checklist: Performance review phase

• Set up a meeting and give at least three days notice of the meeting.
• Review the purpose and process of a final meeting.
• Capture the key results, both accomplishments and shortfalls, for each performance outcome and each behavioural characteristic.
• Let the employee take the lead - ask for his/her assessment of their performance during the review period. The supervisor should do the same and any differences in assessment should be compared and discussed. Make sure the employee has an opportunity to respond to the supervisor’s comments.
• Do not invent areas for improvement and do not deviate from the agreed-upon objectives. If the employee has done an excellent job all year, digging for something to identify as an area of improvement will only lead to de motivation.
• Identify and discuss any unforeseen barriers to the achievement of the performance and learning objectives.
• The employee and the supervisor should sign off on the individual performance contract.
• Ensure that the employee receives the assessed individual performance contract and another copy is put in the employee's file.
• Both the supervisor and employee should prepare for the next cycle of performance management.

3.2.5.3 Some organisations do not allow a manager/supervisor to document anything negative in a performance management review form/performance management contract if it has not already been discussed with the employee. This is done to ensure that managers deal with performance problems when they arise and that there are no surprises during the performance review meeting.

3.3 Performance Improvement

3.3.1 Observation and Feedback:

• Observing work performance and providing feedback should be a routine part of performance management.

• Observation – specific facts, events or behaviours related work performance and the results of work performance. Observation should be the basis of feedback, and may also suggest actions which might be taken to support, develop and improve performance.

• Feedback – information about the past behaviour, delivered in the present, which may influence future behaviour. Based on observed and/or verifiable work related behaviour, statements and results. Helps the employee sustain good performance, develop new skills and improve performance.

For Example: Let us compare the following statements:

1. Mr. Tholo, that was a very poor report on remuneration strategies. I wish you were more committed in doing your job.
2. Mr. Tholo, your report was lacking in terms of the analysis of the pay and benefits survey conducted by HR Consultancy and the content was based on data which is a year out of date. You might want to refer to this year’s pay and benefits survey even though it is still in draft form.

Which statement preferable to you most?

Another Example: Let us compare the following statements:

1. Terrific job, Mr. Tholo!

2. Everyone in the team appreciates the way you organised the first Board Management Committee Meeting. Everything was spot on the sense that members of the IDM Board of Governors showered accolades on the team. The Chairperson called me personally to convey the message of gratitude to the team.

Which statement is preferable to you most?

3.3.2 Performance Appraisal:

- Performance Appraisal – process of assessing, summarising and developing the work performance of an employee.
- Performance Appraisal Cycle – preparation (preliminary meeting, review of observation notes, previous performance appraisal), writing (completing performance appraisal forms), delivering (meeting with employee to discuss ratings awarded, self appraisal by the employee, changes to the appraisal if any), producing (report should given to the employee as a guide for improving performance and professional development.

3.3.3 Performance Development:

- Performance Development – development of employee work related skills, knowledge and experience.
- Performance Development – can be considered at each stage of the PMS. It also involves continuous learning, monitoring, mentoring and coaching.
- Creating a plan for employee education, training or development in job or career related areas.

3.4 Performance Management Cycle

3.4.1 The Proposed IDM Performance Management Cycle is meant to guide implementation of PMS on an annual basis.
# IDM Performance Planning Cycle

