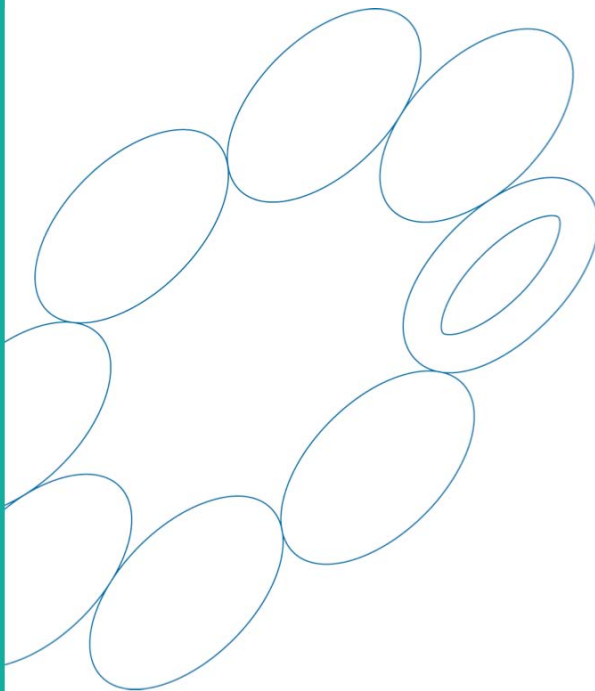


Case Study: Employee Performance Management

Designing an Employee Performance Management System for an International Retailer

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Employee Performance Management

Overview

2GC recently worked with a fast-growing international retailer to redesign its employee performance management (EPM) system. The retailer's existing system was overly complex, time consuming to use and inconsistently applied across the stores. The retailer sought to have the EPM approach redesigned, simplified and re-launched. The new system was to be used by several thousand staff within some 200 retail outlets. Building the new EPM system, 2GC applied a 3-perspective framework, Employee Behaviours, Activities and Results. This framework was used to identify balanced employee performance descriptors and measures appropriate to different employee positions.

Client need

This client had been hugely successful to date, expanding from its country of origin to build profitable operations across Europe, Africa, the Middle East and Asia. The foundation for this success was a differentiated product and service offering, underpinned by a distinctive 'family' culture and branding. Growth had not been without cost however; the consistency of the offer was being eroded and the culture was at risk of dilution. The client believed that an objective and transparent EPM system would be crucial to maintaining company standards, and staff attitudes and behaviours at their historically high levels.

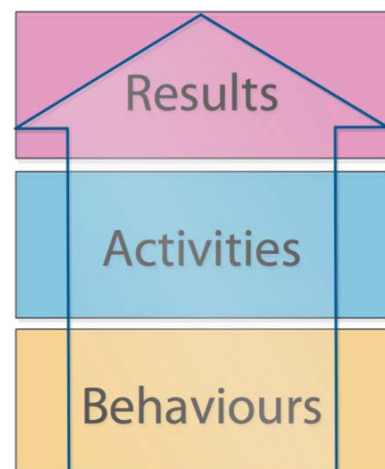
2GC worked with the client to design a three-phase performance management project. In the first phase we developed the performance criteria, descriptors and forms to be used for 'people performance management;' in the second phase the system was piloted in one geographic area; in the third phase a refined system was rolled out nationwide. This case study focuses on the first phase of the project, which was to build a set of performance evaluation criteria for the company's four employee levels. These were Regional Directors, Store Managers, Assistant Managers and 'Shop-Floor' staff.

The work sought to identify performance criteria that were meaningful to employees and gave a balanced view of performance. These would need also to be easy to work with, in order to maximise the time employees could spend focused on customers. The performance criteria would be used set the agenda for the one-on-one goal setting and appraisal meetings between employees and their managers over the year.

Approach

The first phase centred on a full day workshop attended by ten representative managers from regional, area and store management levels. Through the workshop the 2GC consultant facilitated the group to identify, prioritise and chose employee personal objectives and their measures / indicators. This work was structured using three 'perspectives' on employee performance – Results, Activities and Behaviours – for each of the four levels of staff.

The rationale for the three-perspective performance model was simple and logical, addressing the need for 'balance;'



i.e. to respect the results *and* enablers of performance. This rationale was consistent with the logical basis of the Strategic Linkage Model, which forms part of 2GC's 3rd Generation Balance Scorecard, with its Activity and Outcome perspectives on performance. Although ultimately belonging in the category 'activities' in this client the third perspective; 'Behaviours,' was separated out so as to emphasise the values-driven nature of the business.

In the workshop managers also defined the ideal usage cycle; who would meet with whom, at what frequency, to review what subset of the newly defined measures/indicators?

Perspective: Results

This perspective contained quantitative indicators of a typical store's financial and operational performance, for example revenue growth and profitability. The retailer also applied further 'balance;' acknowledging that while financial results are important, so are the understood drivers of future financial performance. So - as is typical within the Balanced Scorecard framework - non-financial measures were applied, relating to people, processes and customers, compliance with health and safety regulations, and customer and staff satisfaction. Employees were set only those measures and targets that they could directly influence. Naturally, lower level employees, with less scope of influence, had fewer measures.