<table>
<thead>
<tr>
<th>Month</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>February</strong></td>
<td></td>
</tr>
<tr>
<td><strong>March</strong></td>
<td>- Performance assessment interviews completed for the concluding year - New performance Agreements agreed and signed for forthcoming year - Annual Performance Plans or Business Plans completed</td>
</tr>
<tr>
<td><strong>April</strong></td>
<td>- New Financial year - Commencement of new Performance Agreement</td>
</tr>
<tr>
<td><strong>May</strong></td>
<td>- RO consolidates Campus performance appraisal ratings - Award previous year’s performance rewards/sanctions</td>
</tr>
<tr>
<td><strong>June</strong></td>
<td>- Performance monitoring and assessment - Identify performance</td>
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<tr>
<td><strong>July</strong></td>
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<tr>
<td><strong>August</strong></td>
<td></td>
</tr>
<tr>
<td><strong>September</strong></td>
<td>- Performance monitoring and assessment - Identify performance gaps, remedial action given (coaching and mentoring)</td>
</tr>
<tr>
<td><strong>October</strong></td>
<td></td>
</tr>
<tr>
<td><strong>November</strong></td>
<td>- Commencement of planning for performance agreement for the following year</td>
</tr>
<tr>
<td><strong>December</strong></td>
<td>- Performance monitoring and assessment - Identify performance gaps, remedial action given (coaching and mentoring)</td>
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4. Section 4 - Establishing Key Performance Areas, Objectives, Key Performance Indicators and Measures

4.1 Definition of Terms

Often the most difficult part of establishing key performance areas, objectives, key performance indicators and measures is finding appropriate and clear language to describe the performance objectives and their measures or indicators of success.

**KEY PERFORMANCE AREAS**
What is to be accomplished - results that are expected

**STRATEGIC OBJECTIVES**
How it is to be done i.e. the objectives describe what the IDM will need to do well in order to achieve the strategic outcomes

**KEY PERFORMANCE INDICATORS**
What must be achieved or realised during the planning period in terms of the desired level of performance for each objective

**PERFORMANCE MEASURES**
Measures or standards that will be used i.e. a quantitative or qualitative characterisation of performance

4.1.1 For example:

*What is a valid measure of excellent customer service?*

If the measure used only looks at the number of clients served (i.e. what was done), then the quality of service or “how well it was done” is not captured. Assessing both “what” and “how” would be a more valid measure for good customer service. For example, in addition to the number of clients served, the quality of the information provided, and a complaints rate of 1% or less could represent good customer service.

To assess quality of information provided, the supervisor could do spot checks to listen to or look at the information that the employee provides to clients. The supervisor would then assess accuracy and completeness of the information.
The objectives and the measures or indicators need to be SMART: Specific, Measurable, Attainable, Realistic, and Time-bound.

- **Specific**: The objectives should specify clearly what is to be done, when it is to be done, who is to accomplish it, and how much is to be accomplished.
- **Measurable**: Ask questions such as: How much? How many? How will I know when it is accomplished? The measures used to evaluate the objectives should be valid – they should actually measure the things you are trying to measure. Multiple measures should be used if possible, for example, quantity, quality, time frame and cost.
- **Attainable**: An attainable objective is one for which you see a reasonable path to achievement, and feasible odds that you will get there.
- **Realistic**: The objective needs to be possible to achieve. It should match the level of complexity with the employee’s experience and capability. There needs to be an assessment that there are not insurmountable forces outside the control of the employee that will hinder its accomplishment.
- **Time-bound**: You should be clear about the timeframe in which performance objectives are to be achieved. Normally, objectives are drafted to be completed by the end of the performance review period (usually one year).

There are a number of different ways to describe SMART but this mnemonic reflects the principle of most of them

### 4.2 Key Performance Areas

4.2.1 Performance Management in IDM begins with identifying Key Performance Areas - . The Manager/Supervisor and the employee must jointly identify KPAs. In terms of Performance Management best practice an employee has to identify at least four KPAs.

4.2.2 When developing Key Performance Areas we should take into consideration the following:

- Do the outcomes move the organisation, divisions and employees in the direction IDM wants to go?
- Are they aligned to broader goals of the organisation?
- Do they describe the performance expectations and/or standards?
- Will you effectively measure whether the KPAs have been attained?

4.2.3 Examples of key performance areas are as follows:

- Increase revenue generation.
- Reduce outstanding debt.
- Process registration form.
- Improve internal controls for sound financial management
4.3 Objectives

4.3.1 Once you identified key performance areas the employee has to develop objectives which form the basis of and be reflected in measures and their targets. Objectives are action oriented.

4.3.2 When developing objectives we should take into consideration the following:
   - Are the objectives SMART.
   - Are they consistent with the key performance outcomes of the organisation?
   - Are the objectives outcome or output oriented?

4.3.3 Examples of objectives are as follows:
   - To increase revenue generation by 20%.
   - To reduce outstanding and current debt by 15%.
   - To reduce the time taken to process registration form from 5 minutes to 3 minutes.
   - To develop the IDM Financial Procedures Manual.

4.4 Measures

4.4.1 Measuring performance is the bedrock for providing information and generating feedback. An effective and efficient performance management system needs robust and SMART performance measures.

4.4.2 When developing measures we should take into consideration the following:
   - Mangers, supervisors and employees need different types of measures at different levels of the organisation i.e. lead and lag measures. Lag measures assess/evaluate the performance results at the end of the time period or activity. Lead measures are intermediate processes, activities and behaviour.
   - There are pros and cons of using any measure.
   - Every objective should have a corresponding measure.
   - Collect performance data in a way that can be checked and validated.

4.4.3 Examples of measures are as follows:
   - Achieve a revenue surplus of 3 million.
   - Reduction of debt from 2million to 1, 6 million.
   - Time taken to process registration forms reduced to 3 minutes.
   - IDM Financial Procedures in place and implemented.

4.5 Key Performance Indicators

4.5.1 One measures have been properly defined, targets needs to be set for each performance measure. These targets define specifically what must be achieved during the strategic planning period which is usually one year. They should communicate the expected performance at the end of the year. There should be one key performance indicator per measure.
5. **Section 5 - Performance Measurement**

5.1 **What is Performance Measurement?**

5.1.1 Effective performance measurement is pivotal in ensuring the successful implementation of IDM Strategic Plan. It is about monitoring IDM’s effectiveness in fulfilling its goals and thereby improving services to the taxpayer. Performance measurement ensures that decision making at strategic and operational levels is optimised and enables the identification of problems so that corrective action can be taken.

5.2 **Why Performance Measurement (See Appendix VI; Possible List of Key Performance Indicators)**

5.2.1 All employees will undergo performance appraisals with their immediate managers on timing that is based on the level of their role. Performance appraisals are completely separate from remuneration reviews.

5.2.2 The objective of the performance appraisal system is to constantly monitor progress of the capabilities and achievements of employees, to facilitate the ongoing development of team members and to identify when an employee has demonstrated readiness for greater responsibility.

5.2.3 The objective of individual performance appraisals is to review work performance on the basis of both capabilities and achievement of specific performance objectives. Performance appraisals also provide feedback to IDM on the achievability of objectives and the capability of managers/supervisors to manage/supervise their employees.

5.3 **How is Performance Measurement Used?**

5.3.1 IDM has to ensure the following in order to have a successful performance measurement system:

- It must be integrated with the IDM Strategic Plan.
- A system of feedback, monitoring, coaching, mentoring and review must be in place.
- The system must have ownership and support throughout the organisation.
- Measures need to be SMART.
- Baseline data must be used to determine performance expectations and standards for the strategic planning period.
- The system needs to be simple, clear and understandable.
6. Section 6 – Reward Management in IDM

6.1 Performance Rating

6.1.1 The IDM Performance Management System proposes a five point rating scale described as “5” – “1”. The rating scale is used to measure the performance of individual employees in relation to the agreed strategic objectives and performance measures for the assessment period.