Objective	Measure / Indicator
Revenue Growth	% variance to budget
Profit Growth	% like-for-like growth
Cost Control	% variance to budget
Delighted Customers	Mystery shopper results
	Customer complaints
Strong Process	Operations audit
	Financial control audit
Great Staff	Staff satisfaction
	Staff retention
	Management turnover
	Management vacancies
	New hire induction

Shop floor employees had three measures relating to customer satisfaction and process compliance. Area Managers had six measures, additionally relating to staff satisfaction and financial control. Store Managers had 11 measures and targets that included those relating to financial and management performance. Finally Regional Directors had 13 measures with the additions relating to cost control and leadership. (An example of a Regional Director's measures is shown above.)

Perspective: Activity

This perspective identifies and describes the core employee roles, and the responsibilities of each role. For example at the Store Manager level there were eight core activities, shown in the table right, relating to store marketing, staffing, internal communications and support for new stores opening in the area. Many activities were applicable to

Action Area / Process	Description
Marketing management	Plan and implement marketing for the store and region
Staff resource management	Ensure the right people in the rightplace at the right time
Performance management	Actively manages performance and development (success)
Leadership / Coaching	Be in the store at the right times
Internal Communications	Conduct effective comms forums with store staff and rest of Company
Financial Control	Maintain financial control of the store
HSE Control	Ensure HSE compliance
Expansion support	Support effective store openings in your area

several levels of management – for example the 'excellent resource management' activity is required of Regional Directors, Store Managers and Assistance Managers, but what this means to each role is different. Area Directors needed to 'have a regional manpower plan in position that allows for reasonable turnover and training to take place'. Store Managers needed to 'ensure that effective staff rotas are designed and implemented'. Assistance Managers needed to 'run great shifts, ensuring staff are deployed appropriately'.

Perspective: Behaviours

As indicated, this retailer had a strong culture, articulated by the firm's founders in its early days and partially responsible for the organisation's success to date. Behaviours were therefore an important aspect of employee performance. This 'softer' perspective on performance

describes the values and norms of behaviour required of employees at all levels, as per the example to the right. Again, these terms are interpreted and described differently for different levels of employee. Teamwork at the Regional Director level means in part that 'store managers are proud to work in the Regional Director's team', while for front-line employees it means 'understanding how they impact on others as part of a high performance team'.

Performance Objective	Standard Expected
Planning and organising	<ul style="list-style-type: none"> • RD has effective plans in place to enable the delivery of all standards listed above
Communication	<ul style="list-style-type: none"> • RD's team feel well informed and are able to achieve through RD's effective communication with them • RD communicates effectively with all central support functions and is well respected for their communication
Teamwork	<ul style="list-style-type: none"> • RD has effective teamwork within their region and operates as an effective team member with their peer group • SM's are proud to work in the RD's team
Self Development	<ul style="list-style-type: none"> • RD is active in making sure they are continually developed
Problem Solving and Decision making	<ul style="list-style-type: none"> • RD is able to identify potential problems and seek appropriate solutions • RD is able to make and implement effective decisions that demonstrate sound judgement
Leadership	<ul style="list-style-type: none"> • Able to inspire, motivate, energise and lead a team of SMs and Ams

Outcomes achieved

- The three-perspective framework made it relatively easy for employees to understand the 'balanced' performance that was required of them: their behaviours underpin their ability to properly perform their job and its associated activities, which in turn underpin the results they are able to deliver;
- The retailer's EPM system successfully applies Activity and Behaviour objectives and descriptors that are meaningful to the various levels in the organisation. Overall, broad objectives that are applicable at multiple levels of the organisation are defined specifically for each level, again maximising relevancy while ensuring organisational alignment. This is particularly helpful in a fast growing organisation that sees more rapid employee promotion than in a typical commercial organisation – as employees move up the hierarchy, their personal objectives evolve and become more extensive, but remain consistent with their earlier performance expectations;
- Employees are now evaluated using a mix of objective and subjective measures, particularly within the Behaviour perspective. While many organisations play lip service to values, this retailer identifies values as central to performance, accounting for one third of an employee's evaluation;
- Finally, the new system is in operation across the UK, used by thousands of employees in an ever-increasing number of stores and underpinning the organisation's continued financial success.

About 2GC Active Management...

2GC is a research-led consultancy expert in addressing the strategic and performance management issues faced by organisations in today's era of rapid change and intense competition. Central to much of 2GC's work is the application of 3rd Generation Balanced Scorecard, an approach to strategic implementation, strategy management and performance measurement.

This case study is one of a broad collection of materials and resources relating to Performance Management that can be obtained for free from the 2GC Active Management web site. Visit it at <http://www.2gc.co.uk/> or contact 2GC directly by phone or email for more information on this or other topics.