6.1.2 The scale ranges from below 0 to 100 to reflect the fact that performance fits on a continuum.

6.1.3 With each alphabetic rating is a range of scores to be used to fine tune the assessment within the overall rating category. Below is the rating scale:

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<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Poor/Unsatisfactory</td>
<td>Average/Satisfactory</td>
<td>Competent/Good</td>
<td>Superior Performance/Very Good</td>
<td></td>
</tr>
<tr>
<td>* Very low knowledge of the job at all. Significantly underperformed below agreed expectations</td>
<td>* Fair degree of job knowledge, requires help, performed just below agreed expectations</td>
<td>* Able to cope with most work situations under normal circumstances</td>
<td>* Has full understanding and knowledge of all job aspects and requirements. Performed above agreed expectations</td>
<td></td>
</tr>
<tr>
<td>* Work Performance inadequate and inferior to the standards of performance required for the position</td>
<td>* Work performance does not consistently meet the standard of performance for the position. Serious effort is needed to improve performance</td>
<td>* Was on target and met 100% of agreed expectations</td>
<td>* Work performance is consistently above the standards of performance for the position</td>
<td></td>
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6.2 Objectives of the Incentive Scheme

The primary objective of the IDM incentive scheme is to enhance the profitability of an organization through encouraging higher levels of productivity and delivery by employees.

The new incentive scheme is based on paying employees a share of the profit in excess of budgeted profits in proportion to assessed performance.

6.2.1 Details of the incentive scheme are as follows:

- Each campus is treated as a business unit. The incentive scheme, therefore, is based on individual campuses.
- At the regional level, the incentive scheme is based on two out of the three campuses meeting their profit targets, and the achievement of regional operational...
revenues(excluding subventions), provided that total regional costs do not exceed 80% of total revenues(including subventions).

- In determining “profit” any Government grant or subvention paid at campus level should not be included in revenue.

- The “gain sharing” incentive pool is calculated at the rate of 50% of profits (at both campus and regional level) in excess of budgeted profits.

- The Incentive Bonus is paid as a lump sum on an annual basis (after the Board approval of the audited financial statements) in addition to any performance related increase in pay consolidated into basic pay.

- The incentive payment is based on assessed performance using IDM’s performance management system.

- The increase in the total amount for staff remuneration (if any) will be distributed to staff in the form of an incremental increase in basic salary, and, where applicable, a performance incentive, based on assessed performance under the Performance Management System. This System assesses performance at five levels - Unacceptable, Below Expectations, Meets Expectations, Exceeds Expectations and Outstanding.

- Only staff who have been assessed under the PMS as meeting expectations (3), exceeding expectations (4) and outstanding (5) are eligible to share the incentive pool.

- The Incentive paid to a performer rated at 5 should be one and a half times that paid to a performer rated at 4. Employees rated at (3) should get half of that given to one rated at 4.

- Staff whose performance has been assessed as being Below Expectations (2) or Unacceptable (1) may receive either an increase based on movements in the cost of living or an adjustment in the salary scales. IDM also reserves the right to withhold a salary increase from any staff member who has a current disciplinary record and warning in place, notwithstanding assessed performance.

- The incentive bonus is paid in addition to any performance related increase in salary (See performance reward matrix below).

6.3 Performance Reward Matrix

The performance reward matrix is meant to recognise that employees who have met or exceeded expected levels of performance have made a major contribution to enabling IDM to meet and exceed its revenue targets. (See Sample Calculation of Incentive Rewards)
### 6.4 Application of performance incentive to certain group of employees

During the preparatory stage of an incentive scheme employers should consider how to apply payments to particular groups of employees. Some appraisal schemes may already include certain guidelines which can be extended to the incentive scheme. Others may need to be reviewed. There will be a need for clear understanding about the following groups so that the scheme is seen to be fair and credible. These decisions should be made following consultation and, where appropriate, negotiation with employee representatives.

#### 6.4.1 Promotees

Promotions usually mean higher pay but as an incentive is reward for past performance. Employers will need to determine whether any additional payment should be made for past effort or whether the promotion itself is sufficient reward.

#### 6.4.2 Transfer and leavers

Employers will need to judge whether to pay an incentive to those employees who leave or who transfer to other parts of the organisation. It may simply be decided to pay incentive on a pro rata basis for the time served.

#### 6.4.3 Maternity and authorised sick leave

Employees on leave for part of the year should have any increase based on performance during their period of attendance. Their increase may then be calculated on a pro rata basis, reflecting the proportion of the year spent at work.

#### 6.4.4 Employees who join after the commencement of the performance planning period (i.e. Employees on probation etc.)

It is important that the scheme take every employee on board. Employers will have to determine whether to pay on a pro rata basis. The contention here is that every employee would have contributed be it in a small measure to the achievement of organisational goals.

For those new to a job or under training, the appraisal and incentive schemes may be designed to give the manager the opportunity to mark an employee under a special category, for example
‘needs further experience’. The assessment may be treated as the equivalent of a fair assessment and the employee receive an appropriate increase.

6.4.5 Employees on the top notch of a grade

Currently there are employees in IDM who have reached the top notch of their salary scales. We suggest that if an employee is already at the top notch of a scale, the annual increment will be paid as a single lump sum incentive.

This amount will not be included for the purpose of calculating an employee’s gratuity or pension entitlement.

6.5 Normal Distribution Curve

The Reward Management Process will have an impact on the salary budget of IDM. Therefore, a typical distribution of the performance incentive would apply to ensure sustainability with a normal distribution curve as follows:

a) Outstanding - 5% of employees scoring at this level
b) Exceeds expectations - 15% of employees scoring at this level
c) Competent - 60% of employees scoring at this level
d) Below expectation - 15% of employees scoring at this level
e) Unacceptable - 5% of employees scoring at this level

7. Section 7 - Conclusion

7.0 In conclusion we would like to paraphrase a paragraph in the CIMA Technical Briefing Report on the Latest Trends in Corporate Performance Measurement (2002) that no single performance management approach shows any superiority in terms of optimising performance and this could be attributable to the fact that no organisation practise a pure performance management philosophy but a hybrid of whatever approach it perceives to be beneficial.

7.1 There is an abundance of literature on performance management and measurement. This manual cannot cover all the material in depth, but aims to consider the characteristics of an effective system and how to strive for a perfect implementation of the system.
8. Appendix I – A Glossary of Terminology

**Activity** – Actions taken by the IDM or individuals in IDM to achieve its objectives.

**Assessment** - An act of determining whether the IDM or individuals in IDM are meeting specified requirements in terms of the IDM rating scale.

**A mission statement** - This statement describes the IDM core purpose or reason for existence.

**A vision statement** - This statement describes the desired future state of the IDM.

**Baseline** - Current or previous period performance level.

**Goal** - A broad statement of desired outcomes for IDM.

**Measure** - A quantitative or qualitative characterisation of performance.

**Milestone** - A predefined, significant event in a project, for example 25%, 50% and 75% completion dates.

**Objective** - A statement of desired outcomes for an organisation.

**Key Performance Area** - An expected, desired or actual result to which objectives have an intended effect.

**Performance** – Standard of performance required by IDM.

**Performance contracting** - A process where the supervisor/manager and the employee agree on performance outcomes and the performance standards/expectations.

**Performance measurement** - A process of measuring overall performance in IDM.

**Performance monitoring** - The day to day tracking of an employee’s progress towards achieving performance standards/expectations.

**Performance review** – An in depth review of the employee’s performance and record of the actual results for each performance expectation.

**Position Profile** - Systematically collecting and analysing and documenting important facts about the position. Some management writers would use job description to describe the position profile. Therefore position profile and job description would be used interchangeably.

**Strategic Objectives** - The objectives describe what the IDM will need to do well in order to achieve the strategic goals.

**Supervisor** – An employee with supervisory relationship over a staff member in terms of the lines of authority, who has responsibility and accountability for evaluating performance i.e. normally, refers to employees in grades A5 to M1.

**Values** - The principles guiding IDM activities throughout the strategic planning period.
9. Appendix II: Purpose of the Agreement Form

1. The basic purpose of the Performance Agreement Form is to objectively assess the officer’s performance on the agreed objectives for a given year on a quarterly basis. The accurate assessment will provide vital information for management decision-making. More specifically the assessment will influence decisions regarding: a) the officer’s performance rating; b) awarding of reward; c) specific training and development needs of the officer to improve performance and productivity; and d) the suitability of the officer for potential advancement to higher grade.

2. For the assessment to be objective it is essential that the reporting officer (a) thoroughly understands the contents of the job the employee is holding (job description) and the requirements for the job (job specification), (b) properly knows the officer being reviewed (performance abilities) through work supervision of at least three months and (c) refers to notes from the previous meetings i.e. quarterly meetings.

3. The appraisal should reflect the strengths and weaknesses and what hindered or enabled delivery during the planned period.

4. The reporting officer is normally the Officer’s immediate manager/supervisor.

5. The appraisal should be done in the presence of the employee and should be accompanied by a constructive dialogue focusing on ways of enhancing the officer’s performance and the organisation’s productivity.

Responsibility

Immediate Manager/Supervisor (Evaluator) is the employee's manager/supervisor and has the responsibility for:

1. Convene performance review meetings
2. Continually observing and evaluating an employee's job performance.
3. Holding periodic counseling, coaching and mentoring sessions with each employee to discuss job performance.
4. Completing Performance Evaluation Forms as required.
5. Reviewing and assessing the degree that elements of the work plan/ performance agreement were achieved.
Reviewing Official (Usually the next supervisory/management level): The Reviewing Official is the "Evaluator's" supervisor and has the responsibility for:

1. Reviewing the evaluation for accuracy and objectivity.
2. Investigating and resolving any disagreement(s) between the supervisor and the employee.

Employee: The employee is expected to observe the following:

1. Commit to the attainment of Key Performance Areas (KPAs) and objectives.
2. Solicit performance feedback and coaching.
3. Communicate freely and openly.
4. Collect and analyse data to be used to justify the level of performance achieved by the employee during the planned period.
5. Prepare for assessments i.e. self appraisal. The employee may make a preliminary assessment of their own performance using the rating scale.
10. Appendix III: Notes to the Performance Agreement Form

10.1 The Immediate Manager/Supervisor will:

10.1.1 Complete the evaluation form as promptly as possible. Note that any area evaluated as Unacceptable, Minimally Meets Requirements, or Exceptional must be discussed in Comments section of the evaluation form. Describe why performance is not satisfactory and specify how performance can be improved, or explain why performance is outstanding.

10.1.2 Discuss evaluation with the employee emphasising strong and weak points in job performance. Commend the employee for a job well done if applicable and discuss specific corrective action if warranted. Set mutual goals for the employee to reach before the next performance evaluation. Recommendations should specifically state methods to correct weaknesses and/or prepare the employee for future promotions.

10.1.3 Allow the employee to make any written comments he/she desires. Have employee sign the evaluation form and initial after Manager’s/Supervisor's comments.

10.1.4 Forward the original copy of the evaluation form in a sealed envelope, marked **Personal-Evaluation Form** to the appropriate reviewing official. Retain a copy of the completed form for the department and the employee.

10.1.5 Subsequent to the completion of this evaluation by the manager/supervisor, and review by the employee, revisions must be discussed by both parties. In addition, if changes in the form are made after the employee has signed the form, the level of authority making the changes must notify the immediate manager/supervisor and give the employee and supervisor copies of the revised evaluation.

10.2 The Reviewing Official upon receipt will:

10.2.1 Review the evaluation form for objectivity and accuracy. If the employee has stated that he/she disagrees with the evaluation, the Reviewing Official will attempt to resolve these disagreements prior to forwarding the evaluation form. Comments as to conflicting resolutions are required.

10.2.2 Forward the original evaluation form to the appropriate Manager/Supervisor in a sealed envelope marked, **Personal-Evaluation Form** if he agrees with the assessment.
Appeals Procedure

If performance management has been carried out as an ongoing process, honestly, objectively and openly, then differences of opinions and conflicts over the formal assessment will be minimised. However, it is recognised that there may be a few occasions where the manager/supervisor and a staff member, can not agree on the assessment, and to ensure fairness and objectivity in such circumstances, the following appeals procedure should be used.

If the appraiser and staff member can not agree on the overall assessment, this should be recorded on the form with the staff member giving reasons why he or she does not agree with the assessment.

The form should then be referred to the appropriate Manager/supervisor who will convene a meeting with the appraiser and staff member to review the assessment. It is hoped that any differences of opinion can be resolved at this level and an agreement reached on the overall assessment. (If the disagreement is between a Director and an employee who has been assessed by the director then the appeal will go straight to the Regional Director.)

However, if the employee is still not happy with the outcome of this review, the employee may appeal to the Regional Director. This written appeal, routed through the Director Corporate Services and Country Director, must give reasons why the employee feels that the assessment is not fair and must be submitted within one week of the assessment.

The Regional Director will review the grounds for appeal and may:

(a) Refer the assessment back to the manager (or Country Director or any other Director) for further review with the original appraiser, and employee; or
(b) Refer to the matter to the Corporate Services Director who will facilitate a meeting with the staff member, the relevant Director or manager to review the assessment again.
(c) Uphold the grounds for appeal and amend the assessment.
(d) Reject the grounds for appeal in which case the assessment remains.

The decision of the Regional Director in respect of any appeal is final. In the case of Directors an appeal against any decision of the Regional Director shall be directed to the Board.
11. Appendix IV: Sample Calculation of Incentive Rewards

Example of "Gain Sharing" Reward Unit Based Bonus System

This example only uses a few employees and a small reward pool for illustrative purposes.

<table>
<thead>
<tr>
<th>Lesotho</th>
<th>Botswana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted Profit</td>
<td>M120 000</td>
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<tr>
<td>Actual Profit</td>
<td>M300 000</td>
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<tr>
<td>Surplus Profit</td>
<td>M180 000</td>
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<tr>
<td>Staff Share @ 50%</td>
<td>P90 000</td>
</tr>
<tr>
<td></td>
<td>P195 000</td>
</tr>
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</table>

**Employee Data to Calculate Reward Bonus**

- Employees rated (5) receive 1.5 times incentive
- Employees rated (4) receive 1.0 times incentive
- Employees rated (3) receive 0.5 times incentive

<table>
<thead>
<tr>
<th></th>
<th>Example 1</th>
<th>Example 2</th>
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<tbody>
<tr>
<td>No of Performers rated (5) = 4</td>
<td>Reward</td>
<td>Reward</td>
</tr>
<tr>
<td>Basic salary Per Month</td>
<td>Unit</td>
<td>Unit</td>
</tr>
<tr>
<td>10,000</td>
<td>1.103</td>
<td>11 030</td>
</tr>
<tr>
<td>15,000</td>
<td>1.103</td>
<td>16 545</td>
</tr>
<tr>
<td>5,000</td>
<td>1.103</td>
<td>5 515</td>
</tr>
<tr>
<td>10,000</td>
<td>1.103</td>
<td>11 030</td>
</tr>
<tr>
<td>Total Monthly Salary</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>Employees rated 5 receive 1.5 times incentive</td>
<td>60 000</td>
<td>Total M44 120</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Example 1</th>
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<tbody>
<tr>
<td>No of Performers rated (4) = 6</td>
<td>Reward</td>
<td>Reward</td>
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<tr>
<td>Basic salary Per Month</td>
<td>Unit</td>
<td>Unit</td>
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<td>12,000</td>
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<td>8 820</td>
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<tr>
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<td>0.735</td>
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<td>0.735</td>
<td>7 350</td>
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<tr>
<td>6,000</td>
<td>0.735</td>
<td>4 410</td>
</tr>
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<td>4,000</td>
<td>0.735</td>
<td>2 940</td>
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<td>2,000</td>
<td>0.735</td>
<td>1 470</td>
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<tr>
<td>Total monthly salary</td>
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<tr>
<td>Employees rated 4 receive 1.0 times incentive</td>
<td>42 000</td>
<td>Total M30 870</td>
</tr>
<tr>
<td>No of Performers rated (3) = 9</td>
<td>Reward</td>
<td>Reward</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td></td>
<td>Unit</td>
<td>Unit</td>
</tr>
<tr>
<td>Basic salary Per Month</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,000</td>
<td>0.368</td>
<td>2,944</td>
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<td>4,000</td>
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<td>2,944</td>
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<tr>
<td>Total monthly salary</td>
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<tr>
<td>Employees rated 3 receive 0.5 times incentive</td>
<td>20,500</td>
<td>Total</td>
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<tr>
<td>Total Incentive Payments</td>
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12. Appendix VI: Possible List of Corporate Key Performance Indicators for IDM

**Customer Perspective**

<table>
<thead>
<tr>
<th>KPA</th>
<th>KPI</th>
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<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>Customer satisfaction index</td>
</tr>
<tr>
<td></td>
<td>Repeat order</td>
</tr>
<tr>
<td></td>
<td>Participants’ rating</td>
</tr>
<tr>
<td></td>
<td>Response time to complaints</td>
</tr>
<tr>
<td></td>
<td>Growth in market share in the region and industry</td>
</tr>
<tr>
<td></td>
<td>Minimal defective products</td>
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</tbody>
</table>

**Financial Perspective**

<table>
<thead>
<tr>
<th>KPA</th>
<th>KPI</th>
</tr>
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<tbody>
<tr>
<td>Financial growth</td>
<td>Corporate Profitability</td>
</tr>
<tr>
<td></td>
<td>Liquidity ratio</td>
</tr>
<tr>
<td></td>
<td>Product Profit margins</td>
</tr>
<tr>
<td></td>
<td>Average value of a consulting project</td>
</tr>
<tr>
<td></td>
<td>Return on Investment</td>
</tr>
<tr>
<td>Cash flow and debt collection</td>
<td>Positive cash flow</td>
</tr>
<tr>
<td></td>
<td>Reducing Debt collection period</td>
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</table>

**Internal Process Perspective**

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<thead>
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</tr>
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<tbody>
<tr>
<td>Total quality management systems (TQM)</td>
<td>Quality ratings</td>
</tr>
<tr>
<td></td>
<td>Quality / excellence awards</td>
</tr>
<tr>
<td></td>
<td>Quality certification</td>
</tr>
<tr>
<td>Resource Utilisation</td>
<td>Staff utilisation rates</td>
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<tr>
<td></td>
<td>Class room occupancy</td>
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<td></td>
<td>IT utilization</td>
</tr>
<tr>
<td>Management Information Systems</td>
<td>Effective management information:</td>
</tr>
<tr>
<td></td>
<td>• Reliability</td>
</tr>
<tr>
<td></td>
<td>• Completeness</td>
</tr>
<tr>
<td></td>
<td>• Timeliness</td>
</tr>
<tr>
<td></td>
<td>• Accuracy</td>
</tr>
<tr>
<td></td>
<td>• Relevance</td>
</tr>
<tr>
<td>Proposal process</td>
<td>Hit rate/conversion rate</td>
</tr>
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### Learning and Growth

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<tbody>
<tr>
<td>Innovation</td>
<td>Percentage of sales from new products</td>
</tr>
<tr>
<td></td>
<td>Budget allocation for research and development</td>
</tr>
<tr>
<td></td>
<td>Rate of utilisation of research and development budget</td>
</tr>
<tr>
<td>Continued professional development</td>
<td>Thorough put on core skills training</td>
</tr>
<tr>
<td></td>
<td>Employee satisfaction index</td>
</tr>
<tr>
<td></td>
<td>Conformance to job requirements</td>
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<tr>
<td></td>
<td>Employer of choice</td>
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